5 Ways Shipbuilding Can Be Shipshape Despite Geopolitical Instability

By Vicky Uhland, *Seapower* Correspondent

Shipbuilding is highly affected by geopolitical volatility and there are five key adjustments that will define the new winners in this rapidly shifting environment, according to a new report from McKinsey & Company.

The report, "Seizing the advantage in shipbuilding amid geopolitical shifts," was released during Sea-Air-Space 2026.

"It's a desire to look beyond the everyday headlines of defense budgets and capacity restraints and look more globally at the shipbuilding sector," McKinsey senior partner and report co-author Ryan Brukardt said during a discussion at Sea-Air-Space.

Brukardt and McKinsey Senior Partner Brooke Weddle said there are four main geopolitical factors affecting shipbuilding in the western hemisphere:

- Trade agreements and tariffs
- State-directed industrial policies and incentives
- Import, export and capital controls
- Artificial intelligence and technology.

While all of these can make it difficult for U.S. and European shipbuilders to compete with other countries, the report notes that they can outperform their industry peers with five best practices:

- Rethinking portfolio strategy with future-proof platforms. This involves an unsentimental, analytical assessment of core products, big bets, products with limited market opportunities unless they're linked to a specific program, and reevaluated products, the report says.

Examples of core products include command and control systems or radar and sensor systems. Big bets might be communications systems or digital twins. Opportunistic go-to-market products could be training or self-defense systems. And products that might need to be reevaluated include navigation or propulsion-control systems.

- Accelerating production to meet spiking demand. This includes developing more efficient processes and personnel management by using technological innovations like AI-enabled dynamic scheduling and digitized workflows.

The McKinsey researchers found that using AI to handle scheduling inputs can increase throughput rates by at least 10 to 15 times, Weddle said.

- De-risking supply chains. Starting with the COVID-19 pandemic and extending to the current tariffs, sanctions and regional conflicts, shipbuilders have been dealing with vulnerabilities in their supply chains.

The report recommends two best practices to help address these

vulnerabilities: continuous exposure assessment, including advanced illumination models that help companies identify common sub-supplier choke points and other risks; and mitigation planning such as finding alternative suppliers and considering insourcing capabilities.

- Improving cost structures. The report identified three cost categories that are most affected by geopolitical disruption: materials, external labor and internal labor.

Materials procurement strategies can include creating supplier risk profiles for each country, supplier and commodity. Managing external labor includes developing multi-region vendor pools and shifting toward more modular work packages with standardized scopes of work. Handling internal labor costs requires time, the report found, but can include developing digital work instructions and smoothing out workloads.

- Building organizational capabilities. Many shipyards have trouble attracting and retaining young workers because of limited growth opportunities, low pay and difficult working conditions, the report found. And retirement looms – the report cited data that a third of U.S. aerospace and defense manufacturing employees are over age 55.

“When you compare our shipyards to Korea, it’s not always a great place to be a young or older worker,” Weddle said. “We need to fundamentally rethink what we think about workforce in the shipbuilding environment.”

The report recommends using holistic talent strategies like recruiting people with similar skills from non-shipbuilding sectors; partnering with schools for job-

shadowing initiatives; cutting the time it takes to achieve job proficiency though standardized onboarding boot camps and hands-on learning; rethinking performance measures to identify what roles high-performance employees are best suited for; and determining the underlying causes of attrition by encouraging employee feedback.

“Capital is the constraint in certain places but really, at the end of the day, it’s management practices, appropriate use of technology, and ability to attract and retain talent that are most significant” for gaining competitive advantage in an increasingly geopolitical shipbuilding environment, Brukardt said.