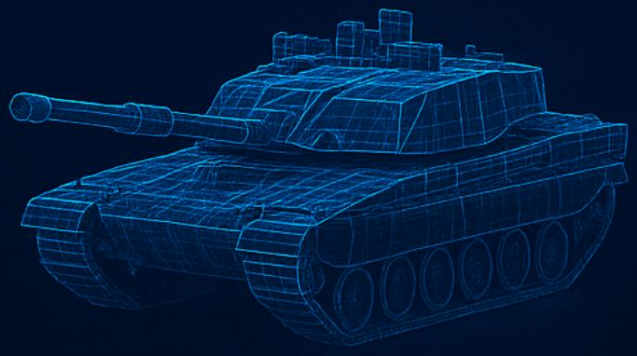
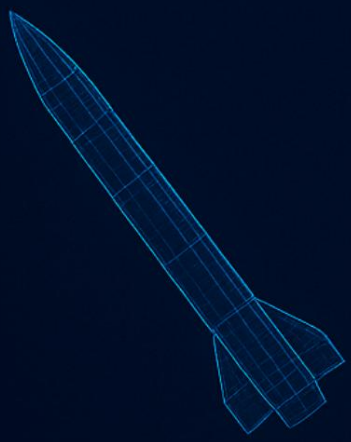
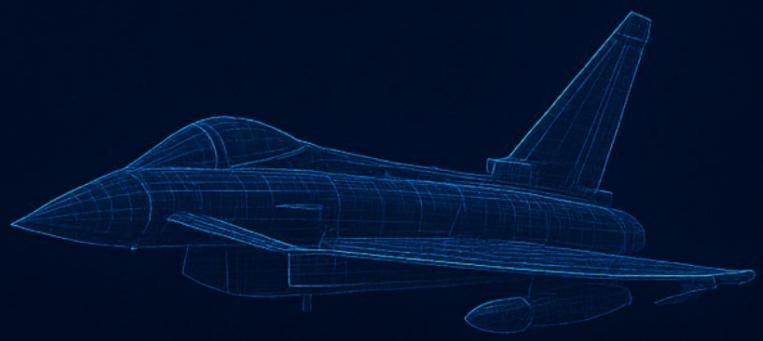
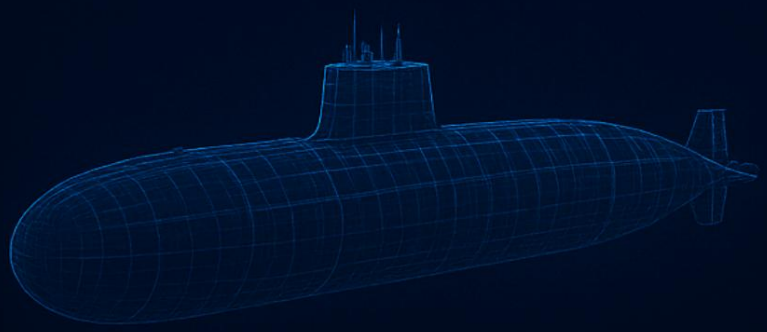
White Paper for UKDI: How can MOD do more with less of its own people?

Published 18th December 2025









Ministry of Defence

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Executive Summary

To deliver on its commitments under the Strategic Defence Review 2025[1], the Defence Technology Framework[2], and the Defence Industrial Strategy 2025[3], the Ministry of Defence (MOD) must accelerate innovation and improve efficiency while maintaining operational readiness. These documents collectively call for a more agile, outcome-driven approach to capability delivery, reduced reliance on outdated processes, and stronger collaboration with industry partners. Meeting these objectives is critical to safeguarding UK sovereign capabilities and ensuring Defence remains competitive in an increasingly complex global security environment.

The UK Defence Industry has long faced a need for transformation. It has deep rooted historical structural and cultural challenges which, coupled with outdated processes and fragmented frameworks, has slowed innovation and compromised operational readiness. The current environment hinders collaboration, creates barriers for SMEs, and hinders UK sovereign capabilities and economic growth. To meet increasing delivery demands with previous and impending headcount reductions, MOD must shift from process-orientated approaches to outcome-driven models that accelerate innovation and positive change.

This paper lists six challenges, which were identified, to support UKDI and wider MOD for them to get after this change, in an in-person workshop involving representatives from major primes and SMEs. Attendees provided valuable insights into the barriers facing UK Defence and the recommendations Team Defence present in this document. The challenges are:

- **A risk-averse culture and resistance to change**, prioritising compliance over results.
- **Opaque and fragmented frameworks**, creating duplication, delays, and confusion for suppliers.
- **Rigid procurement processes**, lacking agility and causing costly delays.

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[1] Ministry of Defence, *The Strategic Defence Review 2025: Making Britain Safer—secure at home, strong abroad* (London: The Stationery Office, 2025), https://assets.publishing.service.gov.uk/media/683d89f181deb72cce2680a5/The_Strategic_Defence_Review_2025_-*Making_Britain_Safer*-_secure_at_home__strong_abroad.pdf.

[2] Ministry of Defence, *Defence Technology Framework* (London: The Stationery Office, September 2019), https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/830139/20190829-DTF_FINAL.pdf.

[3] Ministry of Defence, *Defence Industrial Strategy 2025: Making Defence an Engine for Growth* (London: The Stationery Office, 8 September 2025), ISBN 978-1-5286-5879-9, https://assets.publishing.service.gov.uk/media/68bea3fc223d92d088f01d69/Defence_Industrial_Strategy_2025_-_Making_Defence_an_Engine_for_Growth.pdf.

- **Barriers for SMEs**, including visibility issues, long contracting cycles, and concerns around their ability to maintain long-term participation or viability in Defence contracts.
- **Siloed data and poor collaboration**, leading to knowledge gaps and reduced innovation.
- **Resource cuts and headcount reductions**, increasing pressure on MOD to deliver more with fewer personnel.

To address these challenges, the paper sets out four key recommendations:

- **Embrace the UKDI Model** to drive cultural change and accelerate technology delivery from concept to operations.
- **Streamline frameworks** into better harnessed, transparent, outcome-driven structure to improve accessibility and reduce complexity.
- **Create secure digital collaboration platforms** to enable data sharing and foster partnerships between primes and SMEs.
- **Simplify the Defence environment** through standardised procurement processes, clear timelines, and iterative contracting.

To address the six challenges and implement the recommendations, this paper presents four sections outlining reflections and factors for consideration. These sections provide a structured approach to cultural change, framework simplification, digital collaboration, and procurement reform. The UKDI initiative provides a clear roadmap for transformation (further details in annex 7.2). Success will depend on strong leadership, continuous engagement with trade bodies, and effective allocation of resources under UKDI.

The views, thoughts, and opinions expressed in this publication belong solely to the individual contributors and do not necessarily reflect the official policy, position, or views of our broader membership base.

Contents

1 Background and Context

The Ministry of Defence (MOD) operates within a complex and dynamic global security environment, requiring alignment with wider strategic priorities such as readiness, resilience, and technological advantage. These priorities are articulated in key documents including the Strategic Defence Review 2025[1], the Defence Technology Framework (2019)[2], and the Defence Industrial Strategy 2025[3]. Collectively, these strategies call for agile capability delivery, rapid technology adoption, and stronger collaboration with industry partners to maintain operational superiority and UK sovereign capabilities.

Despite these ambitions, MOD faces deeply embedded cultural and structural barriers that hinder progress. A risk-averse culture, outdated processes and fragmented frameworks slow innovation, compromise operational readiness, and create barriers for SMEs. These challenges threaten MOD's ability to deliver at pace, particularly considering ongoing headcount reductions and increasing delivery demands. UK Defence must address these issues if it is to achieve the strategic vision and sustain competitiveness in an evolving threat landscape.

To address these systemic challenges, the Ministry of Defence has launched the UK Defence Innovation (UKDI) initiative for whom this White Paper is intended to help inform, a centralised model designed to accelerate capability delivery and foster collaboration across the Defence ecosystem. UKDI consolidates previously fragmented innovation bodies under the National Armaments Director, creating a single point of entry for industry partners and SMEs. Its mandate focuses on three core functions: finding and growing UK businesses for Defence, proving and exploiting novel technologies into operational use, and setting strategy and assurance for innovation. Further details on UKDI's structure and objectives are provided in Annex 7.2.

2 The Current Delivery Model is Slow and Outdated

The MOD's current delivery model reflects a legacy approach designed for stability rather than agility. In the past, it effectively managed risk and ensured compliance; however, the model struggles to meet demands of today's dynamic, changing landscape. Increased global unrest, along with strategies outlined in the Strategic Defence Review 2025[1] call for faster capability delivery and improved adaptability across the industry. However, the preference for heavily process-driven, fragmented frameworks, and the slow pace of technology advancement remain, widening the gap between MOD's ambitions and its ability to deliver operational advantage at pace.

