
Defense Industrial Revitalization Effort (DIRE) Key Findings



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Bloomberg convened the Defense Industrial Revitalization Effort (DIRE) Workshop,

bringing together leaders from the military, government, nontraditional industry, private finance, Congress, and policy sectors. The aim was to pinpoint actionable steps to strengthen the nation's industrial capabilities in support of national security needs. With a focus on tangible outcomes, the participants identified practical actions that deserve immediate, medium, and long-term attention.

DIRE Workshop

Key Findings

01.

THE DEFENSE INDUSTRIAL BASE REQUIRES BOTH CAPABILITY AND CAPACITY

- **Capability:** The Defense Industrial Base (DIB) must encompass both legacy systems and emerging technology solutions, including dual-use and asymmetric technologies that offer strategic advantages.
- **Capacity:** The DIB base must be able to scale production of these capabilities, delivering them quickly and efficiently when needed.

02.

TRADITIONAL SUPPLIERS ALONE ARE NOT ENOUGH

- The DIB must expand beyond traditional contractors to build a healthy, resilient ecosystem.
- The DoD should adapt its systems and processes to actively engage and mobilize markets beyond traditional suppliers.

03.

THERE IS UNTAPPED POTENTIAL IN THE BROADER COMMERCIAL MARKET

- There is significant capital, innovation, and expertise in the broader economy, including investment capital (venture capitalists, private equity investors), technologists, entrepreneurs, and other suppliers outside the traditional defense primes.
- The DoD has powerful tools (e.g., non-dilutive capital, contracts, R&D funding, regulatory capabilities) and can leverage them more strategically to engage and stimulate these actors and take full advantage of broader markets.

The Way Forward

Organizing the DoD as a Market Leader



01.

THE DoD CAN BE A CREDIBLE FORCE IN THE MARKET

To revitalize the defense industrial base, the DoD must organize its tools, activities, and resources to play three strategic roles:

- DoD as a Market Player: Compete effectively by reducing barriers and fostering ease of doing business.
- DoD as a Market Maker: Create defined markets through strategic contracts, funding, and clear demand signals.
- DoD as a Market Shaper: Influence broader market trends by setting standards, deploying strategic capital, and coordinating ecosystems.

02.

COORDINATE EFFORT ACROSS THE U.S. GOVERNMENT

For areas beyond its direct influence, the DoD must collaborate with other federal agencies (e.g., Treasury, Commerce, Energy, United States Trade Representative (USTR), State, Office of Management and Budget (OMB), Small Business Administration (SBA), U.S. Export Import Bank (EXIM) to align regulatory, tax, investment, and export control policies that strengthen the industrial base and ensure national security.

03.

TALENT: BUILDING A WORKFORCE FOR THE FUTURE

- The DoD must expand its talent pool to include experts like economists, investors, technologists, and market analysts who can provide insights into commercial markets, financial health, and strategic investments.
- Develop new compensation models and flexible hiring practices to attract top-tier talent from the private sector, including innovative public-private exchange programs.

04.

DoD INDUSTRIAL BASE MOONSHOTS

Launch ambitious, high-impact initiatives to accelerate industrial base revitalization:

- Operation WARP Speed for Defense: Fast-track development, procurement, and deployment of critical technologies, mirroring the success of the COVID-19 vaccine program.
- CHIPS for Defense: Implement a comprehensive investment strategy to secure supply chains and boost domestic production capacity for essential defense components.

DoD as a Market Player

DoD can unlock greater private sector value if it becomes more of a market player. This means improving efficiency, removing friction, and becoming a desirable partner for innovators, non-traditional vendors and incumbent primes. By lowering barriers to entry, increasing speed and agility, and increasing transparency, DoD will foster trust and stimulate greater participation by investors, technologists and entrepreneurs in defense markets.

KEY THEMES >>>

EASE OF DOING BUSINESS.

By adopting an 'ease of doing business' mindset, the DoD can focus on clearing common hurdles—like sensitive compartmented information facility (SCIF) access and faster clearances—that act as roadblocks to private sector engagement. Streamlining these processes is the low-hanging fruit that makes partnering with the DoD as agile as working with private-sector clients, thereby fostering a stronger, more responsive defense industrial base.

PROCESS EVOLUTIONS.

DoD can evolve key processes to better align with the needs of the industrial base. These targeted improvements, such as integrating prototyping contracts with long-term funding and increasing budget flexibility, will unlock greater value by attracting non-traditional vendors and enabling more agile resource allocation.

