

CLIENT ALERT

Failing Health: NDIA's Annual *Vital Signs* Report Highlights Weaknesses in the Defense Industrial Base Supply Chain

February 10, 2022

The National Defense Industrial Association (NDIA) recently published its 2022 *Vital Signs: The Health and Readiness of the Defense Industrial Base* report, which includes an analysis of the defense industrial base supply chain. The annual report highlights the degree to which the performance of the supply chain is impacted by external events, namely the COVID-19 pandemic, which in turn impacts internal performance metrics. The report posits that the defense industrial base is not inoculated against the same concerns that have negatively impacted commercial supply chains – *i.e.*, the semiconductor shortage. NDIA researchers analyze four supply chain metrics to conclude that the overall performance of defense supply chains has substantively declined from the previous year and is failing: (1) contract failure; (2) financial performance; (3) inventory performance; and (4) cost management. The report also notes that only 30 out of 245 NDIA members surveyed (12%) indicated that their company's supplier network would be more reliable at delivering goods, materials and services in the future. The remaining 215 members surveyed (88%) concluded that their company's supplier networks would be about the same or less reliable. In total, the 2022 *Vital Signs* report paints a bleak picture of the overall health of the defense industrial base supply chain, and NDIA researchers conclude that next year's supply chain challenges will be even greater.

For more information on managing supply chain risks, please attend Crowell & Moring's upcoming webinar:

- Thursday, February 24 – [White Collar & Regulatory Enforcement Issues in Supply Chain](#)

For more information, please contact the professional(s) listed below, or your regular Crowell & Moring contact.

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