

Winning More Defence Contracts: How to Rapidly Respond to Bids and Grants with AI-Powered Collaboration

Executive Summary:

A seismic shift is occurring in Europe as our ability to rely on the US defence umbrella is being removed by the current Whitehouse Administration. While concerning, this opens up significant opportunities for those seeking to do business in the defence sector and the data in this report is likely to be an under estimate of demand as new Defence funding is established by the EU and in the UK.

To realise the opportunity, UK SMEs must accelerate their bid and grant application processes. However, traditional bid writing methods are slow, labour-intensive, and prone to compliance risks, limiting SMEs' ability to respond effectively to opportunities from the UK Ministry of Defence, NATO, and the European Defence Fund. AI-driven tools are revolutionizing this process, enabling organizations to generate high-quality proposals quickly, improve collaboration among subject matter experts, and ensure regulatory compliance with minimal manual effort.

Early adopters of AI-powered bid response systems have reported significant improvements, including faster submissions, increased win rates, and reduced workload for bid teams. Case studies from the defence sector demonstrate how AI-assisted document production enhances accuracy, reduces errors, and allows teams to focus on strategic content rather than administrative burdens. As defence procurement continues to evolve, companies that integrate AI-driven solutions into their bid management workflows will gain a critical competitive edge, positioning themselves as agile, efficient, and innovative suppliers in the defence sector.

Defence Procurement Landscape:

UK Defence Opportunities:

The UK Ministry of Defence (MOD) is a major buyer with ~£20 billion spent yearly on contracts, and it actively seeks innovation from smaller firms. The Defence and Security Accelerator (DASA) runs an Open Call for Innovation that accepts proposals year-round¹ as well as themed competitions targeting specific challenges. These programs offer grants to develop and trial new technologies. For example, DASA provides **innovation loans** (£250k–£1.6M) to help SMEs commercialize promising defence solutions

In addition, the MOD has a goal that 25% of its procurement spend go to SMEs (directly or via primes) and is reforming regulations to make procurement easier for small suppliers.

Despite these opportunities, UK SMEs face *unique barriers* in defence procurement. Lengthy, complex bidding processes and onerous contract requirements (e.g. detailed DEFCON terms) can overwhelm smaller firms. There is often no single clear entry point into defence contracts, and SMEs often must partner with large primes, risking loss of IP and limited control. The MOD's **SME Action Plan** acknowledges these challenges and commits to removing barriers so that innovative SMEs can better compete

EU & NATO Opportunities:

In Europe, the **European Defence Fund (EDF)** is a key source of R&D grants. Under the 2021–2027 program, EDF is allocating €8 billion to collaborative defence R&D projects, with annual calls exceeding €1 billion in funding. EDF strongly encourages participation of SMEs and “non-traditional” defence players. Targeted measures like the EU Defence Innovation Scheme (EUDIS) provide grants and support services specifically to startups and SMEs, helping them overcome market-entry barriers. This focus on SMEs is seen as *crucial to fostering innovation* and ensuring cutting-edge solutions reach the European defence market.

NATO is also opening doors for small tech companies. The newly launched **NATO Defence Innovation Accelerator (DIANA)** offers an accelerator program across the alliance, giving selected startups funding (e.g. ~€100k each) and guidance to develop dual-use technologies for security challenges. Likewise, the multilateral **NATO Innovation Fund** is a €1 billion venture fund investing in early-stage startups with dual-use tech, aiming to strengthen the alliance's tech base. All these initiatives reflect a *wider trend* in Europe: defence agencies are eager to engage SMEs and innovative newcomers, not just traditional prime contractors

Challenges for SMEs:

Across UK and European defence markets, SMEs expanding into this sector often struggle with complex procedures and compliance demands. Procurement cycles are long and paperwork-intensive, requiring expertise in regulations like the Defence and Security Public Contracts Regulations (being replaced by modernized rules in 2025)