Illustration of the six key challenges the Defence Industry is facing:

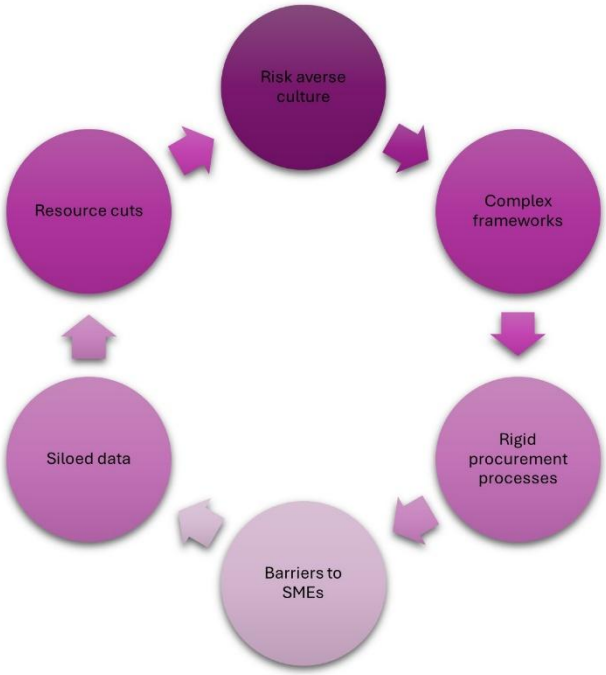

Figure 1. Visual Overview of Six Key Challenges the Defence Industry Face

We must first understand the current model's limitations if we are to identify areas that need change. Team Defence Information held a stakeholder engagement meeting with participants from major primes and SMEs. Together, we identified the six challenges illustrated in Figure 1, which are discussed in detail in the following sections.

2.1 Risk-Averse Culture and Unwillingness to Change

Main Challenge and Implication Mapped:

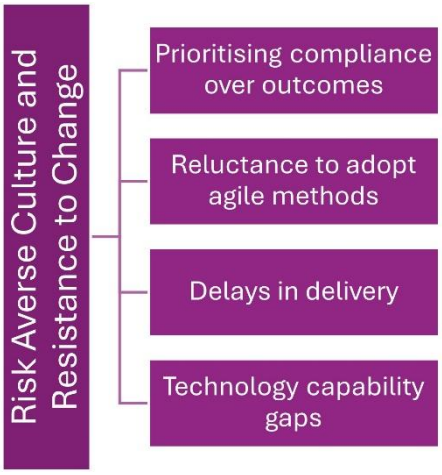

Figure 2. Challenges Related to MOD Culture Mapped to the Implications

MOD admits that it is a barrier to the UKDI mission[4]. Recent publications[1] [5] [6] and our workshop highlighted the organisation's deeply embedded risk-averse culture as a major barrier: its culture prevents MOD from taking steps towards a more innovative future.

Risk management is a critical process but needs to be sensibly and pragmatically applied. In practice, procedures are overly complex. Compliance with lengthy procedures, extensive governance, and long internal approval cycles delay projects and reduce the quality of outputs. Internal delays cause frustration and increase admin costs, yet the MOD remains reluctant to adopt more agile methods of working.

Organisational resistance to change is a direct result of this risk-averse culture. There are examples across the MOD where resistance to change has prevented it from outsourcing proven solutions to in-house problems. For example, during the recent modernisation of MOD IT systems, an explored external solution would have provided a much more sophisticated method than the chosen in-house solution[7].

Instead, MOD often spends more resource developing less sophisticated internal solutions with limited capability. In part, MOD's risk aversion is due to its fear of vendor lock-in, and a desire to be master of their own destiny. However, it lacks the agility to change and does not currently have the Suitably Qualified and Experienced Person (SQEP) or contractual freedoms.

2.1.1 Slow and Inefficient Decision Making

Defence's risk-averse culture makes it increasingly difficult to implement initiatives and frameworks that facilitate change. Where this has been attempted, frameworks lack proper objectives that would hold MOD accountable to the changes. Instead, they favour broad targets that lack specific timeframes or results.

For example, the recent Strategic Defence Review (2025)[1] and the Defence Technology Framework (2019)[2] mention broad ambitions and priority areas, but do not specify timeframes.

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[4] Ministry of Defence, 'UK Ministry of Defence Launches New Initiative to Accelerate Defence Tech Development', *Defence Innovation Review*, 21 July 2025, <https://defenceinnovationreview.com/2025/07/21/uk-ministry-of-defence-launches-new-initiative-to-accelerate-defence-tech-development/> [accessed 15 December 2025].

[5] HM Government, *Integrated Procurement model: Driving Pace in the Delivery of Military Capability*, available at: https://www.gov.uk/government/publications/integrated-procurement-MODel-driving-pace-in-the-delivery-of-military-capability/integrated-procurement-MODel-driving-pace-in-the-delivery-of-military-capability [accessed 3 December 2025].

[6] HM Government, 'Government to Turbocharge Defence Innovation', available at: [accessed 3 December 2025].

[7] National Audit Office, *Ministry of Defence: The Defence Information Infrastructure*, available at: https://www.nao.org.uk/reports/ministry-of-defence-the-defence-information-infrastructure/ [accessed 3 December 2025].

The historical focus has been on processes, not outcomes, and this has directly impacted the speed of innovation in the Defence Industry. Defence has failed to keep pace with commercial innovation. Access and interference to sharing data creates a barrier to emerging technologies such as artificial intelligence (AI) and the cloud. However, other high-risk sectors, such as financial services and healthcare, are leading adopters of the technologies. MOD now has a huge technology capabilities gap and is desperately playing catch up[8].

2.2 Opaque and Complex Frameworks

Main Challenge and Implication Mapped:

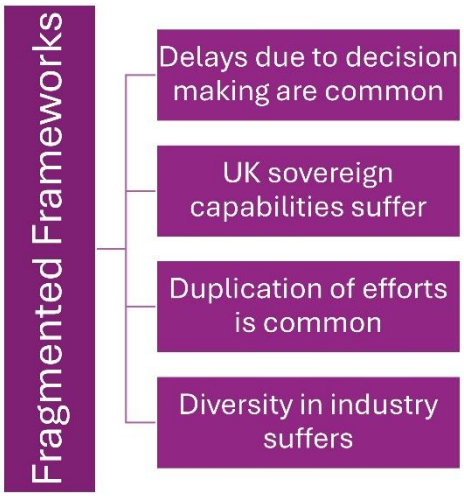

Figure 3. Challenges Related to Current Frameworks Mapped to the Implications

MOD Procurement frameworks (CADMID[9]) are regularly criticised for being fragmented, confusing, duplicated, all different, and misaligned with commercial equivalents (such as Toyota Lean Procurement[10] and Amazon Business Procurement Model[11]).

[8] Marc Giesener et al., *Overcoming the Six Barriers to Defense Innovation*, Munich Security Conference & Boston Consulting Group Report, 11 February 2025, 3, noting that "ministries' aspirations for innovation" are increasingly mismatched with their ability to deliver, and that the gap has widened since 2022.
[9] Ministry of Defence, *Defence Acquisition Operating Framework* (London: MoD, 2020), describing CADMID as the standard acquisition process.
[10] Toyota Motor Corporation, *The Toyota Way: Lean Procurement Principles* (Tokyo: Toyota Motor Corporation, 2023), outlining lean procurement practices focused on waste reduction and process simplification.
[11] Amazon Business, *Procurement Solutions for Organizations* (Seattle: Amazon.com, Inc., 2025), detailing streamlined purchasing processes and integrated compliance features.

The recent digital twin[12], cyber resilience[13], and AI integration[14] frameworks all had similar proposals, but their different compliance standards created confusion and unnecessary administrative work, delaying related contracts and increasing costs. This is a common experience in Defence because each different framework has its own rules, onboarding process, and visibility requirements making it harder for suppliers to navigate, see where they fit, and therefore help.

The lack of transparency surrounding requirements, contract awards, and decision-making processes prevents suppliers from understanding how current opportunities are advertised. This issue is a particular blocker for industry because no clear route for engagement is defined.

Fragmented frameworks have created slow and inefficient processes, starting at the MOD and filtering down the supply chain. The inconsistencies across frameworks create delays due to confused decision-making being common, often causing delays that can last months. Such disruption affects organisations across the Defence Industry and significantly slows down outputs. These delays are a key barrier to UKDI and the strategic desire to deliver innovation at pace. Furthermore, fragmented frameworks cause a duplication of efforts, which has become a common occurrence across the Defence Industry, especially in asset and supply chain management.

2.2.1 UK Sovereign Capabilities Suffer

UK Sovereign Defence capability refers to the ability to design, develop, build, and operate critical Defence systems and services entirely within the UK[15] (Sovereign Capabilities are covered in more detail in Annex 7.4). It includes the independent capacity to design, manufacture, and upgrade critical systems. It is a strategic imperative to respond to national interests and potential threats, without relying on other states.

