

Strategic industry impact in the defence industry

The defence industry was for a long time primarily a national concern. The defence industry has globalised the business context. Firms are operating in global networks with extensive cross-border ownership, multilateral projects and civil technologies increasingly constituting the cutting edge. National and international consolidation has created fewer companies and a small number of large global companies.

The present defence market is characterised by over-capacity and few projects. The cost for developing new defence solutions is so large that states have a strong incentive to foster multilateral teaming, the corporate response is to create stronger bonds between firms in different states.

In a global market with over-capacity, with most firms being too small for being sole project solution providers; a structural tension is created that pushes towards further cross-border firm integration. Governments' political agendas are making transparent international business networks difficult to create. Firms are thereby forced to find collaborative solutions that are compromises between market forces and political agendas.

This paper deals with how mutual (i.e. includes firms from different nations) business ventures (e.g. joint ventures, alliances, mergers or acquisitions) that strive to increase firm competitiveness by changing the network position, create an enduring impact on the aggregate market dynamics. The concept *strategic industry impact* is introduced. Joint ventures or teaming arrangements can create a *strategic industry impact*, i.e. that the impact of the business venture alters the business landscape and reduces opportunities for remaining companies.

This reasoning is discussed in relation to three recent cases that in different ways create a *strategic industry impact* on the transatlantic defence industry interface: Thales Raytheon Systems, MEADS and Joint Strike Fighter.

The main point in the paper is that business collaborative integration in this context can alter the market dynamics and the market behaviour. The future impact of the corporate integration strengthens the market position of the participating firms and limits future opportunities of the remaining companies.

The paper bases its theoretical base on the markets-as-networks approach (Håkansson, Axelsson, Ford, Mattsson, Johanson), reasons for co-operation (Axelrod), embeddedness and path dependence (Granovetter) and strategic commitment (Besanko et al).