Smaller companies have limited bid teams, making it hard to respond to large RFPs that bigger firms handle with ease. Security clearances and stringent confidentiality rules can be additional hurdles. Moreover, buyers (MOD, EU agencies, NATO) tend to be risk-averse, which historically favoured established suppliers. SMEs need to prove reliability and compliance, sometimes by partnering with large systems integrators – but such partnerships can limit an SME's visibility and profit. A consulting study noted that *“lengthy and complex public procurement processes, combined with SMEs' limited resources, are the primary obstacle to SME participation in Defence”*. Fragmented engagement channels and the dominance of primes in major programs further complicate matters

In short, while significant funding and contracts are available, navigating the defence procurement maze remains daunting for a small business. This is exactly where new tools – including AI-driven solutions – are starting to make a difference.

AI in Bid and Grant Writing

Accelerating Document Production:

Generative AI is transforming how bids and grant proposals are written by automating some of the most time-consuming tasks. Instead of starting from a blank page, proposal teams can use AI to produce a well-structured first draft in a fraction of the normal time.. For example, given a prompt or an outline of requirements, an AI writing assistant can generate a draft proposal section or even an entire RFP response “skeleton” covering the standard content.. This capability was demonstrated when ChatGPT was used to write the basic framework of a government contract – not a finished product, but a solid starting point that saves writers hours of grunt work

Modern bid-writing platforms leverage large language models to **shred RFPs and build compliance matrices automatically**, ensuring the draft covers every requirement. They can pull in relevant text from a company’s past proposals or knowledge base to fill out boilerplate sections (e.g. corporate experience, bios, project plans) so that writers only need to polish and customize

Essentially, AI acts as a junior proposal writer that can *crank out a first-cut draft in minutes rather than days*. This lets human experts reallocate time to higher-value work – refining win themes, tailoring solutions, and integrating strategy – instead of typing rote content.

AI-Powered Collaboration and Compliance:

Another advantage of AI in proposal development is improving team collaboration and rigor in compliance. Proposal teams are multidisciplinary – involving capture managers, technical authors, finance, legal, and review committees – and AI tools are helping to coordinate their input. Dedicated platforms (e.g. generative AI-based proposal software) provide a **shared workspace** where all contributors work on the bid document with AI assistance guiding the process. These systems can automatically **extract key requirements** from lengthy solicitation documents, so everyone clearly sees the customer’s asks. Throughout writing, an AI “compliance coach” can cross-check the draft against the RFP criteria in real-time, flagging any missing responses or formatting issues

This reduces the risk of a non-compliant bid due to human oversight. Some tools employ an *AI proposal reviewer* that scans text for compliance, consistency, and even tone, suggesting fixes for any sections that might get penalized

By automating these tedious checks, AI frees up proposal managers to focus on strategy and quality. Collaboration also improves: team members can query an **AI assistant** for quick answers or summaries of prior proposals and research materials, instead of digging through archives.

In essence, AI serves as an ever-present support member on the team – organizing content, answering questions, drafting text, and ensuring nothing falls through the cracks. This leads to faster turnaround and more cohesive, compliant proposals

Commented [MC1]: Is this something which we want to include at this stage?

Security and Regulatory Considerations:

Adopting AI for defence-related document production requires careful attention to security and compliance. Bids for defence contracts often contain sensitive technical data and proprietary information – data that must be guarded. A major concern is **data privacy**: feeding confidential bid content into a public AI service (like a general chatbot) could expose it or violate regulations. Many generic AI writing tools *do not guarantee that your input stays private*; indeed, some free AI This is a red flag for defence contractors. SMEs looking to use AI should opt for enterprise-grade solutions or internal models that ensure **end-to-end data security** (encryption, access control, on-premise options)

For example, some proposal platforms expressly promise 100% data privacy and will not commingle your data with others

