



Defence Industry
Leadership Program 2021

**Exploring the role of
Industry Associations
in the defence sector**

This concept paper has been researched and written by graduates of the 2021 Defence Industry Leadership Program, however is independent to any views or positions held by the Defence Teaming Centre.

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Many thanks to all the interviewees and participants who contributed their experience and knowledge to this undertaking.

Executive Summary

The current landscape of industry associations in the Australian defence sector is a crowded one. More than 20 industry associations were identified as participating in the defence sector across Australia, with some associations operating nationally, and others focusing on a particular region (e.g. Henderson, Western Australia) or domain (e.g. shipbuilding, aerospace).

What is the role of a defence-sector industry association?

Investigation suggests that the role of defence-sector industry associations is broadly to maximise the opportunities for their members. This overarching role is supported by five pillars of activity:

- Influencing
- Advocating
- Educating
- Teaming
- Connecting.

Is there a gap in the market for defence industry association services or duplication?

Both gaps and duplication in the market were identified, with the gaps having greater impact on industry associations' successful delivery of value to the sector. Key gaps included:

- Enabling strategic teaming opportunities
- Easy access to supplier capability and readiness data
- Government & ADF providing support to exports

Despite the crowded landscape, and the feedback from non-industry association stakeholders that there are "too many industry associations" in the market, significant negative duplication was not readily identified. Minor duplication was evident around advocacy (too many messages resulting in diluted impact) and networking (too many events to attend resulting in potential opportunity costs).

Noting the benefits likely outweigh the opportunity cost in these areas, it is not suggested that industry associations curtail these activities, but rather investigate ways to harmonise efforts amongst themselves and clarify their positions to assist members in making informed choices.

What services should industry associations deliver to maximise value?

'Value' has different meaning for private sector stakeholders (i.e. Defence Industry, employees) and public sector stakeholders (i.e. Government, Defence). For the former, 'value' from industry associations was interpreted as 'increasing the scope and scale of available opportunities'. To maximise this value, industry associations should continue to support networking, collection of industry information, advocating on behalf of members, and development of industry participants..

For the latter, 'value' from industry associations meant improving the industrial base's capability and capacity to deliver against Defence's requirements. To support this, industry associations should breakdown siloes (between industry participants or between industry participants and Government), connect the ADF to Australian companies with world-leading products, drive collaborative teaming outcomes, and advocate for Government to release meaningful sovereign requirements.

A note on funding.