If frameworks continue to be fragmented, the Defence Industry will continue to experience significant impacts. If non-Defence Primes and Small Medium Enterprises

[12] HM Government, *The National Digital Twin Programme (NDTP)*, available at: https://www.gov.uk/government/collections/the-national-digital-twin-programme-ndtp [accessed 3 December 2025].
[13] HM Government, *Cyber Resilience Strategy for Defence*, available at: https://www.gov.uk/government/publications/cyber-resilience-strategy-for-Defence [accessed 3 December 2025].
[14] HM Government, *Artificial Intelligence Playbook for the UK Government*, available at: https://www.gov.uk/government/publications/ai-playbook-for-the-uk-government/artificial-intelligence-playbook-for-the-uk-government-html [accessed 3 December 2025].
[15] ADS Group, *Defence Procurement: Sovereign Capability Explained*, 18 February 2019 ("sovereign capabilities are Defence capabilities that should be built solely in the UK to protect the UK's freedom of action and operational advantage").

(SMEs) find it difficult identifying the correct route of engagement, they will likely struggle to enter the industry.

The complexity and opacity of these frameworks mean organisations spend valuable time and resource navigating them or taking their trade to an entirely different industry altogether.

The frameworks' inefficient processes, delays, and duplication of output can be very expensive. Often, they require more resource than originally budgeted, and payments are not made until the work package is completed. This further shrinks the pool of potential organisations. Industry Mission Partners (IMP), defined in Annex 7.3, are withdrawing from Defence contracts because there are larger, more straightforward profits to be made elsewhere.

Delays affect suppliers' cashflow, putting them under unnecessary financial pressure. At a time when MOD is actively trying to expand and diversify its supply chain, it is driving funding away from innovation to help fund these delays.

If existing UK-based Defence suppliers leave the industry to trade elsewhere or overseas, diversity decreases, further reducing the UK's sovereign capabilities and increasing its dependence on ally nations. This will mean less money is re-invested into the UK economy. A UK parliament report[16] identified FDM Digital Solutions, Gardner Aerospace, and eXception PCB as examples of smaller, specialist Defence manufacturers acquired by international firms and moving operations overseas.

[16] UK Parliament. *Foreign Involvement in the Defence Supply Chain*. House of Commons Defence Committee, HC 699, Session 2019–21. London: The Stationery Office, 14 February 2021. Available at: https://committees.parliament.uk/publications/4601/documents/46762/default/ [Accessed 10 December 2025].

2.3 Little to No Agility in Procurement Processes

Main Challenge and Implication Mapped:

Figure 4. Challenges Related to Procurement Process Mapped to the Implications

A lack of agility in Defence procurement compounds the delays elsewhere cementing the delivery process as a significant barrier. For example, the Levene Review (2011)[17] which aimed to introduce clearer accountability through streamlined approvals. Current procurement models lack agility and fluidity; in the Royal Navy's Type 26 Frigate programme these have caused delays of over four years, costing £233 million[18].

Like procurement frameworks, these processes lack clarity and have poorly defined steps and responsibilities. The ambiguity they cause results in slow and inconsistent decision-making across the industry, causing further delays and increasing potential suppliers' administrative burden.

The smallest contract changes can take months to approve, halting projects for large periods at a time and creating periods of uncertainty for suppliers. Multiple individuals layered across several MOD departments are often required to give their personal approval and, with each approval, an individual review cycle is required. Additionally, the MOD's deep-set, risk-averse culture and lack of defined accountability spark many lengthy internal delays as compliance and risk mitigation are prioritised over outcome.

2.3.1 Operational Readiness is at Risk

Years, or months-long project delays compromise operational readiness and response. Delays in upgrades or new capabilities prevent front-line military units from accessing

[17] Lord Levene of Portsoken, *Defence Reform: An Independent Report into the Structure and Management of the Ministry of Defence* (London: Ministry of Defence, June 2011), recommending structural changes to improve procurement efficiency.

[18] UK Defence Journal, 'Report Criticises Management of Type 26 Frigate Project', available at: https://ukdefencejournal.org.uk/report-criticises-management-of-type-26-frigate-project/ [accessed 3 December 2025].

the technologies that deliver tactical advantage, reducing the front-line's ability to adapt to evolving security threats. These delays extend the UK's reliance on outdated systems, making any vulnerabilities easy to exploit by an adversary armed with new, advanced technologies.

The rigid procurement models (one example being CADMID Cycle[9]) - and their associated capability requirements – prevent rapid innovation and the integration of cutting-edge solutions. A recent example of this can be seen when two government-backed drone integration programmes were stalled.[19] Not only did the businesses involved experience the negative implications of significant delays, but the deployment of the cutting-edge drones was also delayed.

Like fragmented frameworks, the lack of agility in procurement threatens to reduce diversity and the potential to grow UK sovereign capabilities (defined in annex 7.4). It hampers the creation of UK based jobs, is a drag on the economy, and undermines MOD's wider objectives to create critical Intellectual Property (IP) ownership of sensitive technologies[3].

2.4 SMEs Risk Exclusion from Contracts

Main Challenge and Implication Mapped:

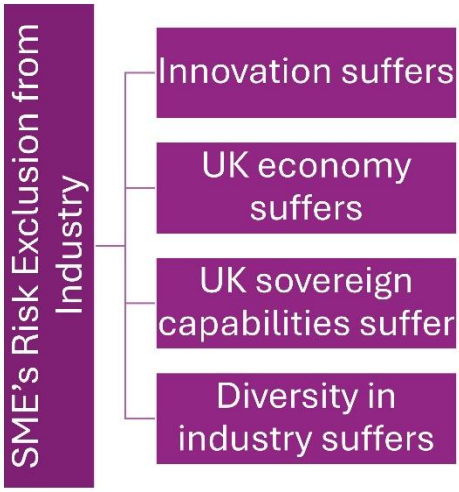

Figure 5. Challenges Related to SME Exclusion Mapped to Their Implications

[19] Defence Agenda, 'UK Defence Procurement Paralysis', available at: https://defenceagenda.com/uk-defence-procurement-paralysis/ [accessed 3 December 2025].

SMEs are vital contributors to innovation and improve diversity within the Defence ecosystem. However, they face many challenges that prevent them from thriving and reaching their potential impact.

Most Defence contracts contain lengthy cycles and require large administrative resource, making them expensive to compete for. Many SMEs tell us that contracts are tailored to benefit the primes, which have more disposable and familiar resources they can allocate to bid teams. The SMEs often lack the finances or people to sustainably bid for these contracts.

There is a lack of transparency regarding the requirements to bid on upcoming contracts. While many SMEs' solutions align with MOD priorities, they often miss the demand signalling altogether. With their much tighter cashflow, it is vital that SMEs identify relevant contracts early, so they can manage budgets and their involvement in advance.

The issue of cashflow is also a challenge for SMEs. Current methods of contracting do not allow for the breakdown of payments by shorter deliverables, often causing large cash flow issues and potentially hindering operations.

Defence programme life cycles can extend to 20-30 years, yet many SME product cycles last only 3-5 years. The MOD views the misalignment of these timelines as a large risk it is often unwilling to take. It is worried SMEs cannot provide long-term support, or that components become obsolete mid-programme, creating the need for redesign and larger delays[20].

When awarding contracts, MOD looks for suppliers that can guarantee long-term availability and have robust obsolescence management plans, which many SMEs are unable to offer.

The MOD has created multiple initiatives to enable SME involvement. The Defence SME Action plan defines dedicated SME commercial pathways[21] and the Defence SME Hub provides advice and guidance to SMEs entering the industry[22]. However, these initiatives collectively fail to address rapid contracting issues, long-term visibility issues, and support beyond initial funding.

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[20] Ministry of Defence, BAE Systems & BMT, *A Strategic Approach to Obsolescence Management* (London: MoD, 2020), noting that "MoD are heavily reliant on commercial technology… however, this technology is rapidly changing… the life cycle of such equipment is much shorter than that of many Defence assets," creating redesign needs and programme delays

[21] UK Defence Journal, 'MOD Outlines Procurement Reforms and Pledges SME Action Plan', available at: https://ukdefencejournal.org.uk/MOD-outlines-procurement-reforms-and-pledges-sme-action-plan/ [accessed 3 December 2025].

[22] UK Defence Journal, 'UK Launches New Defence Industry Hub for SMEs', available at: https://ukdefencejournal.org.uk/uk-launches-new-defence-industry-hub-for-smes/ [accessed 3 December 2025].

2.4.1 Innovation Suffers

Main Challenge and Implication Mapped:

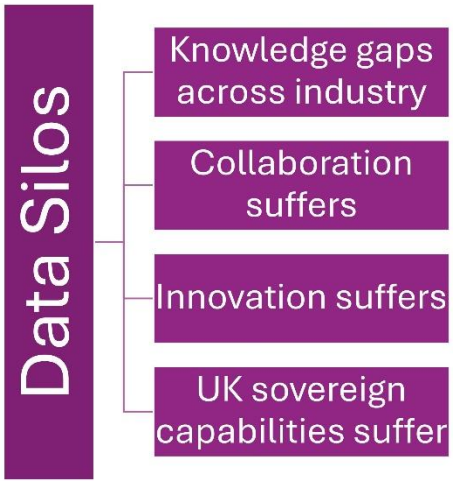

Figure 6. Challenges Related to Siloed Data Mapped to Their Implications

SMEs are a key driver for innovation in the industry. They operate with agility and their short decision-making cycles mirror MOD's future aspirations. Many SMEs operate in small niches and specialise in cutting-edge technologies. Their specialisation allows them to push boundaries and truly dedicate time to innovation. They can also offer Defence 'Spin-in' technology (paid for and developed in other sectors which can be easily repurposed). Additional, primes' existing Defence-specific development areas can be better harnessed when done in partnership with SMEs. By creating barriers specific to SMEs entering the industry, the industry is significantly slowing technological and innovation advancements.

