Six Budget Considerations for Digital Aviation Transformation

The annual budgeting process in the aviation, aerospace and defense (AA&D) industry puts greater pressure on any Digital Transformation initiative. First, a typical program will span multiple years, depending on the scope and scale of the transformation targeted, to enable the future operating model desired. Second, this program will compete for resources such as budget and people and other investments or initiatives which target growth and the future of the enterprise.

This is in addition to the ever-present surprises, course corrections and policy or compliance 'mandatory actions', all naturally occurring in AA&D. The following are considerations to aid in the 'puts' and 'takes' of the annual budgeting process where a Digital Transformation is in play:

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1 **What is your Digital Transformation strategy?**
There are many right answers for any given enterprise. AA&D enterprises are unique and any one may operate successfully even though it is dramatically different from others. However, we can agree, that fundamental transformation is difficult. Consider a "crawl, speed walk, sprint and leap" approach, and let that inform your budgeting prioritization.

2 **Does a Future State Operating Model and Program Roadmap exist?**
A Future State Operating Model document should outline elements such as: people, processes, applications, data, infrastructure, partnering and ecosystem-wide collaboration. The Program Roadmap should outline the digital journey from the current state to the future state. These two living documents provide critical insights for the investments necessary for success at any given point in time, year over year.

3 **Are you optimizing talent and investing in your people in advance of the planned development and deployment of new digitally enabled capabilities?**
There are hundreds of thousands of people across the AA&D ecosystem with talent, interests, jobs, roles, responsibilities, incentives, rules and regulations that in many cases are not aligned well with the future. This is a "pay me now, or pay me later" trap that can and likely will derail any transformation effort.

4 **How is your ecosystem integration?**
Everyone from OEMs, suppliers, owners, operators to service providers depend on everyone else to operate successfully. Have you engaged with them and discussed how your priorities are aligned with theirs? It is very likely that you may find misalignments in scope, scale and timing that could affect mission-critical capabilities. In addition, you may also find significant synergies of the same that you can leverage. The AA&D digital future will demand ecosystem-wide collaboration. Start now and amend your budgeting priorities in such a way as to neutralize threats and build in leverage.

5 **Is it more important to stay within budget or successfully deliver measurable outcomes?**
If the former, then less is clearly more. If the latter, then contingency is mandatory. This is not to say that all digital transformations will be over budget. Quite the contrary, most have the ability to accelerate benefits when planned and executed well. Think about how you can build benefits realization and/or budget redeployment into an annual cycle. Perhaps a transformation escrow could be mobilized to flatten your spend year over year.

6 **Are you prepared to fail and learn?**
Finally, recognize that a Digital Transformation is very different from a new aircraft, weapon system, ship or spacecraft. Embrace and practice a "fail fast and innovate" mentality for the transformation program and the budgeting for it.

Digital Transformation is underway and it will affect every area of the AA&D ecosystem. Plan your strategy early to build your business case, secure budget and move the project forward. While the journey will be lengthy, the gains will be exponential.

For insights from our industry experts on Digital Aviation Transformation and how this is taking shape across the ecosystem, connect with us at: www.capgemini.com/ DigitalAviationTransformation