

Emerging Trends in Procurement and What's New in NCMA

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Crisis or Opportunity?

**“No one promised this stuff
would be easy.”**

National Imperatives Driving Changes in Contract Management Today

- Domestic Economics - Debt, Medicare, Social Security, Supplementals, Trade Balance
- Threat Changes - Asymmetric warfare (bio, cyber, IEDs); world-wide terrorism; weapons proliferation; rogue nuclear states
- New Missions - Homeland defense; missile defense; counterinsurgency; stability and reconstruction
- Warfighting Changes - Netcentric Warfare; Systems-of-Systems; Joint and coalition operations
- Defense Budget Shifts - From Equipment to Personnel, O&M and Homeland Security
- Technological Changes - Integrated data; open-sources; bio, nano, robotics, high-energy lasers, etc.
- Industrial Changes - Horizontal & vertical integration; commercial high-tech advances
- Globalization - Rapid spread of Technology; multinational firms; foreign competition
- Acquisition Workforce - Aging; wrong skill mix; training needs; competition for skilled people
- Recent "Scandals" - Druyun, Cunningham, Abramoff, etc.

Current State of Environment

- **ACQUISITION LACKS CREDIBILITY**
 - *Changing requirements, Cost, Schedule, Performance, Integrity issues*
 - *Too many programs chasing too few dollars*
- **STAKEHOLDERS CONTRIBUTE TO THIS SITUATION**
 - **Congress:**
 - *Driven by Importance of Oversight Role/Jobs/Constituency Interests*
 - **Uniformed Leadership:**
 - *Constantly growing appetite for Capability; Inconsistent Discipline in Making Hard Decisions on Programs; Little Sense of Responsibility for Program Instability*
 - **Budgeters:**
 - *Forced to Make Decisions on Unbalanced Submissions, Often Defaulting to Financial vice Warfighting Criteria*
 - **Industry:**
 - *Must Bid Programs “To Win”, Considering the Likely Budget and Competitors...Contributes to Cost Overruns and Schedule Slippage*
 - **Acquisition Community:**
 - *Responsible for Designing /Executing Program Acquisition Strategies that Must*
 - *Simultaneously Satisfy the Above Perspectives (Often at Odds), and*
 - *Efficiently Acquire Programs*

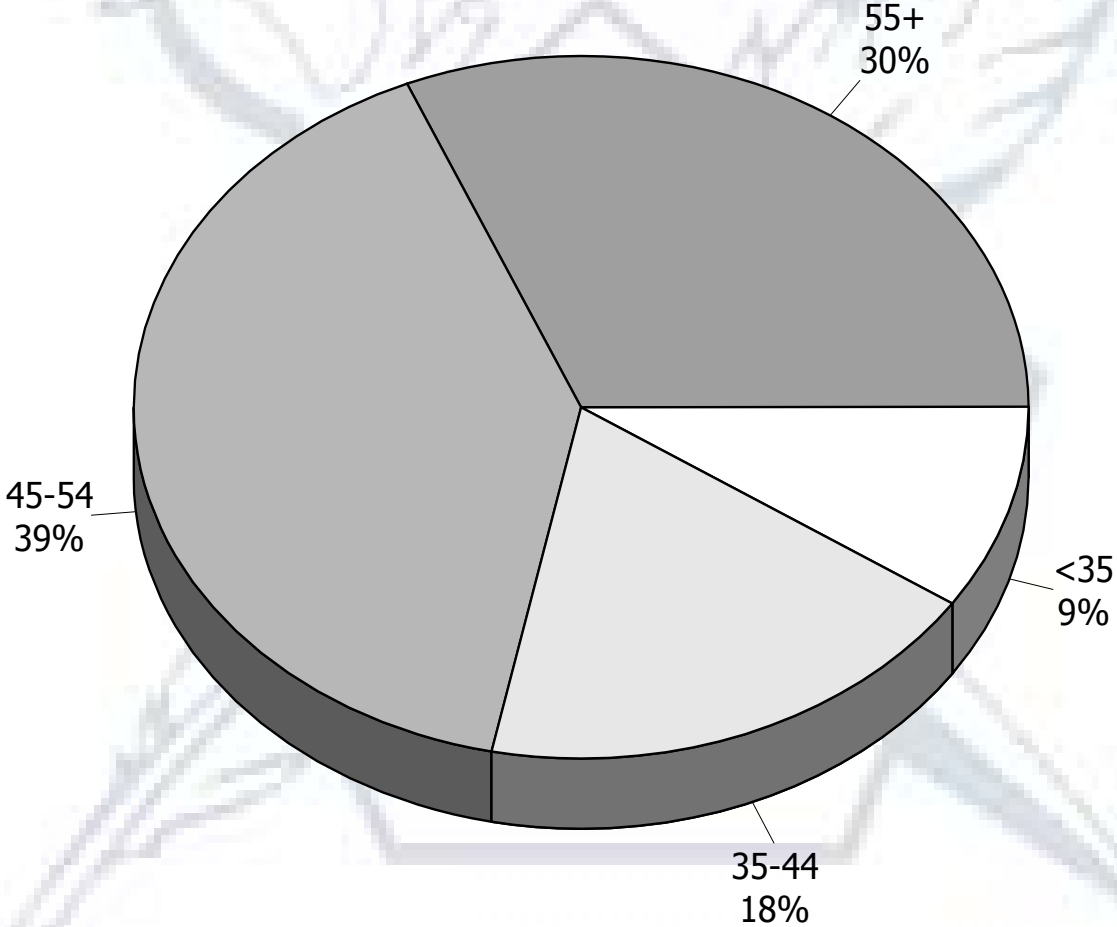
What Changed Or Is Changing?