While SMEs and Primes working together could act as huge drivers for innovation, both types of organisations have voiced concerns about the sharing of IP. The current types of IP Contracting conditions are defined in annex 7.5. However, SMEs especially, voiced that when MOD push for IP ownership in collaborative projects it prevents SMEs from wanting to get as proactively involved.

With significant entry barriers, overly complex procurement and restricted cashflow, SMEs struggle to operate in the Defence Industry. Outside Defence, contracts are often awarded much faster, incentivising SMEs to trade elsewhere. Consequently, ecosystem diversity decreases, the UK economy is negatively impacted, and innovation stalls.

2.5 Defence Data is Siloed

Collaboration is increasingly essential for effective innovation. However, the Defence Industry discourages the sharing of information and data, restricting stakeholders' ability to collaborate. A need-to-know culture is deeply embedded throughout Defence,

encouraging distrust between organisations. It creates a hierarchical, not collaborative, approach, which encourages the siloing of data.

Previously, inventory management data was restricted to the relevant Army, RAF, and Navy platforms, creating excessive stock build-up in warehouses as inaccurate inventory numbers drove orders[23]. Another pressing example is fragmented cybersecurity and operational data, which is distributed across classified networks. Each network has its own protocols and formats, restricting the potential to share data. It prevents analysts from accessing real-time threat data and slows the response to cyber incidents[24].

There are numerous examples of MOD and industry not sharing or not given access to important data which, when combined, can benefit all concerned. Examples range from fragmented collaborative working environments[25] to siloed data in cyber and intelligence systems.[26] All stakeholders must instil a culture where data sources are shared at every opportunity and the context explained so the magnification of effort can be achieved.

2.5.1 There is a Knowledge Gap Between MOD and Industry

Data siloes cause duplication of effort across defence, often in important programmes. It also means the knowledge from one task cannot be reused by others. It is costly, inefficient and ineffective. It also stifles Defence innovation. Defence Industry Organisations are often drip-fed incomplete information, so the technologies developed are not optimised and their impact is reduced.

Data fragmentation prevents the Defence Industry from collaboratively and efficiently executing innovation. Sharing data can drastically reduce the risk of duplication of efforts. There is little to no benefit to keep Defence data separate – all that achieves is to limit its value in the Defence Industry. Using it as an industry-wide resource, its value is maximised in the Defence Industry.

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[23] Public Technology, "MOD's Arsenal Management Hampered by Ageing IT and Data Siloes," available at: https://www.publictechnology.net/2023/09/19/defence-and-security/MODs-arsenal-management-hampered-by-ageing-it-and-data-siloes-report-finds/.

[24] National Audit Office, *The Digital Strategy for Defence: A Review of Early Implementation (Summary)*, HC 797, Session 2022–23 (London: National Audit Office, 19 October 2022), available at: https://www.nao.org.uk/wp-content/uploads/2022/10/Summary-The-Digital-Strategy-for-Defence-A-review-of-early-implementation.pdf [accessed 3 December 2025].

[25] Team Defence Information, *Collaborative Working Environment (CWE) Phase 3a Briefing Note* (Bristol: Team Defence Information, 2024), highlighting issues of fragmentation, limited reuse, and SMEs' reluctance to engage due to multiple bespoke CWEs.

[26] Elastic, *Breaking Down Data Silos in Defence and Public Sector* (London: Elastic, 2025)

2.6 Higher Output Demand but Less Resource

Main Challenge and Implication Mapped

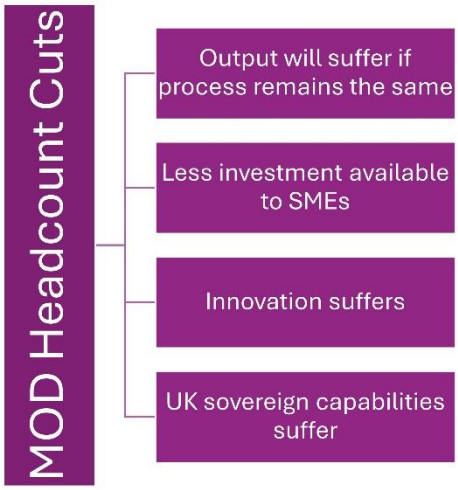

Figure 7. Challenges Related to Future Headcount Cuts Mapped to Their Implications

As part of its efficiency reforms, the Strategic Defence Review (SDR)[4] made a commitment to cut civil service costs by 10% by 2030. When announcing these cuts, it emphasised increasing internal efficiency to maintain or improve the MOD's output. If the MOD's current ways of working are not significantly improved, and it remains focused on stringent compliance standards, these cuts will have a drastic implication on output. The MOD's current problems will worsen.

AI, especially when providing a competitive edge, is breaking through the Defence Industry's significant resistance. Because of its need to either improve or maintain its output with reduced budgets, the MOD's enthusiasm for AI has increased. The MOD has established the Defence AI Centre to coordinate and strengthen internal capabilities, likely reflecting its risk-averse culture – though this approach may come at the cost of certain external capabilities[27]. The challenge is to ensure that in-house technology is continuously updated to maintain operational advantage. MOD will need to challenge its deep-set culture and create more collaboration channels where IMPs can support its output.

[27] UK Defence Journal, 'Balancing Public and Private Sector Roles in Defence AI', available at: https://ukdefencejournal.org.uk/balancing-public-and-private-sector-roles-in-defence-ai/ [accessed 3 December 2025].

2.6.1 Risks of Lower Output

With reduced headcount, an already stretched MOD must streamline all elements of the decision-making process, to ensure tasks can still be delivered within this diminished resource environment.

The MOD is risk-averse and resistant to change. The wholesale organisational change we propose is certain to meet resistance from individuals around the organisation. If change management is not implemented correctly, it will negatively impact the output and pace of work.

3 Recommendations for Change

Illustrated Summary of Recommendations and Their Outcomes:

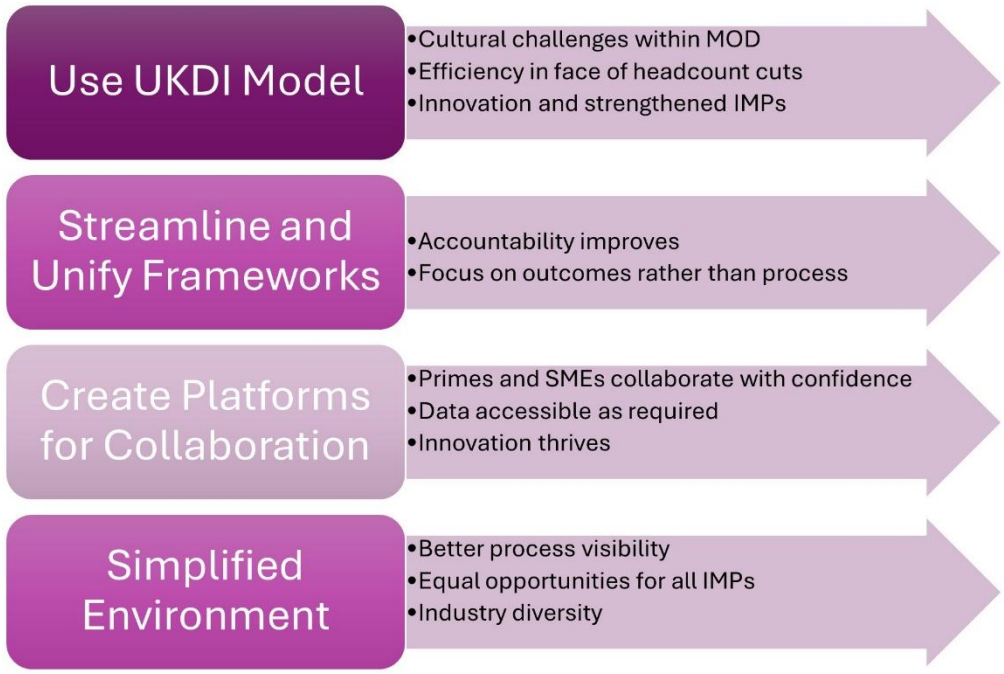

Figure 8. Overview of Recommendations Mapped to Expected Outcome

At Team Defence's industry workshop, the MOD outlined its acknowledged problem sets, which were recognised by participating industry stakeholders. These challenges were then mapped against the UKDI initiative, a centralised model under the NAD designed to act as the 'prove and exploit' engine for transformation.

As of April 2026, UKDIs will operate with a £400 million annual budget, centrally managed to drive innovation at pace. This substantial investment represents a new way of working, aimed at delivering the cultural and procedural changes needed to modernise Defence. UKDI is intended to break through cultural and structural barriers, accelerate capability

delivery, and foster collaboration across the Defence ecosystem. During the workshop, four key recommendations were developed to align with UKDI's mission.

