

White paper



Rethinking defence contracting for Canada's next decade

Buying certainty in an uncertain world

Executive summary

Canada is entering a decisive period for defence. The strategic environment is more volatile, technology cycles are shorter, interoperability expectations are higher and public scrutiny of defence spending is more intense. At the same time, Canada has articulated a clear desire to strengthen sovereign defence capability and grow a resilient domestic defence industry.

These objectives are not new on their own. What is new is their convergence.

Canada is increasingly asking its defence ecosystem to deliver speed, adaptability, interoperability and enduring value at the same time. Yet many of the contracting models used to deliver defence services and capabilities remain optimized for predictability, control and static requirements. This mismatch does not reflect poor intent or execution. It reflects a structural tension between the nature of modern defence problems and the tools used to govern them.

This paper explores that tension. It examines the moment Canada is in, the outcomes the defence ecosystem is now expected to deliver and the limits of contracting approaches designed for a more stable era. The intent is not to prescribe a single solution, but to reframe the conversation and create space for new thinking about how Canada governs defence capability over the coming decade.

The moment Canada is in

Canada's defence ecosystem is operating in a fundamentally different context than it was a decade ago.

Geopolitical competition has intensified. State-on-state conflict has returned as a central planning assumption. Commitments to NATO and continental defence place renewed emphasis on readiness, integration and interoperability. At home, expectations around Arctic sovereignty, resilience and domestic response capabilities continue to grow.

At the same time, the character of defence capability is changing. Digital systems, data, cyber, space and integrated C5ISR are no longer discrete enablers. They are the connective tissue of modern military operations. These capabilities evolve continuously rather than in linear acquisition cycles.

Layered on top of this is a renewed focus on sovereign capability and domestic industrial capacity. Canada has been clear in its desire to strengthen its defence industrial base, reduce critical dependencies, and ensure that public investment supports long-term national capability.

Individually, none of these pressures is new. Together, they mark a significant shift.

What Canada is asking the defence system to deliver

In practical terms, today's defence programs are expected to deliver outcomes that are inherently dynamic.

They are expected to deliver speed—not only speed to contract, but speed to capability.

They are expected to deliver interoperability—across domains, allies and evolving systems.

They are expected to deliver secure sovereign capability—not just ownership, but enduring national competence and capacity.

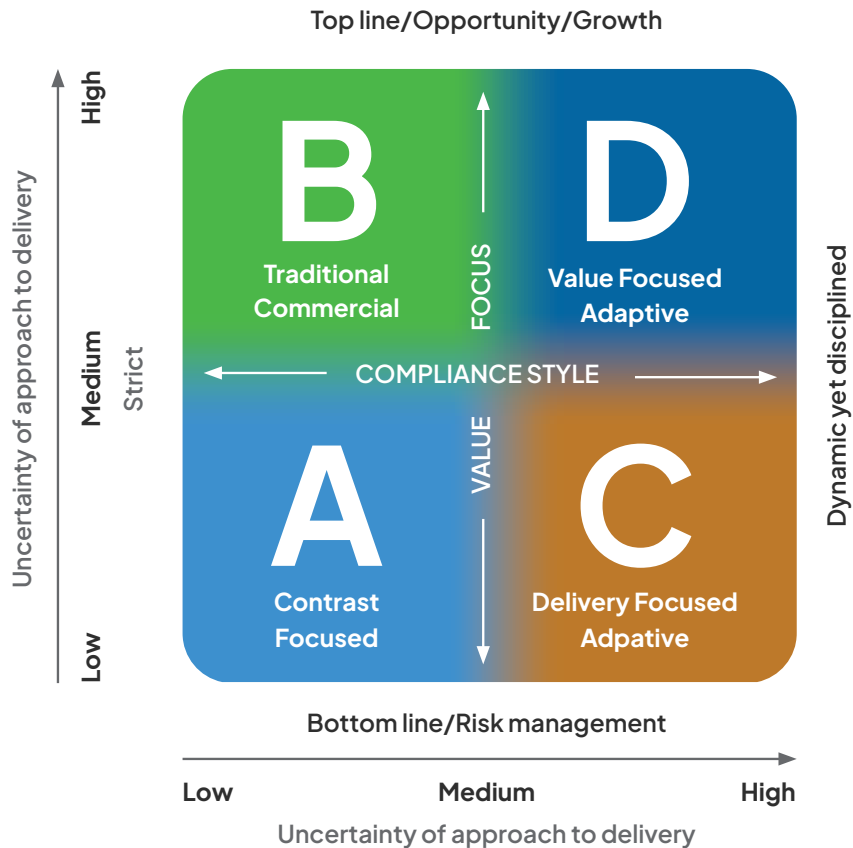
They are expected to deliver value—not only cost control, but value over time in the face of uncertainty and change.