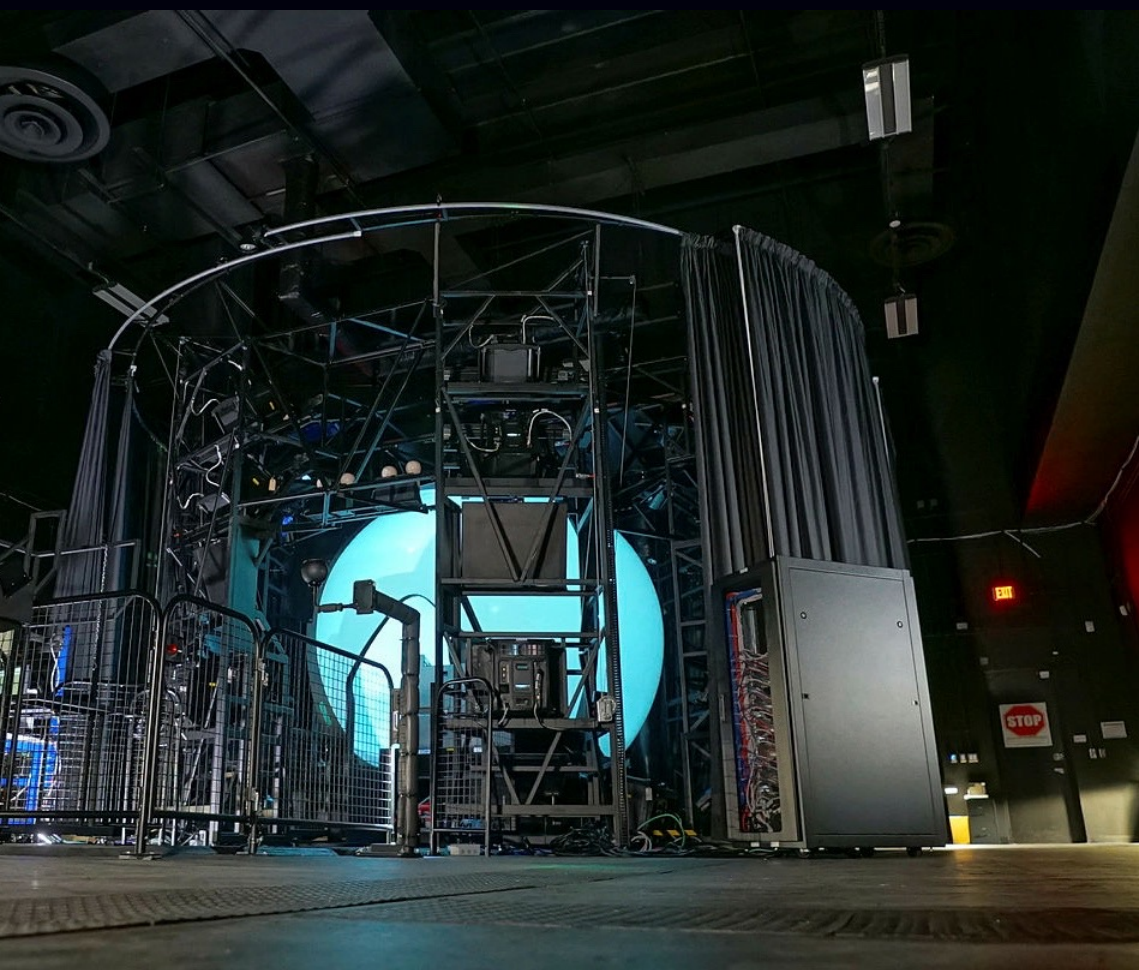
Discussions with stakeholders suggest that industry associations face a "funding conundrum". That is, the funding these industry associations receive from their membership is insufficient to deliver all the services that would maximise value, and as such, they may seek funding from external sources. However, while external funding may improve outcomes for members, it may introduce conflicts of interest which can also erode trust and value for members. This paper proposes, as a starting point:

- Linking supplemental Federal Government funding to outcome-based KPIs to increase overall funding to industry associations
- Mandating transparency provisions for external funding
- Encouraging full disclosure of funding sources to any industry association's members.

Recommendations

To maximise the value they deliver to Government, Defence, and Defence industry (including participants' employees), defence industry associations should:

- **Support and encourage teaming between their members, to better deliver against Defence requirements.** This may include offering various support services (e.g. advice on contractual frameworks, non-disclosure agreements etc.) and continuing their 'connecting' role (e.g. connecting members with complementary capabilities, connecting members with Primes, connecting members with opportunities). Government should also help establish conditions conducive to teaming by improving the sovereign capability requirements they release to industry.
- **Enhance their reporting of members' capability offerings, to increase the level of detail, and support access to the data by working-level engineers and project managers.** This would improve visibility over the industrial base's extant capability from early project stages and increase the likelihood of successfully engaging additional Australian industry participants.
- **Advocate to Government to provide uniformed support to endorse world-leading Australian defence products, and connect the Australian Defence Force (ADF) to potential exporters.** This is in line with practices observed from other governments (e.g. US, UK, Sweden) and would likely boost the competitiveness of Australian products in export markets.
- **Continue their valuable advocacy and networking role, noting the desire for increased coordination and harmonisation of this offering.** This could potentially be achieved through either a state- or domain-based coordinator, and would support minimisation of networking opportunity cost for members and strengthen advocacy efforts by supporting clarity of messaging.
- **Ensure funding is transparent and any external funding is tied to outcomes.** This mitigates conflict of interest risk associated with external funding, while not preventing associations from accessing the funds required to deliver valuable services.



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Introduction

The Australian Government outlines that “national and regional industry associations provide business development and networking opportunities.” (Australian Government undated)¹. This statement certainly holds true for industry associations operating in the defence sector. With Australia increasing its Defence portfolio spending to \$44.6b in the 2021-22 Federal Budget (Department of Defence 2021, p.15),² this paper undertakes a timely consideration of their role.

