



Breaking the innovation barrier

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The future of the aerospace and defence (A&D) sector belongs to those with the will to innovate. And while the spirit of innovation lives among Canada's A&D manufacturers, it will take a greater push to thrive both at home and abroad.

The good news is we are on the right path. A competitive Canadian dollar has helped fuel aerospace export activity by 15% in the last year alone, and the sector continues to attract global interest. Our primes and other members of the domestic supply chain are driving the industry forward in new and exciting ways, and our country's affinity for nurturing innovative activities also brings great value to global A&D supply chains.

This drive to evolve and supply the Canadian Armed Forces with the most advanced equipment and services has made Canada a true innovator in the research and development (R&D) space. However, we are not alone. As new products, services, and other innovations enter the fray, Canada must continue to hone its competitive edge.

The dawn of a new day

Global A&D manufacturers are responding to the demand for innovation. According to KPMG's 2016 Global Aerospace and Defense Outlook, close to half of international A&D players are planning to launch one or more products within the next two years, and similar numbers are investing more than six percent of their revenue in R&D and innovation over that same period.



The survey also reveals an urgency among global A&D players to strengthen innovation by:

- Identifying partners who can help reduce the cost, improve the pace, and unlock commercialization of their innovation investments;
- Exploring opportunities to adapt and leverage commercial capabilities to dramatically transform the development process; and
- Prioritizing initiatives that can be leveraged across the enterprise or in multiple markets and lines of business.

Canadian A&D manufacturers share that urgency; and, like their global counterparts, they are also motivated by a need to stay competitive and combat today's increasingly sophisticated threats. This focus is reflected in our country's array of R&D incentive programs, including the Strategic Aerospace and Defence Initiative (SADI), and a tax regime that makes Canada one of the most business-friendly countries in the world. It is support like this that keeps Canada on the A&D radar, despite our relatively smaller economy, and in competition with larger entities from the US and UK.

Forging alliances

Wherever we go, one thing is clear: we should consider not simply doing it alone. The A&D industry is often a collaborative one, and many players are exploring alliances and consortiums with the understanding that what makes a fierce competitor one day can make a critical partner the next. This is something Innovation, Science and Economic Development (ISED) – formerly Industry Canada – also encourages through its Innovation Agenda, suggesting that the private sector, academia, the not-for-profit sector and others collaborate to help drive innovation and growth.

Canada can also take cues from outside its borders when it comes to creating innovative approaches. Mexico's aerospace industry, for one, has flourished thanks in part to its moves to create pockets of collaboration where

training and technical schools, R&D facilities and A&D manufacturers work in close proximity to foster talent and new ideas. Centres like these are drawing interest and investment from around the world, and Canada lays claim to similar regions, including AeroMontreal in Quebec and Downsview Park in Ontario, amongst others. Looking ahead, both government and industry leaders have a vested interest in encouraging similar development.

Learning from emerging nations

The pursuit of innovation can also be considered with an eye on emerging markets. Regions like India are bringing future talent and IT expertise to the fore, and it's in our manufacturers' best interest to tap into that potential, either by controlling interests, investing with partners, or

replicating some of those innovative strategies and technologies at home. After all, we have much to learn from emerging nations who have often had to work hard to find their footing in the industry. While it may not be possible to replicate all of those variables, there remains some which can unlock greater competitive potential if we take the time to look.

Canada has much to be proud of when it comes to A&D innovation. Yet as the industry evolves, and the global competition increases, we cannot just rest on our past successes. For our A&D industry to continue to thrive, it must be willing to nurture homegrown ideas, explore ways to collaborate and keep pushing forward into the global arena.

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