TRANSPARENCY AND ACCOUNTABILITY.

DoD can enhance both transparency and accountability by implementing measures that provide clear visibility into program performance and spending. Introducing Program Executive Office (PEO) report cards, unclassified technology roadmaps, and real-time digital dashboards, for example, will ensure that stakeholders—from Congress to taxpayers—can track progress, measure Return on Investment (ROI), and hold the DoD accountable for efficient use of resources. These tools will also streamline engagement with industry, encouraging competition and driving innovation by making program goals and opportunities more accessible.

THEME	ACTION	OWNERS	URGENCY
Ease of Doing Business	Simplify and expedite process for non-traditional vendors to gain SCIF Access	DoD	Immediate
	Streamline Security Clearances	DoD	Immediate / Medium-Term
	Fight Urge to Over-classify Data/Information	DoD	Medium-Term
	Grant cross-Service Authority to Operate (ATO) Reciprocity	DoD/Congress	Medium-Term
	Liberate Data Sets	DoD	Medium-Term
	Provide a Single Front Door to DoD for Non-Traditional Vendors	DoD/Congress	Medium-Term / Long-Term
Process Evolutions	Connect Prototyping Contracts to Program Objective Memorandum (POM) Process	DoD	Immediate
	Increase Reprogramming Thresholds	Congress	Immediate / Medium-Term
	Shift from Overly Specific Requirements to Open-Topics/Procure Existing Commercial Solutions	DoD	Immediate
Transparency and Accountability	Require PEOs to Publish Unclassified Tech Roadmaps	DoD/Congress	Immediate
	Implement PEO Report Cards to Measure ROI and Performance	DoD	Immediate
	Conduct comprehensive Audit of Research, Development, Test and Evaluation (RDT&E) Accounts Across DoD	DoD	Immediate

DoD as a Market Maker

DoD can be a powerful Market Maker that actively creates and defines markets by providing demand clarity, strategic contracting, and setting industry standards. By lowering risks through advanced market commitments, flexible contracts, and clear certification pathways, the DoD can enable private companies to invest confidently in critical technologies, ensuring sustained innovation and market development.

KEY THEMES >>>

DEMAND CLARITY AND PREDICTABILITY.

DoD can create and stabilize markets by clearly signaling its future technology needs, setting credible Total Addressable Markets (TAM), and making long-term commitments. By using tools like Advanced Market Commitments (AMCs) and detailed demand forecasts, the DoD reduces uncertainty, encouraging private investment in critical technologies. This strategic clarity allows companies to plan their R&D and production efforts with confidence, knowing there is guaranteed demand for their innovations.

STRATEGIC PARTNERSHIPS AND SCALING.

To support the growth of defense-critical technologies, the DoD can facilitate partnerships and create strategic funding mechanisms that enable small companies ("Scale-ups") to scale their operations effectively. By connecting technology innovators with experienced manufacturers and providing flexible contracting arrangements, the DoD ensures that prototypes transition smoothly into full-scale production, driving broader market development and resilience.