Through stakeholder interviews, independent research, and leveraging the authors’ experience in the sector, this paper aims to address four key questions.

- **What** is the role of a defence-sector industry association?
- **Where** are the gaps and duplication in the market for defence industry associations?
- **Which** services should defence industry associations provide to maximise their value?
- **How** should defence industry associations be funded to ensure they can deliver meaningful services, while avoiding conflicts of interest?

¹<https://business.gov.au/cdic/build-your-business-in-defence/connect-with-others#industry-associations>

²https://defence.gov.au/Budget/21-22/2021-22_Defence_PBS_00_Complete.pdf

What is the role of a defence-sector industry association?

A survey of the 'about us' sections of the Australian defence sector industry association websites quickly reveals common themes. The Defence Teaming Centre (DTC) describes itself as operating to "connect, develop and advocate for defence industry."³ The Australian Industry & Defence Network (AIDN) lists its core 'strategies' as advocacy, representation, and providing information and awareness to members. The Victorian Defence Alliances neatly summarise the purpose of each of their domain-specific defence alliances as being "developing, promoting and showcasing Victoria's highly capable and innovative defence industry supply chain".⁴

The role of industry associations is certainly more granular than how Government describes it ("provid[ing] business development and networking opportunities"⁵). There is nuance in the espoused role of each of the 20+ industry associations that participate in Australia's defence sector, and the authors' combined industry experience validates that the difference in roles goes deeper than using different words on a website. However, review of industry associations operating in defence suggests their role plays to one or more of five key themes, namely: influencing; advocating; educating; connecting; and teaming. Table 1 breaks down these core themes.

³<https://dtc.org.au/about-us/>

⁴<https://www.aidn.org.au>

⁵<https://business.gov.au/cdic/build-your-business-in-defence/connect-with-others#industry-associations>

Table 1: Roles of defence industry associations

Role	Description / intended outcome(s)	Example activities
Influencing others to benefit their members	Swaying an opinion or outcome to benefit members	<ul style="list-style-type: none"> • Advertising, promotion and reputation management • Dispute resolution
Advocating for their members	Providing public voice to or promoting the position of members	<ul style="list-style-type: none"> • Advocating (e.g. lobbying government) • Industry level advice (e.g. to government)
Educating members about the sector, and Defence about their members	<p>Increasing the readiness or capability of organisations to participate in the defence sector through education</p> <p>Informing Government concerning members' capability</p>	<ul style="list-style-type: none"> • Training courses • Seminars on specialist subjects • Legislation assessments • Industry Standards briefings • Sharing "best practice" • Legal services and advice
Connecting people to people, and people to opportunities	<p>Facilitating expansion of inter-business and business-Government connections</p> <p>Connecting members to potential opportunities</p>	<ul style="list-style-type: none"> • Personal Networking • Connecting members with members (Business to Business) • Connecting Government to industry participants • Translating requirements from policy & connecting members to them
Teaming	Encouraging collaboration between organisations in pursuit of a specific outcome (e.g. a product or opportunity)	<ul style="list-style-type: none"> • Establishing the framework to support collaborative effort amongst members • Lobbying for policy change at government and/or prime contractor level to facilitate the collaboration of organisations on defence projects

Where are the gaps & duplication in the market?

Surveying the industry association landscape identified more than 20 distinct industry bodies that participate in the defence sector. These include those with a defence focus (e.g. DTC, AIDN) and those that have a broader focus, but regularly participate in defence related events (e.g. the French Australian Chamber of Commerce, the American Chamber of Commerce).

With such a convoluted market, and the refrain of ‘there are too many industry associations’ echoed in many stakeholder interviews, it was expected that gaps would be difficult to identify, while duplication would be common.

Mind the gap

Even with this paper’s limited scope, gaps were identified in three areas.

1. Enabling strategic teaming opportunities

Currently, strategic teaming between SMEs is not well supported by Defence’s articulated plans and requirements. While Defence’s Strategic Industrial Capability Priorities⁶ (SICPs) provide a promising framework for action, the SICPs lack the detail required to support effective teaming by industry participants. Further, Defence has also struggled to release meaningful Sovereign Capability Requirements within its acquisition programs, preferring to put forward very broad ‘requirements’ concerning activities to be undertaken locally. Without Government articulating what must be undertaken in-country at an actionable level of detail, industry will be unable to effectively focus its resources (e.g. through teaming) to address any sovereign capacity or capability gaps.