Regulatory compliance is another factor – defence bids may involve ITAR-controlled information or Official-Sensitive material that legally cannot be processed by foreign or unmanaged systems. Organizations must therefore vet AI tools for compliance with government cloud security standards and get client approval if needed. Another consideration is the *accuracy and integrity* of AI-generated content. Generative models can “hallucinate” facts or output text that reads plausible but is incorrect. In a bid or grant proposal, any such error can be costly. Best practice is to use AI as a drafting aid, **not** an authoritative source – all content should be verified by the team. To manage these risks, many early adopters set policies for AI use (e.g. disallowing its use for classified info, requiring human review of AI-written sections, and scanning for originality). In short, while AI can drastically improve productivity, it must be implemented with a secure framework and human oversight to meet the defence sector’s strict confidentiality and accuracy standards

Case Studies and Real-World Applications:

AI-Accelerated Bid Preparation:

Forward-thinking SMEs and even large defence contractors have begun integrating AI into their proposal workflows – with notable success. One U.S. defence consulting firm observed that generative AI like ChatGPT can “*assist founders of small- and medium-sized businesses... to get proposals out and accepted*”, helping them draft content and review it faster than traditional methods

Bridge4Acquisitions, a bid consulting company, reported that ChatGPT became a “*disruptive technology*” for their proposal development – but only when paired with the right human expertise to guide it. In practice, SMEs have used AI tools to rapidly assemble proposal sections based on previous successful bids, saving precious time in tight tender deadlines. For example, a UK-based defence SME leveraged an AI writing platform to generate initial drafts for a complex systems engineering proposal, allowing their experts to then refine the technical details rather than spending days on basic copywriting. The result was a complete proposal delivered in **half the usual time**, without missing any requirements – a feat credited to the AI’s ability to handle the repetitive groundwork. On the government side, even the U.S. Department of Defence saw the potential: the Pentagon’s Chief Digital and AI Office prototyped an “**Acqbot**” to help contracting officers write contracts faster, showing that even the buyers want to speed up the

process with AI. These early applications underscore that AI is not theoretical – it’s already being applied to real proposal challenges, from both industry and government, to accelerate preparation.

Success Stories – Faster Bids, Higher Win Rates:

Quantifiable benefits are emerging from AI-assisted bid efforts. In one case study, a large defence contractor (Serco) piloted an AI-based bid writing tool and saw an *85% increase in productivity* for their bid team

This efficiency gain meant their team could produce nearly twice as many proposal drafts in a given time, or reallocate time to strengthening content quality. The same initiative contributed to a 5% uptick in Serco’s global revenue, attributed to winning more bids. Another AI vendor reports that an enterprise client achieved a **241% increase in bid win rates** after adopting its proposal generation platform

While such a dramatic jump may not be universal, it points to a real competitive edge – the ability to submit more tailored, compliant proposals (and submit them on time) can directly improve an SME’s chances of winning contracts. Speed is a factor too: a construction-sector user of an AI proposal tool was able to *double the number of bids submitted* (96% increase) by automating large parts of the writing and research process

These success stories suggest that AI can compress the proposal timeline from weeks to days. Proposal managers cite reduced stress on their teams and more consistent outputs. However, they also emphasize **lessons learned**: AI is most effective as a helper, not a replacement, for skilled bid writers. Companies that saw the best results invested in training their staff to work alongside the AI – treating the tool as an “efficiency amplifier” while humans maintained final control over the messaging and technical accuracy.

Lessons Learned & Best Practices:

Early adopters have gathered valuable insights on how to implement AI in bid management. A key lesson is the importance of the *human touch*. As one expert quipped, “**no AI tool can ingest your RFP and pop out a winning proposal**” on its own

High-performing teams treated AI-generated drafts as a baseline to be enhanced by human reviewers who bring in context, creativity, and client knowledge. For instance, an AI might draft a section citing generic advantages, but the team then infuses it with specific win themes and clarifies any ambiguities – the result is a polished proposal that still meets the client’s unique needs. Another best practice is rigorous **fact-checking and compliance checking**. Successful users always verify AI-produced content against the RFP and their own source materials, to catch any errors or unsupported claims. Many organizations establish an internal review step dedicated to vetting AI contributions. It’s also advised to maintain a **library of approved content** (past performance summaries, CVs, technical specs) that the AI can draw from, to improve accuracy and consistency. The phrase “garbage in, garbage out” holds: AI needs quality data and prompts, so top teams spend time crafting good prompts and feeding the AI relevant information to get useful outputs.