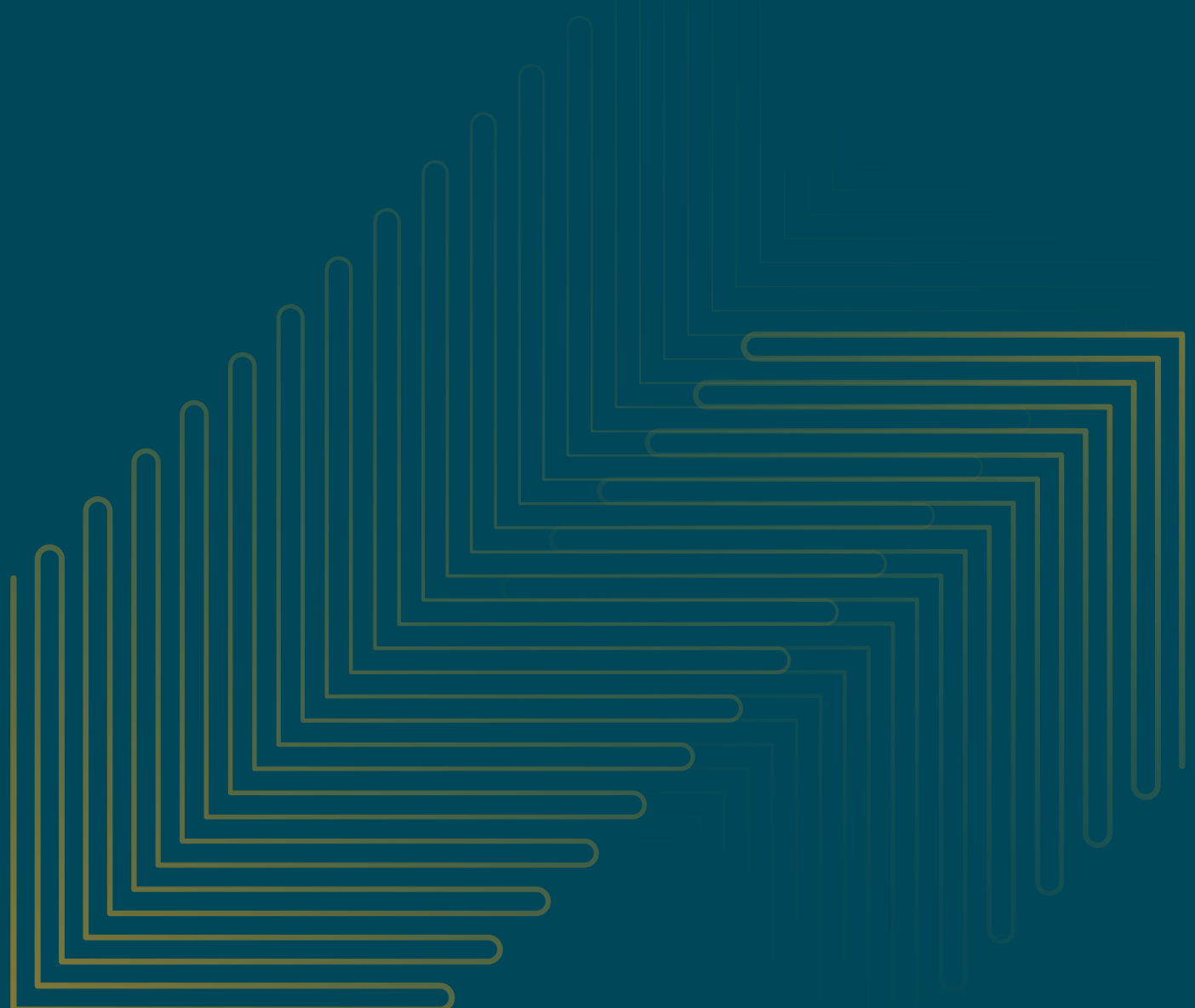
STANDARDS AND CERTIFICATIONS AS MARKET CATALYSTS.

DoD can act as a catalyst for both defense and commercial markets by setting military standards and providing certification pathways. These certifications not only establish benchmarks for quality and reliability but also reduce the time and risk involved for companies entering the market. Certified technologies often gain wider commercial adoption, as DoD standards can become industry norms, creating opportunities for dual-use applications.

THEME	ACTION	OWNERS	URGENCY
Demand Clarity and Predictability	Clearly signal Total Addressable Market (TAM) for key technologies and capabilities	DoD	Immediate
	Utilize Advanced Market Commitments	DoD/Congress	Immediate
Strategic Partnerships and Scaling	Introduce Scale Ups Category	DoD/Congress	Medium-Term
	Award meaningful contracts to non-traditional vendors to Encourage Innovation at Scale	DoD/Congress	Immediate / Medium-Term
Standards and Certifications as Market Catalysts	Create Military Certifications and Standards as Market Catalysts	DoD	Medium-Term

DoD as a Market Shaper

The DoD has the tools to actively shape the development of critical industries through strategic capital deployment, setting regulatory standards, and fostering innovation ecosystems that drive technological progress and enhance supply chain resilience



KEY THEMES >>>

STRATEGIC CAPITAL DEPLOYMENT.

DoD can shape markets by directing capital investments toward scaling critical defense technologies, de-risking innovation, and catalyzing private sector co-investment. Through mechanisms like non-dilutive funding and procurement set-asides, the DoD ensures a stable flow of resources that supports the rapid scaling and adoption of emerging technologies.

REGULATORY INFLUENCE AND STANDARDS SETTING.

DoD can establish military-grade standards and regulatory frameworks to shape both defense and commercial markets, ensuring technologies align with national security goals. Standards for exportability, interoperability, and interchangeability also enhance global defense cooperation and stimulate commercial adoption of defense technologies.

ECOSYSTEM COORDINATION.

DoD must coordinate and strengthen collaboration between startups, established firms, academia, and allied partners to build a resilient and innovative defense ecosystem. This involves creating innovation hubs, fostering public-private partnerships, and ensuring supply chains are diversified and robust.

