



# Agile or irrelevant Canadian CEOs weigh in

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This is not a time for complacency: A confluence of geopolitical shifts, trade spats, tariffs, digital transformation, new technologies, the intense competition for skilled workers, and the omnipresent threat of cyberattacks is creating as much opportunity as it is ‘freak turbulence.’ The unprecedented level of technological disruption and geopolitical uncertainty in the world today demands more from leaders. It requires them to be agile, open to new ideas and collaboration, and to be sharper in execution and implementation.

All this is reflected in KPMG’s 2019 Global CEO Outlook, where the company talked to some 1,300 CEOs around the world and found that they are increasingly making agility their top priority. As many as 73% of Canadian CEOs feel there’s a higher need to ‘act with agility’ – an increase of 14 per cent over 2018 and noticeably more than the 67 per cent of global CEOs who share the same opinion.

Almost two-thirds of Canadian CEOs plan to increase investment in disruption detection and innovative processes. This is a trend already well underway in the A&D sector. Aerospace manufacturing is six times more

research and development intensive than the manufacturing average. And, in the defence industry, R&D intensity is 4.5 times higher than that of the Canadian manufacturing average.

#### Continued focus on AI

KPMG expects continued focus on AI, augmented and virtual reality, data analytics, advanced sensors and the Internet of Things. For example, Canada’s Royal Navy will use new software developed by a New Brunswick startup that leverages AI and augmented reality to improve maintenance and repairs on navy vessels.

Interestingly, Canadian CEOs are more confident in their ability to react to disruption than their global peers, 73 per cent versus 69 per cent, and almost half (45 per cent) are confident in their ability to scale up quickly, compared to only 32 per cent globally.

#### Cyber (in) security

Cyber security is a relentless and growing concern for the private sector and governments. Nearly 60 per cent of Canadian CEOs now see a cyberattack as inevitable. That’s 10 per cent higher than last year and, of particular note, higher than the 53 per cent of global CEOs who think it’s only a question of when, not if they’ll face a cyberattack.

This heightened anxiety indicates that Canadian organizations have reached a milestone in their digital



maturity that is exposing them to risks that historically are more familiar to countries like the U.S., U.K., and China.

When it comes to cyber risks, the A&D industry faces unique challenges – from hacking into classified data to the takeover of weapons systems. To safeguard national security, we’re seeing collaboration between peers who invest in new technologies, capabilities, and ideas. But, more work could be done with stronger collaboration between industry, government, and academia to scale Canada’s cyber defence capabilities. This conclusion was also borne out in the recent CADSI report that urged greater collaboration on military cyber-defence.

### Talent wars

Most Canadian CEOs (63 per cent) say their inability to find the workers they need is impeding growth. Nowhere is this being felt more acutely than in Canada’s A&D sector. The share of science, technology, engineering and math (STEM) workers in aerospace manufacturing and the defence industry is two and three times the national manufacturing average.

The industry faces a “massive industry crunch,” according to AIAC, which issued a clarion call in its recent Vision 2025 report for a comprehensive, national approach to training and skills development.

AIAC estimates 50,000 new workers will be required to replace those leaving the sector in the coming years. And, companies are already struggling to find qualified workers for these highly skilled, well-paying jobs.

The urgent need for talent is so high that we need greater co-operation across business, governments, and academia to develop a bigger pool of homegrown talent. Flexible immigration policies will also help the industry meet its need for skilled technicians.

### Working with startups

This year’s CEO Outlook also reinforces the value of strategic partnerships. Nearly a third of Canadian CEOs see such alliances as their preferred approach to drive growth even more than organic growth and mergers and acquisitions. Nearly two-thirds intend to collaborate with innovative startups.

Interestingly, fewer CEOs in Canada than globally view third-party relationships as the only way to become agile (52 per cent vs. 66 per cent).

Agility is about more than thinking on one’s feet; it is using the tools and analytic capabilities to understand your markets, identify future challenges, and kick start near-term initiatives to drive long-term growth. You either adopt agility or become irrelevant. Which would you embrace?

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