Lastly, pioneers highlight the need for an **AI usage policy**. Clear guidelines – e.g. what kinds of proposal sections are appropriate for AI drafting, data handling rules, and requirements for

human oversight – help avoid missteps. Some learned this the hard way: when one team over-relied on AI for a highly technical section, it required extensive rework by subject experts later. Now they use AI for what it does best (speeding up generic content, formatting, compliance checks) and reserve critical solution design text for human experts. In summary, the experiences of these early adopters show that combining AI's speed with human judgment leads to the best outcomes: faster proposal cycles without sacrificing quality or compliance.

Competitive Advantage for Early Adopters

Staying Ahead of the Curve: Embracing AI in bid management is becoming a source of competitive advantage, especially for SMEs that need to punch above their weight. Early adopters who have the agility to implement AI now stand to **gain an edge over slower-moving competitors**.

By leveraging AI, a small proposal team can accomplish what used to require a much larger team or longer time – levelling the playing field against bigger firms. For example, if an SME can respond to *5 tenders in a month* using AI-assisted writing, while a rival using traditional methods can only handle 2, the early adopter has more shots on goal and greater learning per cycle. Companies already using AI report that it has become integral to their operations and even helps set industry benchmarks in efficiency.

This translates to more opportunities pursued and improved odds of winning new contracts. Moreover, adopting AI signals to defence customers that the company is innovative and efficient, which can be a positive differentiator in the sector.

Market Trends and Future Potential:

The use of AI in proposals is no longer experimental – it's gaining momentum across industries, including defence. Surveys show that roughly half of organizations are either actively exploring or already using AI in their proposal workflows. In the bid and grant community, what started as a few pioneers has grown into a significant early-majority wave. Analysts predict that AI-driven proposal management will soon become standard practice, much like word processors and online portals did in earlier decades. In defence procurement specifically, where speed and precision are critical, we can expect AI tools to be adopted widely to keep up with faster procurement cycles and the deluge of data in modern bids. Future AI may offer features like predictive analysis of bid scoring, automated pricing models, or intelligent matchmaking of opportunities – some of these are already on the horizon.

NATO and governments are investing in AI and expecting contractors to harness advanced tech in their operations, so early adopters are aligning with the direction the market is headed. As the technology matures (with better accuracy and domain-specific models), the potential for AI is to handle even more complex proposal tasks – perhaps generating complete first drafts that need only minimal editing, or conducting deep compliance audits instantly. SMEs that build competence with these tools now will be well-positioned to capitalize on these advancements.

Risks of Inaction:

On the flip side, companies that stick to traditional proposal methods risk falling behind. As more competitors incorporate AI, the baseline for proposal turnaround times and quality will

rise. An SME that chooses *not* to explore AI could find itself consistently outpaced by rivals who can submit polished, customized bids in a fraction of the time. In a recent industry poll, experts warned that *ignoring AI could mean missing out on opportunities to enhance efficiency, accuracy, and strategic insights* in bids

In practical terms, this might mean lost contracts because the team was too slow to respond or had less bandwidth to refine their solution. There's also the opportunity cost: if your team is occupied with manual formatting and repetitive writing, they have less time to strategize win themes or innovate in the proposal. Early adopters are already capitalizing on AI to drive proposal costs down and outputs up – those efficiencies can translate into more aggressive bidding and sharper pricing, which non-adopters may struggle to match. It's worth noting that the competitive advantage of AI might be *time-limited*. As one proposal veteran pointed out, when word processors first emerged, early users had a temporary edge until everyone adopted them – and the same could happen with AI as it becomes ubiquitous.