3.1 UKDI Model to Combat Cultural Issues

KPI: The success of UKDI will be measured by how quickly it can move technologies from concept to operational use, reducing the current 5–6-year procurement cycles[28].

The UKDI model combats the MOD's deep-set cultural issues, the single biggest challenge to be resolved. The UKDI Model offers a fresh, structured approach to address these barriers, with new operating methods and governance that define routes of accountability – the NAD and ultimately the Secretary of State for Defence[29]. UKDI encourages healthy competition in industry, diversifies the ecosystem, and accelerates innovation.

The UKDI approach brings fresh thinking to the MOD's current process-driven procedures. Its 'prove and exploit' approach focuses on operational results over an initial two-year period. For example, it enhances existing frameworks with a more flexible mandate that uses top-down supplier selection that challenge the risk-averse behaviours currently shaping the MOD. For example, the selection process can filter candidates using 'Dragons' Den' style pitches and a 3-2-1 down-selection.

A clear directional drive uses IMPs more effectively and integrates them directly into delivery models, reducing the strain caused by headcount cuts.

3.2 Streamline Frameworks and Processes

KPI: Within the initial two-year UKDI period, streamline the current overlapping frameworks into fewer, better-utilised structures and introduce a new dedicated, outcome-driven and transparent framework endorsed by the MOD.

Industry wants the MOD to streamline its existing library of frameworks by making them fewer, more flexible and more transparent. Once implemented, this recommendation will overcome many of the framework issues we discussed previously and will improve access for IMPs.

Any overlapping frameworks should be unified, creating a central point of reference for each topic. The new frameworks should be vendor-neutral and contain transparent,

[28] HM Government, *A New Era for Defence Innovation: DASA, DIU and DES FCI Unite Under UK Defence Innovation (UKDI)*, available at: https://www.gov.uk/guidance/a-new-era-for-defence-innovation-dasa-diu-and-des-fci-unite-under-uk-defence-innovation-ukdi [accessed 10 December 2025].

[29] UK Parliament, 'Written Statement: HLWS762', 1 July 2025, available at: https://questions-statements.parliament.uk/written-statements/detail/2025-07-01/hlws762 [accessed 3 December 2025].

smaller, and modular structures to improve accessibility. Instead of today's catch-all capability, more focused expertise can be brought to bear. Requirements must be communicated accurately, comprehensively, in a wider more inclusive language and through reduced but better promoted mechanisms. These targeted, open access frameworks will create equal opportunities for primes and SMEs to collaborate boosting the industry's diversity.

Rapid onboarding should be at the forefront of framework design, allowing for new expert practitioners to increase diversity. Predefined entry criteria and fast-track approval processes should be included, to reduce timeframes. Regional clusters can bring together organisations based on location as well as capability.

Demand signalling processes must be clearly defined, so that new opportunities are advertised to SMEs through better marketed, forward-looking pipelines. These will provide full visibility of potential contracting opportunities, so they are able to effectively plan and budget their bids.

Wider industry engagement activities run by Team Defence are a useful resource that MOD must use better to facilitate industry collaboration and engagement. MOD must share early their requirements and ambitions to mobilise a more diverse supply base.

MOD must have empathy with its critical supply base to recognise smaller organisations' need for longer visibility, more assurance, and certainty of funding opportunities.

The US Department of Defense (DoD) recently underwent a similar transition, through its 2025 Acquisition Transformation Strategy[30]. The strategy's overriding goal was to deliver capabilities at 'War Time Pace'. Launched in 2020 as the Adaptive Acquisition Framework and later refined in the Acquisition Transformation Strategy in 2025, it has reshaped DoD into a fast-paced organisation adopting increasingly more commercial solutions[31]. As an independent example of rapid pace procurement, the MOD could learn much from the benefits of this transformation strategy.

3.3 Create Platforms and Enablers for Digital Collaboration

KPI: By the end of Year 2, deliver a secure, MOD-endorsed central collaboration platform accessible to 100% of Industry Mission Partners (IMPs), with active use by MOD teams and IMPs within 12 months of launch.

UKDI must be responsible for the provision of a collaboration platform. The platform can be used to create a mutually beneficial relationship between large and small IMPs.

[30] U.S. Department of Defense, *Acquisition Transformation Strategy*, 10 November 2025, available at: https://media.defense.gov/2025/Nov/10/2003819441/-1/-1/1/ACQUISITION-TRANSFORMATION-STRATEGY.PDF
[accessed 3 December 2025].

SMEs will bring their niche expertise while primes will provide scale, experience, and resource. Combined, these can only accelerate innovation[32]. There will be further positive benefits to supply chain resilience[33], knowledge sharing, trust between industries[24], and the UK economy[34]. However, an external specialist organisation should be used to act as the neutral, central facilitator.

The collaboration platform should be accessible to all IMPs and should house all relevant data, preventing delays, knowledge gaps, and reduced output. The platform must be secure. Similar platforms are successfully used across Defence, including MOD Cloud, used internally by MOD for collaboration[35], and Kahootz, used by some Defence companies for data sharing and project management[36]. For this recommendation to be successful, a singular contracting platform must be identified, implemented, and endorsed by the UKDI. A singular platform will unify data storage across industry to better enable the collaboration process.

A clear information sharing protocol is essential for effective collaboration and trust between organisations. These protocols must directly address the issue of IP ownership after collaboration and how it will be protected. Defence will not thrive if distrust and unwillingness to collaborate is caused by uncertainty over IP.

Regardless of which central platform and facilitating body is selected, the UKDI must provide its full support from the top of the organisation. This will force change within the MOD and the wider Defence Industry, fostering an environment that is inviting to new organisations.

3.4 Simplify the Environment

KPI: Meet the previously stated KPIs in a defined timeframe. Create new standardised procurement procedures, which have specified timeframes for contract awards and continuous funding opportunities.

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[32] Zahoor, N. & Al-Tabbaa, O., 'Inter-organizational Collaboration and SMEs' Innovation: A Systematic Review', *Scandinavian Journal of Management*, 2020, DOI: 10.1016/j.scaman.2020.101109.
[33] British Chambers of Commerce, 'SMEs Key to Defence Industrial Strategy', available at: https://www.britishchambers.org.uk/news/2025/09/smes-key-to-defence-industrial-strategy/. [accessed 3rd December 2025]
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[accessed 3rd December 2025]
[36] Kahootz, 'How Cloud Collaboration Tools Have Changed for the Defence Industry', Kahootz Blog, available at: https://www.kahootz.com/cloud-collaboration-tools-changed-defence-industry/ [accessed 4 December 2025].

Environmental complexity is an overarching challenge for the entire Defence Industry. Numerous factors create complexity, including inconsistent frameworks, scattered and uncoordinated resources, and rigid procurement procedures. We addressed framework simplification in previous recommendations, which is a step toward environment simplification. Similarly, scattered resources will be addressed by a centralised facilitating body.

The third step to simplify the environment is to standardise procurement processes across the industry. Industry needs clear and well-documented workflows that detail the contracting and approvals process. This line-of-sight visibility gives new-to-Defence companies the confidence to bring their enhanced and wider capabilities. The publication of standard templates and timelines should be prioritised; this removes the current ambiguity in procurement processes and provides a resource for IMPs to hold MOD accountable if unreasonable delays occur.

Continuing the topic of delays, strict timelines must be set for the approval of contract reviews and amendments. They will combat the lengthy delays currently triggered by small contract changes. A mechanism that escalates overdue approvals should be written into new procedures to further prevent delays.

Iterative contracting must replace the current rigid procurement models, enabled by the adoption of agile processes. Projects should be split into smaller phases with clear milestones; these milestones are the markers for phased funding. This will help counter the common delays in contract payments IMPs currently experience.

An existing example of MOD contracts protecting contractors is the cost-plus model. The approach reimburses contractors for all allowable direct and indirect costs while adding an agreed profit margin. This approach reduces contractor risk on complex or uncertain projects, but places greater financial responsibility on the MOD. Contracts operate on an "open book" basis under the Defence Reform Act 2014[37] and Single Source Contract Regulations 2014[38] to ensure transparency and fair profit rates. However, it also presents challenges: potential cost overruns due to weaker incentives for efficiency, the need for intensive oversight and auditing, and uncertainty around final contract values compared to fixed-price models. Given UKDI's mandate to stimulate innovation and accelerate capability delivery, industry has expressed interest in further exploring how cost-plus contracting could be leveraged to balance these benefits and risks in support of sovereign capability and procurement reform.

[37] *Defence Reform Act 2014*, c. 20 (UK).
[38] *Single Source Contract Regulations 2014*, SI 2014/3352 (UK).