Beyond plans and requirements, CASG have also reduced their engineering capability in recent years, making it harder for them to procure systems, equipment and services from teams of SMEs.

If CASG were to increase their direct engagement with SMEs, then, with the assistance of industry associations, opportunities could be identified and communicated to SMEs early, providing SMEs time to form teams and develop credible offers in response to opportunities.

⁶<https://www.defence.gov.au/business-industry/capability-plans/sovereign-industrial-capability-priorities>

Mind the gap (continued)

2. Easy access to supplier capability and readiness data

While some industry associations readily provide an overview of their members' core capabilities, this data is very high level (e.g. 'machining', 'cyber', 'legal'). While this is better than no information, a gap exists around providing information that simultaneously covers supplier readiness (e.g. capacity) and detailed capability.

Additionally, while industry associations' promotion of members' capability is visible to industry participants in Business Development and Industry Engagement roles, there is a gap in its accessibility to engineers and managers at the project level. During system definition activities, this gap may result in Primes failing to identify opportunities to leverage Australian industry capability.

3. Government and ADF providing support to exports

The Governments of many defence-exporting countries (including the US, the UK, France and Sweden) actively endorse defence exports by providing support from serving military personnel. Uniformed personnel actively participate in demonstrations to industry buyers, and provide strong advocacy in the market (e.g. at trade shows, exhibitions etc.)

While the Australian Government undoubtedly provides support to Australian companies seeking to export their products in the defence sector, this does not currently extend to sending serving military personnel to endorse these products. This gap is notable as not endorsing Australian exports with serving military personnel may comparatively diminish the value of such products in the eyes of potential customers, when compared to the exports of other nations.

Too much of a good thing – duplication in the market?

A common perspective held by stakeholders interviewed for this paper, was that there are ‘too many’ industry associations and a great deal of overlap in services provided, particularly in the areas of advocacy and networking. While this was not perceived as inherently negative, it was noted that the value provided to members could be increased if industry associations were better able to harmonise their messaging, and their networking efforts.

Advocacy

As identified, advocacy is a primary role of any industry association. While industry associations advocate strongly for their members there was concern that their multiple voices of may result in inconsistent messaging and an appearance of disunity.

This risk could be minimised by a national panel or board where representatives from the major associations coordinate their advocacy. Creating such an organisation has been attempted in the past, however difficulty lies in the selection of who should be represented, and no easy answer is forthcoming.

Networking

A key goal of industry associations is to promote connections, often through networking events. Interviewed stakeholders felt this was a key strength of industry associations, however believed some coordination between timing of major events could be beneficial in reducing opportunity cost of attendance.



Which services should defence industry associations provide to maximise their value?

Addressing this question first requires consideration of what value means to Defence, Government, Industry and defence sector employees.



Value for the industry participants

For private sector stakeholders in defence industry (i.e. industry participants and their employees), the ‘value’ industry associations deliver may be considered as ‘increasing the scope and scale of available opportunities’.

To maximise this value, based on the research conducted in drafting this paper, industry associations should:

- *Continue to* support networking and collection of common feedback or information to support advocacy positions
- *Continue to* advocate on behalf of their members, including lobbying Government to expand opportunities available to the sector
- *Continue to* develop industry participants through both education activities (e.g. informing SMEs concerning Defence Industry Security Program requirements) or through support to access relevant grant funding to address capability gaps
- Breakdown siloes wherever possible, be this between SMEs, between SMEs and Primes, or between industry participants and Government.

These services collectively operate to improve industry participants’ access to and chances of success in pursuit of opportunities in the defence sector; in turn this improves commercial outcomes for the participant, which has associated benefits for employees.

Value for Government and Defence

On the public side of the sector sit the Australian Government and the Australian Defence Organisation. For these stakeholders, the 'value' provided by industry associations lies in their ability to drive improvements in the capability and capacity of the industrial base to deliver against Defence's requirements. This supports achievement of Defence capability outcomes and delivers the positive political outcomes associated with healthy industry sectors.