This implies that **now** is the window to seize the advantage before it becomes simply the new normal. SMEs that adopt AI tools early will accumulate experience and refinements, making them stronger even when AI is commonplace. In contrast, firms that delay may face a steep learning curve later just to keep up. In summary, the trend is clear: AI-assisted bid writing is rapidly moving from novelty to necessity. Embracing it early can position an SME as a leader in the European defence market, with more wins and greater efficiency, while inaction could leave them at a serious disadvantage as the sector evolves.

Conclusion:

For SMEs aiming to expand into UK and European defence contracts, leveraging generative AI in bid and grant response processes can be a game-changer. It helps overcome some of the traditional hurdles of defence procurement – from deciphering complex requirements to racing against tight deadlines – by augmenting the team's capabilities. Early evidence shows improved productivity, faster submissions, and even higher win rates when AI is thoughtfully implemented. The defence procurement landscape is competitive and shifting, with buyers encouraging innovation and speed. Adopting AI-powered bid tools not only improves an SME's chances in the immediate term but also builds a forward-looking competency that aligns with where the defence sector is headed. The practical insights and case studies above illustrate that while AI is not a magic bullet, it is a powerful new ally for proposal teams. Armed with these insights, SMEs can approach an introductory discussion or demo of an AI bid management tool with clear objectives: to test how such a tool might streamline their workflow, ensure compliance, and ultimately boost their success in securing defence opportunities. The message is clear – those who learn to ride the wave of AI now will be those leading the charge in the next generation of defence contracting.

References

1. **HM Government**, 2021. *National AI Strategy*. London: Department for Digital, Culture, Media & Sport. Available at: <https://www.gov.uk/government/publications/national-ai-strategy> (Accessed: 7 March 2025).

2. **Ministry of Defence**, 2022. *Defence Artificial Intelligence Strategy*. London: Ministry of Defence. Available at: <https://www.gov.uk/government/publications/defence-artificial-intelligence-strategy> (Accessed: 7 March 2025).
3. **Ministry of Defence**, 2024. *Defence AI Playbook*. London: Defence AI Centre, Ministry of Defence. Available at: https://assets.publishing.service.gov.uk/media/65bb75fa21f73f0014e0ba51/Defence_AI_Playbook.pdf (Accessed: 7 March 2025).
4. **Jouan, N., Palicka, O. and Black, J.**, 2024. *Developing AI Capacity and Expertise in UK Defence*. (Written evidence submitted to the House of Commons Defence Committee). RAND Europe/UK Parliament. Available at: https://www.rand.org/pubs/external_publications/EP70428.html (Accessed: 7 March 2025).
5. **Taylor, T.**, 2019. 'Artificial Intelligence in Defence: When AI Meets Defence Acquisition Processes and Behaviours'. *RUSI Journal*, 164(5). Available at: <https://www.rusi.org/explore-our-research/publications/rusi-journal/artificial-intelligence-defence-when-ai-meets-defence-acquisition-processes-and-behaviours> (Accessed: 7 March 2025).
6. **Csernaton, R.**, 2023. *Weaponizing Innovation? Mapping Artificial Intelligence-Enabled Security and Defence in the EU*. EU Non-Proliferation and Disarmament Paper No. 84. Brussels: EU Non-Proliferation Consortium. Available at: https://www.sipri.org/sites/default/files/2023-07/eunpdc_no_84_0.pdf (Accessed: 7 March 2025).
7. **European Commission**, 2022. *European Defence Fund 2021: Calls for Proposals – Results*. Brussels: European Commission (Defence Industry and Space). Available at: https://defence-industry-space.ec.europa.eu/european-defence-fund-2021-calls-proposals-results_en (Accessed: 7 March 2025).