4 Implementation Roadmap

Timeline for UKDI Success:

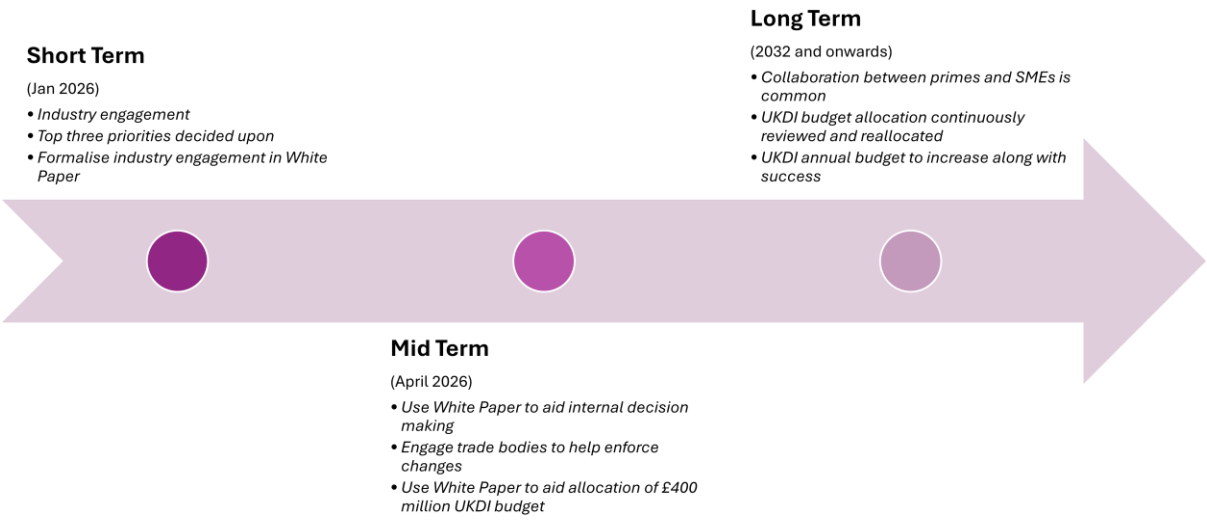

Figure 9. Timeline of UKDI Success

Short Term (January 2026):

1. Continue to encourage industry engagement and collaboration to produce formal recommendations for the UKDI initiative.
2. Agree on three specific target areas and recommendations that directly target these areas.
3. Identify current industry challenges, implications, and recommendations for improvement in a UKDI White Paper.

Medium Term (April 2026):

1. From publication, the White Paper will be used by decision makers in the MOD to implement the UKDI framework effectively and encourage change.
2. Share UKDI goals with trade bodies to help implement change.
3. Use the recommendations from the White Paper to effectively allocate the initial £400 million budget to boost innovation at pace.

Long Term (2032 onwards):

1. Collaboration between primes and SMEs will be common practice.
2. UKDI budget allocations are continuously reviewed and reallocated to select IMPs to foster innovation and collaboration.
3. UKDI annual budget will increase as framework demonstrates success.

5 Conclusion

Illustrated Unified KPI Dashboard:

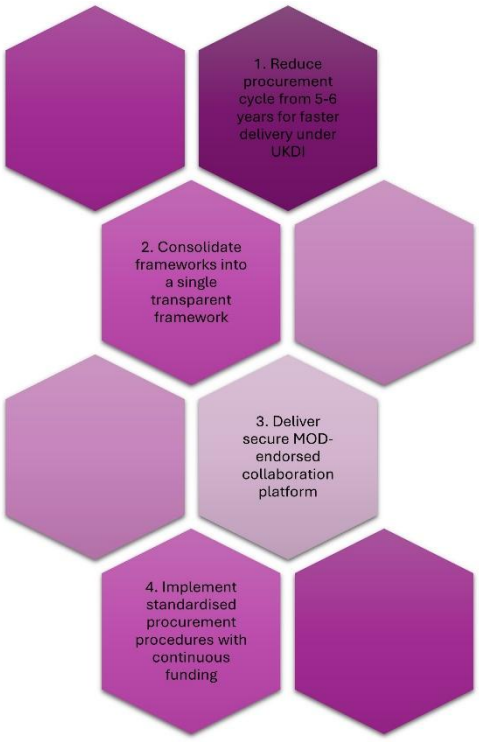

Figure 10. Unified KPI Dashboard

The UK Defence Industry faces significant structural and cultural challenges that hinder innovation, efficiency, and collaboration. Deeply embedded risk aversion, fragmented frameworks, and opaque procurement processes have created barriers for both primes and SMEs, slowing the pace of innovation in Defence and reducing ecosystem diversity. These issues not only compromise operational readiness but also threaten the UK's sovereign capabilities and hamper economic growth. Addressing these challenges requires a shift toward outcome-driven models, streamlined frameworks, and transparent processes that enable rapid onboarding and transparency for all industry partners.

The recommendations outlined in this paper provide a clear roadmap for transformation. Our KPIs, summarised in figure 10, above, can be used to hold UKDI to account. By consolidating frameworks, creating secure collaboration platforms, and simplifying procurement procedures, MOD can foster an environment that accelerates innovation and strengthens partnerships across industry. Success depends on strong leadership, continuous engagement with trade bodies, and effective allocation of resources under UKDI. If implemented correctly, these measures will position the UK Defence sector to deliver innovation at pace, enhance resilience, and maintain its competitive edge in an increasingly complex global security landscape.

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7 Annex

Annex 7.1 Acronyms

Acronym	Definition
AI	Artificial Intelligence
CDLS	Chief of Defence Logistics and Support
IMPs	Industry Mission Partners
IP	Intellectual Property
KPI	Key Performance Indicator
MOD	Ministry of Defence
NAD	National Armaments Director
SME	Small and Medium Enterprises
SQEP	Suitably Qualified and Experienced Person
TDI	Team Defence Information
UKDI	UK Defence Innovation
DNS	Defence Network Structure
COTS	Common Off-The-Shelf

Annex 7.2 What is UKDI?

UKDI was launched in July 2025 as part of the MOD reforms, it ties together the previously separate MOD organisations: Defence Innovation Unit (DIU), Command Innovation Hubs, and DE&S Future Capability Innovation (FC). Each separate organisation has similar aspirations, UKDI aims to create a central point of reference under the National Armaments Director (NAD) group[39].

The UKDI aims to deliver its key mission of accelerating the UK's innovation capabilities over a two-year principle through main functional areas:

1. Find, grow, and encourage: UK businesses to focus on developing products and services for Defence. Setting conditions for wider UK and international collaboration.
2. Prove and exploit: Accelerate novel capabilities, technology and ways of working into operational use. Funds and delivers innovation projects.
3. Strategy and Assurance: Setting policy and strategy for innovation[1].

UKDI aspires to overcome the slow contracting and risk averse processes currently shaping the MOD. Both these are considered key blockers preventing the MOD from keeping up with innovation in the commercial sector. It aims to overcome these barriers by acting as a single point of entry for IMPs, paying particular attention to SMEs and by supporting WarDev experimentation so military users can test capabilities before full-scale procurement.

Once established, it aspires to create competitive selection models, in a Dragons' Den type scenario with a 3-2-1 down selection process to ensure effective investment. The model has a strong focus on building UK sovereign capabilities, with an initial £400 million annual budget that will be invested into UK based IMPs to help them grow and in turn grow the UK economy. As Defence is a risk averse industry, UKDI aims to manage the increased risk of rapid innovation and encouragement of SMEs with smaller profit margins. It aims to use its Dragons' Den style approach and proposed WarDev 'try before you buy' culture to help manage the risk of investing in new technologies.

As well as the above-mentioned organisations that will become a part of UKDI, it shares similar aspirations with other organisations across the Defence industry. These include:

[39] HM Government, 'A New Era for Defence Innovation: DASA, DIU and DES FCI Unite Under UK Defence Innovation (UKDI)', available at: https://www.gov.uk/guidance/a-new-era-for-defence-innovation-dasa-diu-and-des-fci-unite-under-uk-defence-innovation-ukdi (accessed 4 December 2025).

- CDLS Initiatives: Also falling under the NAD group, this covers the Modernisation of Defence support and prioritises innovation to target this. Many of the initiatives the CDLS supports look to do support better and more efficiently.
- Space Command: TDI are currently working with industry partners Arcadis to support space commands integration with the commercial space industry. The topic at the forefront of this discussion is enabling rapid innovation in Defence by strengthening industry partners.

Annex 7.3 Scope of an Industry Mission Partner (IMP)

Defined as trusted Partners integrated into Defence delivery Models to accelerate innovation and improve efficiency[27]. An IMP is an organisation, prime contractor or SME, who collaborates with MOD to deliver capabilities or services[5]. Responsibilities of an IMP are as follows:

- **Mission Alignment:** working directly on projects that support MOD's strategic goals (readiness, technology adoption, and innovation[5].)
- **Collaboration:** engaging in join initiatives, frameworks, and platforms to share expertise, research and technology[40].
- **Diversity of Partners:** including large primes for scale and SMEs for innovation, creating a balanced eco system[2].
- **Accountability:** operating under MOD governance and compliance standards[1].

This paper outlines clear barriers to IMPs that could prevent them from their goals and responsibilities. UKDI aims to combat these and help empower IMPs to reach their full potential.