To maximise this value, industry associations should:

- *Continue to* remove barriers to entry for industry participants (e.g. through simplification of contractual frameworks, streamlining of security requirements etc.)
- Connect the ADF to companies, including SMEs, who have developed state-of-the-art products, to improve their chances of success in the export market
- Drive collaborative teaming outcomes amongst industry participants
- Advocate for Government and Defence to release meaningful Sovereign Capability Requirements, so that industry may better focus its resources to deliver the capabilities that are critical to have in-country.⁷



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⁷This will also better position Australian industry to capitalise on opportunities emerging under AUKUS, by driving development of competitive advantage.

How should industry associations be funded?

To deliver services as described, industry associations must be appropriately funded. The difficulties in achieving this was a common point raised by interviewed stakeholders, and diverse opinions were raised concerning the appropriateness of funding sources. The funding that associations raise from membership fees alone is often inadequate to deliver the desired range of services, which drives them to seek external funding (e.g. from State or Federal Government).

However, industry associations must tread carefully concerning external sources of funding to avoid compromising their ability to independently represent their members. Consider an SME who had invested in equipment to compete for contracts under the Future Submarine Program (Attack Class). Given the Federal Government's recent cancellation of the FSP contract,⁸ this SME is unlikely to recoup any of this investment in the near term and may approach their industry association to lobby Government for compensation. In such a situation, if the association is receiving Government funding, they may be less inclined to antagonise Government or publicly discuss concerns on behalf on their member. Even if the association was uninfluenced by any Government funding, there may still be a perception of conflicted interests.

Transparently link supplemental Government funding to outcome-based KPIs

Implementing a funding model where Federal Government funding is traceably linked to clear KPIs (or other independent metric) would ensure industry associations could boldly represent their members without fear of losing that funding or risking perceived conflicts of interest. Federal Government funding would also likely be more palatable to the public if it was linked to industry associations' contributions towards building Australian industry (e.g. through education, teaming, enhancing export opportunities) and the correlating creation of, and support to, Australian jobs.

⁸<https://www.pm.gov.au/media/australia-pursue-nuclear-powered-submarines-through-new-trilateral-enhanced-security>

Transparently link supplemental Government funding to outcome-based KPIs (continued)

Noting that the Centre for Defence Industry Capability (CDIC) “help[s] small business connect, build, innovate and export in the defence industry”⁹ there may be an opportunity to streamline any duplication that exists between CDIC and industry associations, however investigation of such a possibility was beyond the scope of this paper.

Mandate transparency provisions for all sources of external funds.

When funding is received by an external provider, it should be clear what that funding is for, and processes should be adopted to ensure the funding is spent in accordance with its intent.

Encourage full disclosure of funding sources to industry association members.

All funding sources for industry associations should be disclosed to their membership and be available for potential members to review. This transparency may help defence companies determine which industry associations they should be a member of.

⁹<https://business.gov.au/cdic>

Conclusion

This paper found that the various roles of industry associations could be grouped into five key themes (influencing, advocating, educating, connecting, teaming). Our recommendations (summarised in Figure 1 overleaf) centre on how these roles may be funded, and continued, expanded or adapted to deliver maximum value to the sector as a whole. Figure 2 overlays our recommendations, and the roles of an industry association, with the capability life cycle to show how industry associations may deliver value through life.

As Australia continues to increase its defence spending, and as project requirements complexify and increasingly demand participation from local industry to ensure sovereign control over capability, optimisation of industry associations' role within the sector will remain an ongoing and important consideration. Critically, industry associations may play a significant role in contributing to improvements in the capability and capacity of the industrial base, and Government should reflect on how they can best be leveraged as it attempts to introduce complex new requirements (e.g. nuclear sustainment) to the industry landscape.