THEME	ACTION	OWNERS	URGENCY
Strategic Capital Deployment	Fully fund Office of Strategic Capital (OSC), National Security Innovation Capital (NSIC)	DoD/Congress	Immediate
	Concentrate and coordinate (within DoD and across USG) non-dilutive funding against critical technology areas	DoD/USG	Immediate
Regulatory Influence	Establish Military Standards to Set Industry Benchmarks	DoD	Medium-Term
	Leverage Military Certifications to Drive Commercial Regulation	DoD	Medium-Term
Ecosystem Coordination	Coordinate across industry, academia, USG, and allies to reduce redundancy, ensure interoperability, and trusted supplies	DoD; State; Commerce	Medium-Term

DoD Driving Engagement with the Rest of Government

Revitalizing the DIB requires coordinated investment, strategic contracts, and alignment across regulatory, trade, and tax policies. Achieving this transformation demands collaboration beyond the DoD, involving agencies like Treasury, Commerce, State, Energy, Education, and others to address critical areas such as education, immigration, and infrastructure. Only through a whole-of-government approach can the U.S. effectively strengthen its industrial base and ensure long-term resilience.



RECOMMENDATIONS >>>

01.

Each Department and Agency should understand how their individual tools, authorities, and resources can contribute to or detract from a resilient industrial base.

The below table is an example of some of the tools and resources the interagency has that can be mobilized for this effort. However, they lack coordination to be utilized for a specific goal. We should start with the revitalization of our defense industrial base as the organizing objective and align tools against this mission.

TREASURY

- Tax
- CFIUS
- Macroeconomic policy coordination

COMMERCE

- Export Controls
- Market Access
- Tech Investment
- Standards Setting
- IP Regimes
- Supply Chain Analysis
- Industry Analysis

USTR

- Trade Agreements
- Investment Agreement
- Tariffs and Sanctions

STATE

- Tech Diplomacy

INTEL COMMUNITY

- Competitive analysis
- Problem sets
- Tech Adoption and fielding

ENERGY

- Tech investment
- Tech R&D
- Shape regulatory environment

OMB

- Budget Support
- Shape Reg Environ
- Coordinate and set priorities for federal R&D

OSTP

- Coordinate and set priorities for federal R&D

EDUCATION

- STEM investments with States
- Education “Talent” industrial base assessments

NSF

- Tech investment
- Tech R&D
- Tech commercialization

02.

Establish a National Center for Strategic Competition that coordinates interagency tools for defense industrial base revitalization.

03.

Create a President’s Strategic Investment and Competition Advisory Board.

Talent

Revitalizing the defense industrial base requires the DoD to attract diverse, specialized talent, ranging from economists and financial engineers to traditional STEM professionals. To stay competitive, the DoD must adapt its hiring practices, compensation models, and foster public-private talent exchanges, while leveraging advanced technologies to maximize efficiency and free personnel for mission-critical tasks

KEY THEMES >>>

EXPANDING EXPERTISE BEYOND TRADITIONAL ROLES.

DoD must hire experts with skills not traditionally found within the department, such as economists, financial engineers, and market analysts. These professionals can provide insights into commercial markets, financial health of companies and industries, and assessments of domestic and global supply chains, enabling military leadership to understand the health of the industrial base they are drawing from, and what interventions the DoD, or the USG needs to make in order to ensure reliable suppliers.

MODERNIZING HIRING PRACTICES AND COMPENSATION MODELS

To attract top-tier talent, the DoD must offer competitive salaries, utilize direct hiring authority, and employ flexible contracting options. This includes innovative compensation structures, streamlined security clearance processes, and incentives for short-term, high-impact projects.

LEVERAGING TECHNOLOGY TO MAXIMIZE EFFICIENCY.

DoD should employ Artificial Intelligence (AI) and automation to streamline administrative tasks, enabling personnel to focus on mission-critical operations. This reduces the need for uniformed staff in headquarters roles, allowing them to deploy their skills where they are most needed.