[40] UK Defence Journal, 'MOD Outlines Procurement Reforms and Pledges SME Action Plan', available at: https://ukdefencejournal.org.uk/mod-outlines-procurement-reforms-and-pledges-sme-action-plan/ (accessed 4 December 2025).

Annex 7.4 Definition of Sovereign Capability and Landed Capability

UK Sovereign Capabilities refer to the nation's ability to independently design, develop, manufacture, and sustain critical Defence technologies and platforms without reliance on foreign states or external suppliers. This autonomy ensures freedom of action, operational resilience, and strategic security in an increasingly complex global environment. Sovereign capability encompasses not only the production and maintenance of military assets but also the safeguarding of intellectual property, supply chain integrity, and technological advantage. Preserving and strengthening these capabilities is essential for national security, economic growth, and the UK's ability to respond rapidly to emerging threats while maintaining control over sensitive technologies.

Another Defence setting common reference subset within sovereign capability is 'landed capability'. For further clarification, this refers to companies located in the UK but owned outside the UK, generally referred to by several terms depending on their legal structure and the context (business, legal, or statistical).

Common Terminology

- **Foreign-owned businesses or Foreign-owned UK businesses:** This is the most common and general descriptive term used by entities like the Office for National Statistics (ONS).
- **Subsidiaries:** If the UK company is a separate legal entity from its foreign parent company (which is the common choice for overseas businesses), it is a UK subsidiary of a foreign company. This is an independent UK-incorporated company, but it's shares are controlled by the overseas entity.
- **Overseas companies with a UK establishment:** If the foreign company has a physical presence in the UK (like a branch or place of business) but that presence is not a separate legal entity, it is referred to as an overseas company operating via a UK establishment. In this case, the foreign company itself enters contracts and assumes liabilities in the UK.

Annex 7.5 MOD Standard IP Contract Conditions

MOD primarily uses two standard contract conditions that define the ownership and usage rights of intellectual property (IP) developed during a contract:

DEFCON 703 and **DEFCON 705**. The choice of contract determines whether the Crown or the contractor owns the newly created IP.

Contract Condition

	IP Ownership (Foreground IP)	MOD's Rights	Contractor's Rights
DEFCON 703	Vests in the **MOD** (the Authority).	MOD owns all IP and has broad rights to use, copy, and disclose the results for any purpose, including through third parties.	The contractor needs MOD consent to re-use or exploit the IP for other purposes and may have to pay a levy if commercialising it.
DEFCON 705	Vests in the **Contractor**.	MOD secures specific rights (a license) to use the developed IP for UK Government defence purposes.	The contractor retains ownership and is free to exploit the IP commercially, subject to the MOD's rights and security constraints.

Annex 7.6 UKDI Start Up Meeting Summary

26/11/25 – Industry Kick-off Meeting

UK Defence Innovation (UKDI) Programme Structure and Objectives:

The assembled team discussed the evolution, structure, and objectives of the UK Defence Innovation (UKDI) programme, focusing on accelerating capability delivery, fostering sovereign UK industry, and managing a significant innovation budget, with input from industry representatives.

- **Programme Evolution and Leadership:** The historical development of the UKDI was outlined, tracing its origins from the Future Covers Group (FCG) through to Future Capability Innovation (FCI), and finally to UKDI, highlighting the shift in remit and the integration of various innovation budgets under a single umbrella.
- **Objectives and Mandate:** It was clarified that UKDI's mission is to accelerate capabilities into operations within a two-year timeframe, prioritising higher Technology Readiness Level (TRL) projects, and to grow UK jobs and prosperity by focusing on sovereign capability, with a preference for UK-based industry unless foreign companies establish a significant UK presence.
- **Budget and Funding Mechanisms:** The team discussed the substantial annual budget for UKDI, estimated between £400 million and potentially to grow further, with the majority intended for direct industry engagement, and the need for scalable, efficient mechanisms to allocate and manage these funds without lengthy delays.
- **Industry Collaboration and Selection:** The process for engaging industry was described, including the selection of lead sponsors from Team Defence, the inclusion of SMEs for balance, and the intention to use competitive models such as 'Dragons' Den' style pitches to ensure the best solutions are funded and delivered**.**
- **Integration with Other MOD Initiatives:** The group noted the alignment of UKDI with broader MOD reforms, including the creation of the National Armaments Directorate (NAD), the rationalisation of innovation areas, and the intent to coordinate with other entities such as Dstl to avoid duplication and ensure coherent delivery.

Challenges in Defence Procurement and Delivery Processes:

Participants examined persistent challenges in MOD procurement and delivery, such as slow contracting, fragmented frameworks, risk aversion, and the impact on SMEs, and discussed potential solutions to streamline processes and improve outcomes.

- **Procurement Delays and Process Inefficiencies:** Multiple examples were provided of protracted contract changes, slow decision-making, and ill-defined processes within MOD and DNS, with delays sometimes lasting months and causing significant issues for both large and small suppliers.
- **Framework Complexity and Transparency:** The team discussed the proliferation of commercial frameworks, the lack of transparency in requirements and contract awards, and the difficulties faced by both SMEs and larger companies in navigating these structures, with calls for greater clarity and more open, modular frameworks.
- **SME Participation and Barriers:** Challenges SMEs face in accessing frameworks were highlighted, including the need for rapid funding and the risk of exclusion due to slow processes or lack of visibility, with suggestions for vendor-neutral frameworks and improved demand signalling to support SME involvement.
- **Cultural and Organisational Resistance:** A risk-averse culture, resistance to change, and a focus on process over outcomes were identified as major blockers within MOD, noting the need for cultural change, clearer accountability, and mechanisms to challenge unhelpful behaviours.
- **Proposed Solutions and Best Practices:** Suggestions included adopting more agile, outcome-focused processes, learning from successful models such as the US DoD Acquisition Strategy, and implementing mechanisms for rapid down-selection and continuous funding to avoid gaps between project phases.

Development of the White Paper and Stakeholder Engagement:

The team presented the structure and progress of the White Paper intended to capture industry input and provide actionable recommendations for UKDI, with a focus on aligning with reform priorities and ensuring broad stakeholder engagement.

- **White Paper Structure and Content:** The draft structure of the White Paper was outlined, including sections on background, complications, implications, recommendations, and an implementation roadmap, with input invited from participants to ensure the document addresses real industry challenges and proposes practical solutions.
- **Data Collection and Analysis:** The process of capturing meeting data, integrating insights from related White Papers (such as on Digital Twin and Space Command), and using expert guidance was described to ensure the document is impactful and accessible to senior MOD stakeholders.
- **Stakeholder Contributions and Review:** The team agreed on the importance of incorporating diverse perspectives, including those of SMEs, and committed to

iterative review cycles with key stakeholders to ensure recommendations remain relevant and actionable.

- **Alignment with MOD Priorities:** It was emphasised that the White Paper should align with current MOD reform priorities, provide concise, evidence-based recommendations, and support the case for industry mission partners and accelerated innovation delivery.

Role of Data, AI, and Digital Collaboration in Defence Innovation:

The increasing importance of data analytics, artificial intelligence, and digital collaboration platforms was discussed as key enablers for MOD to do more with less, improve decision-making, and foster cross-industry innovation.

- **Data Integration and Accessibility:** Participants highlighted the need to break down data silos within Defence, leverage knowledge, graph technologies, and ensure that data generated by projects is accessible and usable across organisational boundaries to maximise value.
- **AI Adoption and Impact:** MOD's strong focus on embedding AI across all domains was described, with examples of efficiency gains already achieved and plans for further integration, including the appointment of a dedicated Deputy Director for AI.
- **Digital Collaboration Platforms:** The group discussed the potential for sovereign cloud-based platforms to enable secure, modular collaboration among industry partners, including SMEs, and the importance of clear information-sharing protocols to support innovation while maintaining security.
- **Cultural and Organisational Challenges:** Challenges were noted in overcoming internal resistance to industry-led digital solutions, with some MOD teams preferring to develop in-house capabilities despite industry being more advanced, and the need for leadership to drive adoption of best-in-class tools.

Frameworks, Collaboration Models, and Industry Ecosystem Development:

The team explored the design and governance of frameworks, the importance of collaboration and modularity, and strategies to build a more effective and inclusive defence industry ecosystem.

- **Framework Design and Access:** Discussions centred on the need for frameworks that are transparent, modular, and accessible to a wide range of suppliers, with mechanisms for rapid onboarding and the ability to combine capabilities from multiple organisations to deliver complete solutions.
- **Collaboration and Matchmaking:** Participants identified the lack of a central body to facilitate collaboration and match complementary capabilities across the

industry, suggesting the creation of 'rainbow teams' and the use of programme management specialists to bridge gaps between primes and SMEs.

- **Risk Management and Accountability:** The group debated how to balance risk between MOD and industry, particularly when integrating new technologies or forming consortia, and the importance of clear governance and accountability structures to manage liability and ensure successful delivery.
- **Ecosystem Growth and Inclusion:** The intent to simplify the ecosystem, reduce the number of overlapping frameworks, and create regional clusters to improve access for diverse suppliers, including those outside traditional Defence hubs, was emphasised.

