Victory in War is Achieved in the Supply Chain: the Bottleneck Slowing Down the German Defense Industry

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The European arms industry is experiencing a boom like few in recent history: billions are being invested in new systems, production lines, and programs; order books are full. Yet, while public and industrial debate almost always revolves around production capacities, technologies, and the shortage of skilled labor, a critical determinant remains surprisingly in the shadows: **the supply chain**.

Those who talk today about increasing production should not only look at their own machinery and internal capacity. They should look, above all, at **the capacity of suppliers**. Because speed is not born only “at one's own workbench,” but in the way companies collaborate along the supply chain.

The real bottleneck is lower than you think

The critical point is rarely found at the large prime contractors or OEMs: they often have resources, stable processes, and consolidated expertise. The bottleneck, however, tends to emerge **in the lower levels of the value chain**, where highly specialized companies operate.

These are small businesses, often family-run, that form the backbone of the sector: they produce brackets, fasteners, high-precision optical components, or “invisible” parts that, as long as everything works, no one notices. But if even a seemingly trivial component — a gasket, a sealing element, a special machining — becomes unavailable, the entire production stops.

Three factors make these realities **critical but difficult to replace**:

1. **Structural dependence** on unique suppliers for specific components.
2. **Monopoly of know-how**: processes and techniques developed over decades, not quickly replicable.
3. **Poor scalability**: plants and organization designed for small series and prototypes, not for high-volume productions.

The “second source” (an alternative supplier) is often not activatable in the short term: not only for economic reasons, but also technical and qualification ones. Result: if even a single micro-enterprise cannot expand capacity or maintain quality standards under pressure, **the downstream line stops**.

This is not a reproach: it is an industrial reality. For decades, many defense supply chains have been optimized for limited volumes, flexibility, and customization. But today the context has changed: the industry is at a turning point, and it is precisely these “lower” links that decide whether acceleration announcements will become real deliveries.

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Cooperation, not “chain reaction”

In many contexts, supplier management is still understood as a predominantly purchasing function: negotiation, prices, timing, contracts. But the current challenge requires something else: **transparency, coordination, and leadership in complex networks**.

The key question becomes:
are we working with our partners… or are we simply buying from them?

The problem, in essence, is not the lack of willingness to execute. It is the lack of **systematic control** and **structured development** of the supplier base, especially in the lower levels of the chain.

Those who only manage their portion of the supply chain lose speed. Those who actively shape it gain room for maneuver. Because delivery capacity is not achieved through pressure, but through cooperation: planning capacity, processes, quality, and innovation together.

Modern supplier management as a growth program

Effective supplier management is not bureaucracy: it is a growth and empowerment program for the entire supply chain. Five fields of action make this approach concrete.

1) Capacity development and dependency management

Expand production capacities together with key suppliers across all phases. In parallel, create redundancies where possible to reduce dependence on single critical nodes.

2) Qualification and targeted development

The lower levels need concrete support: technical training, maturity models, co-investments, long-term development agreements. This is how specialized micro-enterprises can grow to the required process and quality level.

3) Transparency and near real-time control

Build digital platforms that make advancements, risks, quality indicators, and capacity visible along the entire supply chain. Without data, there is no governance: those who truly know their supplier landscape can intervene before the problem explodes.

4) Cooperative value creation and incentives

Replace the short-term logic with partnerships: joint development initiatives, technological collaboration, performance-oriented incentive models (e.g., bonus-malus systems). Cooperation becomes a multiplier of speed and reliability.

5) Institutionalized governance

Anchor supplier management in strategic governance: clear roles, defined responsibilities, regular audits, multi-level reporting obligations. The supply chain cannot depend solely on informal relationships or emergency interventions.

The greatest potential is in the connections

The defense industry is at a crossroads: it can continue in an “individual” optimization mode, or it can leverage the turning point of the times to redesign the industrial base together with its partners. This means: fewer silos, more cooperation. Less protection, more transparency and clarity.

The greatest potential does not reside only in new technologies, but in **new connections**: in the ability to orchestrate a complex supply chain as a single system.

Those who understand cooperation as a strategic capability will ensure speed, quality, and reliability in the long term. Because competitiveness is not decided at the top of the supply

chain, but at its foundation. Delivery capacity is not a coincidence: it is the result of transparency, discipline, and a common will to design.

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