These expectations reflect the reality of modern defence. They are outcome-based, even when they are not described as such. They require adaptation, integration and continuous learning over long time horizons.

What defence contracting is typically optimized for

Many defence contracting models in use today were designed for a different problem set.

- They are optimized for certainty. Requirements are defined in detail up front. Change is treated as an exception rather than an expectation.
- They are optimized for control. Risk is managed through specification, compliance and formal remedies.
- They are optimized for inputs. Value is measured through people, hours and deliverables rather than outcomes.
- They are optimized for short-term accountability. Performance is assessed against scope and schedule rather than long-term capability impact.



These models are effective when the problem is stable, well understood and unlikely to change materially over time. In those contexts, predictability is a strength.

The mismatch between problems and models

Many defence challenges today are characterized by high uncertainty, long duration, rapid technological evolution and deep integration across systems and partners. Yet they are governed through contracting structures that assume stability, completeness and limited change.

The consequences are subtle but cumulative.

- Innovation is discouraged because it sits outside defined scope.

- Adaptation becomes administratively expensive rather than operationally beneficial.
- Interoperability is addressed late, often at higher cost.
- Obsolescence is unintentionally locked in through overspecification.

Over time, the system becomes very good at delivering what was asked for, even when what was asked for no longer reflects what is needed.

Implications for secure sovereign capability and industry

This mismatch has direct implications for Canada's defence industrial base.

When contracts prioritize inputs and compliance, industry behaviour follows. Companies optimize for meeting specification rather than building adaptable capability. Long-term investment in skills, platforms and integration becomes harder to justify when contracts do not reward learning or evolution.

For Canadian companies, this can limit the ability to scale, innovate and compete alongside allies whose procurement systems increasingly emphasize outcomes and adaptability.

For government, the primary levers available within rigid contracts tend to be scope reduction or cost cutting. Opportunities to deliver greater value for the same investment are harder to realize.

Over time, this dynamic can weaken the sovereign capability and industrial resilience Canada is seeking to strengthen.

A needed reframing

The core question Canada now faces is not whether existing contracting models are right or wrong. It is whether they are fit for purpose given the outcomes now required.

Rather than asking how to better control defence contracts, a more useful question may be how to govern defence capability over time in an environment defined by uncertainty, integration and speed.

This reframing opens the door to alternative approaches that place greater emphasis on outcomes, shared accountability, adaptability and value over time. Such approaches are already emerging in other sectors and in allied defence environments, particularly where problems are complex and evolving.

Looking ahead

Canada's defence ecosystem is being shaped by forces that are unlikely to ease in the coming decade. Strategic uncertainty, rapid technological change, rising interoperability demands and expectations around sovereign capability are now enduring features of the landscape, not temporary disruptions.

In this context, the question is not whether Canada should continue to demand rigour, accountability and value for money in defence contracting. Those imperatives remain essential. The question is whether existing contracting models are sufficiently equipped to support the types of outcomes now required.

As defence challenges become more integrated, more adaptive and more enduring, contracting approaches must be able to accommodate change, enable learning and support value creation over time rather than simply enforce compliance against static requirements.

How Canada chooses to structure and govern defence contracts in the years ahead will play a critical role in determining not only what capabilities are delivered, but how resilient, interoperable and sovereign those capabilities ultimately prove to be.



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