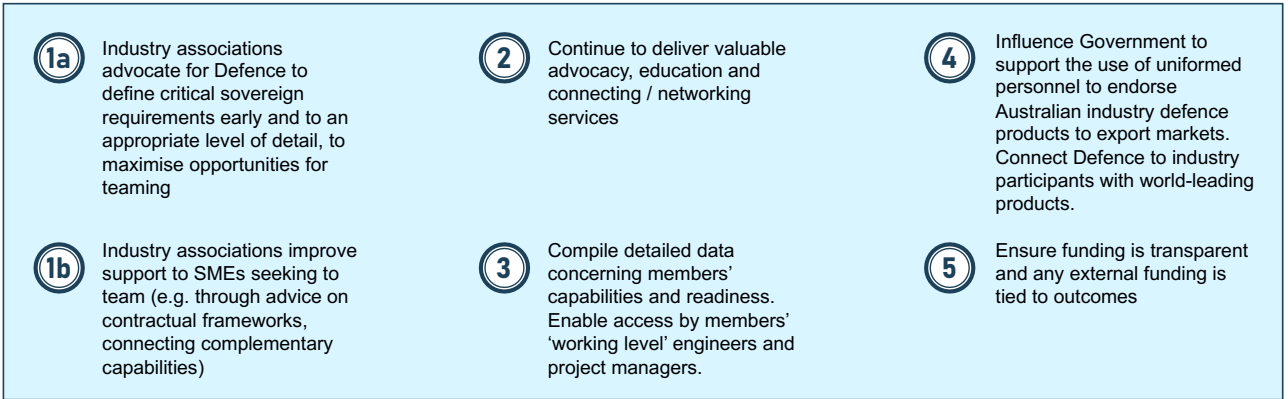


Figure 1: Recommendations to maximise the value of industry associations

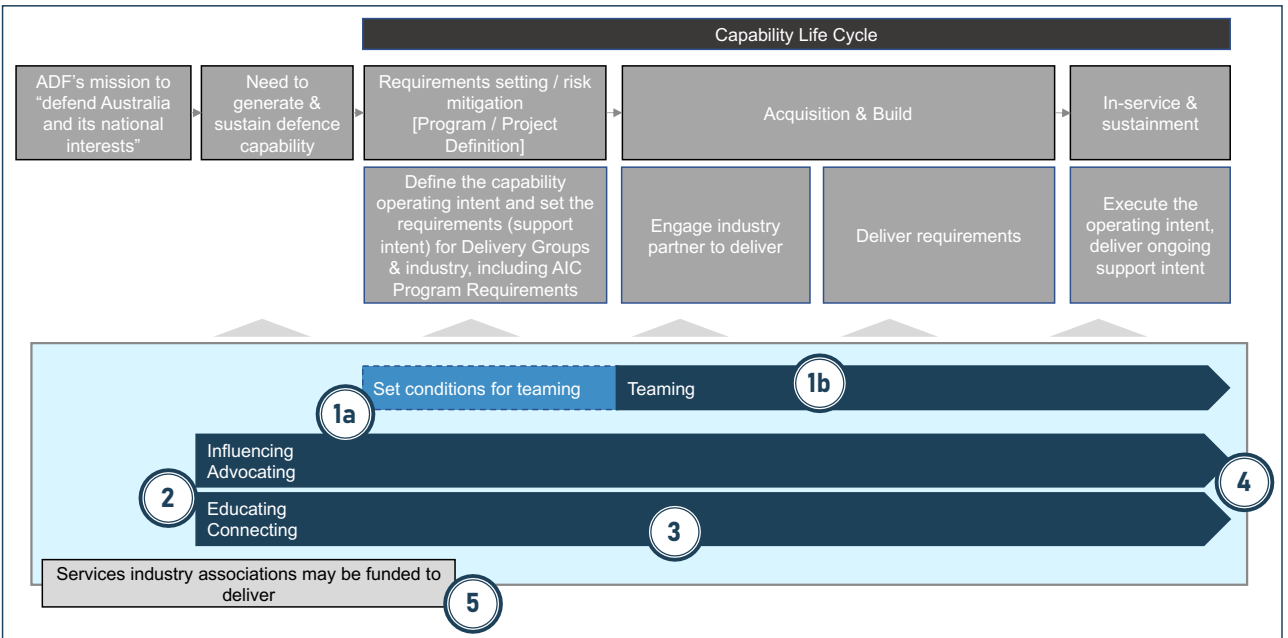


Figure 2: Recommendations and roles of industry associations in the context of the capability life cycle