Cultural Change and Stakeholder Influence in Defence Reform:

The group addressed the need for cultural change within MOD and the wider Defence sector, the role of trade bodies and lobbying, and strategies for ensuring that innovation and reform are driven from the top and supported by clear, actionable messages.

- **Risk Aversion and Process Focus:** The team identified a deeply embedded risk-averse culture and a tendency to prioritise process over outcomes as significant barriers to innovation, with calls for leadership to promote a more open, outcome-driven mindset.
- **Role of Trade Bodies and Advocacy:** The influence of trade bodies in shaping ministerial and senior MOD perspectives was discussed, with encouragement for participants to use these channels to reinforce key messages and advocate for necessary reforms.
- **Concise Messaging for Decision-Makers:** The group agreed on the importance of distilling recommendations into a small number of clear, evidence-based points for Ministers and senior leaders, to maximise the likelihood of adoption and drive meaningful change.
- **Continuous Reinforcement and Adaptation:** It was noted that constant reinforcement of reform messages is required due to frequent personnel changes and the risk of reverting to established practices, with a need for ongoing engagement and adaptation to maintain momentum.

Future Opportunities and Strategic Direction for UK Defence Innovation: The team discussed future opportunities for UKDI, including the use of competitive models, the focus on sovereign capability, and the alignment with government priorities for speed, prosperity, and effective exploitation of innovation.

- **Competitive Selection Models:** Plans were described to use models such as 'Dragons' Den' and the 3-2-1 down-selection process to rapidly identify and fund

the most promising solutions, with an emphasis on continuous competition and spiral development**.**

- **Sovereign Capability and Prosperity:** The strategic direction includes a strong focus on growing UK-based industry, ensuring that investment leads to domestic job creation and technological advancement, and using offset arrangements where foreign procurement is necessary.
- **Alignment with Government and Ministerial Priorities:** The team highlighted the need to align UKDI activities with Ministerial directives for speed, efficiency, and UK prosperity, and to provide clear evidence of impact to secure ongoing support and funding.
- **Managing Technological Risk and Agility:** Approaches were discussed for managing the risk of investing in emerging technologies, including funding smaller batches for experimentation, using agile development cycles, and maintaining flexibility to adapt to changing requirements.

Follow-up tasks:

- **White Paper Development and Industry Input:** Incorporate the meeting's captured data and participant input into the White Paper draft, ensuring SME perspectives and recent event insights are reflected, and circulate for further collaborative feedback.
- **SME Barriers and Perspectives:** Provide detailed input on SME barriers and experiences for inclusion in the White Paper, particularly focusing on challenges with frameworks and market access.
- **Frameworks and Collaboration Mechanisms:** Review and advise on the effectiveness of existing frameworks, including suggestions for improving SME access and collaboration, and propose recommendations for the White Paper.
- **Alignment with UKDI Mission and Organisational Design:** Analyse and provide recommendations on UKDI's mission, vision, organisational design, and operating model, ensuring alignment with current MOD needs and strategic direction.
- **Cultural Change and Process Improvement:** Identify and document specific cultural and process barriers within MOD and industry that hinder innovation and delivery and propose actionable solutions for inclusion in the White Paper.
- **Cost and Efficiency Evidence for Industry Mission Partners:** Gather and present evidence-based metrics on cost savings and efficiency gains from using industry mission partners, including comparative figures with civil service staffing, for the White Paper.

- **Trade Body Engagement and Government Lobbying:** Coordinate with trade bodies and consider engaging with local MPs to reinforce key messages and recommendations from Team Defence to government and ministers.

Annex 7.7 Unique Differences in Behaviours Between Defence and Commercial Industries

The table below outlines some key differences in behaviours and drivers between Defence and commercial industries:

Subject	Defence Industry	Commercial Industry
Primary Driver	National security and operational readiness. The primary goal is to provide military forces with reliable, effective, and cutting-edge equipment to ensure success in combat and national Defence.	Profit motivated and market competition. The main objective is to maximise profits, expand market share, and deliver value to shareholders.
Risk Tolerance	Highly risk-averse in procurement. The long service life of military equipment and the importance of operational certainty mean that the Defence sector is slow to adopt unproven technologies. The priority is reliability and mission success over rapid innovation.	More tolerant of risk for innovation. Companies often take risks on new technology and business Models to gain a competitive edge. They balance the potential for high returns against the risk of failure.
Pace of Innovation	Historically slower due to extensive, structured processes. Large Defence projects, like aircraft carriers, can take decades to move from concept to deployment. The pace is set by long-term government requirements, not immediate market trends.	Faster and more agile. To stay competitive, companies must innovate rapidly to meet changing consumer demand. The development cycle for consumer products, like smartphones, can be as short as a year.
Customer Relationships	Small, concentrated customer base. The government MOD is the dominant customer for Defence products. This creates a close, often politicised, relationship where companies are dependent on long-term government procurement strategies.	Large, fragmented, and diverse customer base. Suppliers sell to numerous customers, forcing them to be more responsive to shifting market demands and consumer behaviour.
Market Dynamics and Entry	High barriers to entry. The capital investment, intellectual property requirements, and high security standards create significant obstacles for new entrants, especially SMEs. Established prime contractors with decades-long government relationships dominate the market.	Lower barriers to entry for many sectors. Market access is often more open, with a greater role for SMEs and startup culture.
Regulatory Environment	Stringent and complex. The Defence sector operates under extensive government regulations and security protocols due to the classified and	Varied, and often less restrictive. Regulations exist, but they are typically less comprehensive than those governing the Defence

	sensitive nature of its work. This can add bureaucracy and slow down processes.	industry. The focus is on commercial standards and industry regulations.
Technology Focus	Exclusivity and strategic advantage. The goal is to develop and maintain a technological edge for military superiority. The industry protects its intellectual property carefully due to national security implications	Dual-use and rapid exploitation. Companies often adapt and repurpose commercial technologies for military use. There is a modern focus on leveraging civilian tech like AI and autonomous systems for military applications.
Supply Chain	Resilience and security are critical. The Defence supply chain is built for resilience, even if it adds cost. It is vulnerable to geopolitical risks and single-supplier dependencies for critical, bespoke components.	Efficiency and cost-effectiveness are priorities. Supply chains are optimised for speed and cost. Commercial companies may face different risks, such as market volatility and intellectual property infringement.
Workforce Culture	Process-oriented and hierarchical. The culture often reflects the military's emphasis on hierarchy, process, and adherence to strict standards. This can foster an environment that is less agile.	Agile and entrepreneurial. The culture is generally less hierarchical and more focused on innovation, speed, and seizing market opportunities.

Annex 7.8 Who are Team Defence?

TD-Info is a UK-based, not-for-profit specialist Defence trade association that unites the Ministry of Defence (MOD), industry (large contractors to SMEs), and academia to modernise UK Defence Support, focusing on secure information sharing, standardising technology (COTS), improving efficiency, and fostering collaboration across the entire Defence supply chain for better through-life support of equipment and services. It acts as a crucial bridge, enabling secure, collaborative work between the MOD and its industrial partners on innovation, policy, and complex support solutions.

Key Aspects of Team Defence:

- **Collaboration Hub:** It's a trusted environment where MOD, industry, and academia work together, rather than in silos.
- **Focus on Support:** Its primary goal is to transform and modernise how the UK supports its Defence equipment and services.
- **Information & Technology:** Promotes common off-the-shelf (COTS) tech and secure Information and Communication Technology (ICT) to improve efficiency and interoperability.
- **Membership:** Includes Major Defence companies, niche SMEs, and academic institutions, all collaborating on shared challenges.
- **Activities:** Organises working groups, projects, and events to share knowledge, develop solutions, and influence policy.
- **Strategic Goals:** Addresses areas like sustainability, AI ethics, future technologies, and supply chain resilience.

In summary, Team Defence provides the structure and platform for the entire UK Defence enterprise (users, suppliers, innovators) to work as one cohesive ‘Team’ to achieve shared goals.

Annex 7.9 List of Partners

The TDI database was used to shortlist industry members with ties to the UKDI initiative. Focus was placed on balancing inputs from both large primes and SMEs in the Defence sphere. A list of collaborative contributors can be found below:

7.9.1 Initial Face-to-Face Kick off team

Darin Tudor	Team Defence	Task Lead
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Tonio Amorelli	QinetiQ	Global Head R&D Partnering
Martin Rider	Rider Engineering	MD
Simon Stoneley	Siemens	Business Development
Trevor Woolven	Thales	Head of Solution Innovation

7.9.2 Wider Input Contribution

Alex Parker	Atos	Director Defence
Chris Parker	Fortinet	Director Government Strategy
Jim Scott	Lockheed Martin	Head Global Business Development – Strategic Systems & Space
Chris Akerman	Mott MacDonald	Client Director Defence
Nicola Bradshaw	Oracle	Director Sovereign Cloud Adoption – Defence
Angus Mathie	Leidos	Associate Director, Business Development
Ian Grostate	Convert Technologies	Commercial Director
Peter Wright	Thales	Strategic Marketing Director

7.9.3 Associate Review Contributors

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Engineering


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