THEME	ACTION	OWNER	URGENCY
Expand Expertise Beyond Traditional Roles	Hire economists and financial analysts to analyze supply chains and financial markets, ensuring reliable suppliers.	DoD	Immediate
	Hire investors to assess investment opportunities and manage strategic capital	DoD	Immediate
Modernize Hiring Practices and Compensation Models	Introduce flexible compensation to attract talent from finance, tech, and venture capital	DoD/Congress	Immediate
	Expand Direct Hire Authority to bypass lengthy hiring processes for specialized roles	DoD/Congress	Immediate
	Develop public-private exchange programs to bridge the gap between DoD and private sector expertise.	DoD/Congress	Immediate
Leverage Technology to Maximize Efficiency	Implement AI to automate administrative tasks, freeing uniformed personnel for operational roles.	DoD	Medium-Term
	Use digital twins and data analytics to optimize decision-making and reduce staff burden.	DoD	Medium-Term
	Deploy remote collaboration tools to enable efficient coordination without physical presence.	DoD	Immediate

Moonshots for the DIB

Revitalizing the Defense Industrial Base (DIB), requires bold, coordinated ‘moonshots’—comprehensive efforts that align government, industry, and private capital to solve critical capability and capacity gaps. Just as the Creating Helpful Incentives to Produce Semiconductors (CHIPS) Act and Operation Warp Speed tackled vulnerabilities in semiconductors and vaccine production, the DIB requires a concerted, whole-of-society effort to ensure national security and industrial resilience.



SHORT TERM >>>

CONVENE STAKEHOLDERS TO ADDRESS IMMEDIATE GAPS

ACTION:

Convene DoD officials, industry leaders (both traditional and non-traditional), investors, and key members of Congress to identify 1-2 critical capability and capacity gaps. Establish the necessary funding, contracting authorities, talent, regulatory, and incentive structures to rapidly address these gaps.

GOAL:

Quickly mobilize resources and authorities to deliver a targeted solution in partnership with private sector stakeholders. Demonstrate success on 1-2 capability and capacity gaps.

MEDIUM TERM >>>

SCALE THE WHOLE-OF-SOCIETY MOBILIZATION MODEL

ACTION:

Use the success of initial efforts as a template to mobilize government, industry, and private sector efforts (similar to the WARP Speed model) to solve additional critical industrial base challenges, ensuring faster capability delivery and capacity expansion across other sectors.

GOAL:

Create a repeatable framework to address industrial base vulnerabilities

LONG TERM >>>

ENACT COMPREHENSIVE INDUSTRIAL BASE LEGISLATION

ACTION:

Develop comprehensive legislation that aligns the full scope of government tools and resources—investment, procurement, tax incentives, regulations, standards, talent, and trade policy—to provide long-term, stable incentives for the private sector to maintain and grow a robust defense industrial base.

GOAL:

Ensure enduring capacity for defense innovation and production by creating sustainable, aligned incentives across all sectors of the U.S. economy.

APPENDIX

Additional Recommendations

DOD AS A MARKET PLAYER

THEME	ACTION	OWNER	URGENCY
Ease of Doing Business	Expand use of Modern Acquisition Tools by Contracting Officers	DoD	Immediate
	Raise Simplified Acquisition Procedures Threshold for Priority Tech	DoD/Congress	Immediate
	Assign Government Sherpas to Assist new DoD Entrants	DoD	Immediate
Process Evolutions	Adopt Space Development Agency's Acquisition Model Across the DoD	DoD	Medium-Term
	End Sole-Source Contracts to Primes	DoD	Immediate
Transparency and Accountability	Create a Real-Time Digital Dashboard System for DoD Transparency and Accountability	DoD	Immediate
	Optimize Defense budget through Strategic Reductions	DoD; OMB; NSC; Congress	Medium-Term
	Sunset DoD contracts every 3 years to promote competition	DoD	Immediate

DOD AS A MARKET MAKER

THEME	ACTION	OWNER	URGENCY
Demand Clarity and Predictability	Require Open Competition for Hardware and Software in MDAPs	DoD	Immediate
Strategic Partnerships and Scaling	Use DoD's reach to assist non-traditional vendors with industry needs	DoD	Immediate
	Create Joint Ventures (JVs) to rapidly adapt commercial Intellectual Property for Defense Use	DoD	Immediate
Standards and Certifications as Market Catalysts	Embrace Industry 4.0 to Compete Globally in Hardware and Manufacturing	DoD/Congress	Immediate

DOD AS A MARKET SHAPER

THEME	ACTION	OWNER	URGENCY
Strategic Capital Deployment	Expand non-dilutive funding opportunities for Scale-ups	DoD; DOE; Commerce; NSF; Congress	Immediate
Regulatory Influence	Establish a Blue Manufacturing Initiative to Accelerate tech transition	DoD; Commerce	Medium-Term

For more information on the Defense Industrial Revitalization Effort, please contact Beth Kroman at bkroman@bloomberg.net.