- **Acquisition workforce**
- **Working conditions**
- **Acquisition rules**
- **The supply base**
- **Acquisition of goods and services**

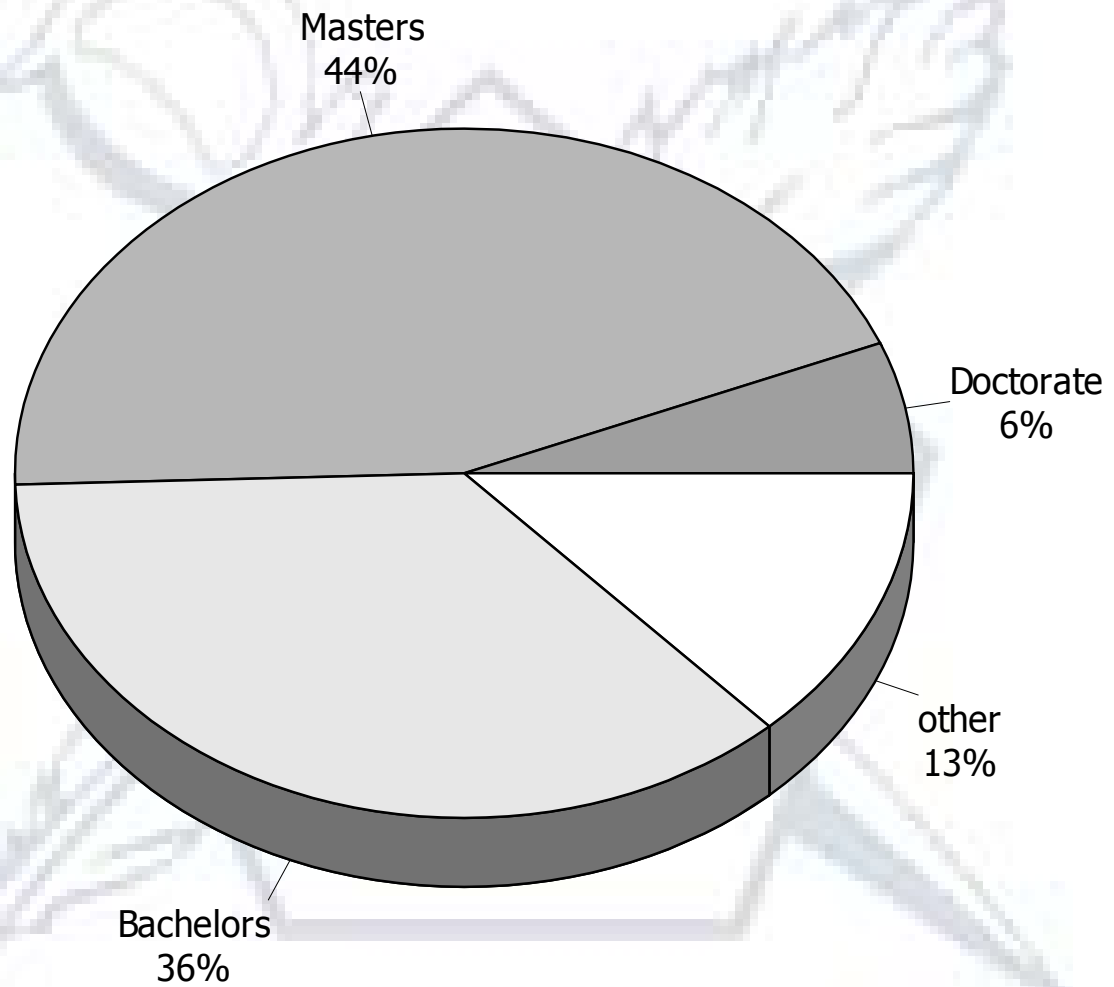
The **Acquisition Workforce** Has Changed

- Years of downsizing
- Human capital strategies have not kept up with evolving demand
- Different set of expectations, e.g. business advisor
- Impending gap in replacing the retiring professionals
- Inadequate investment in training

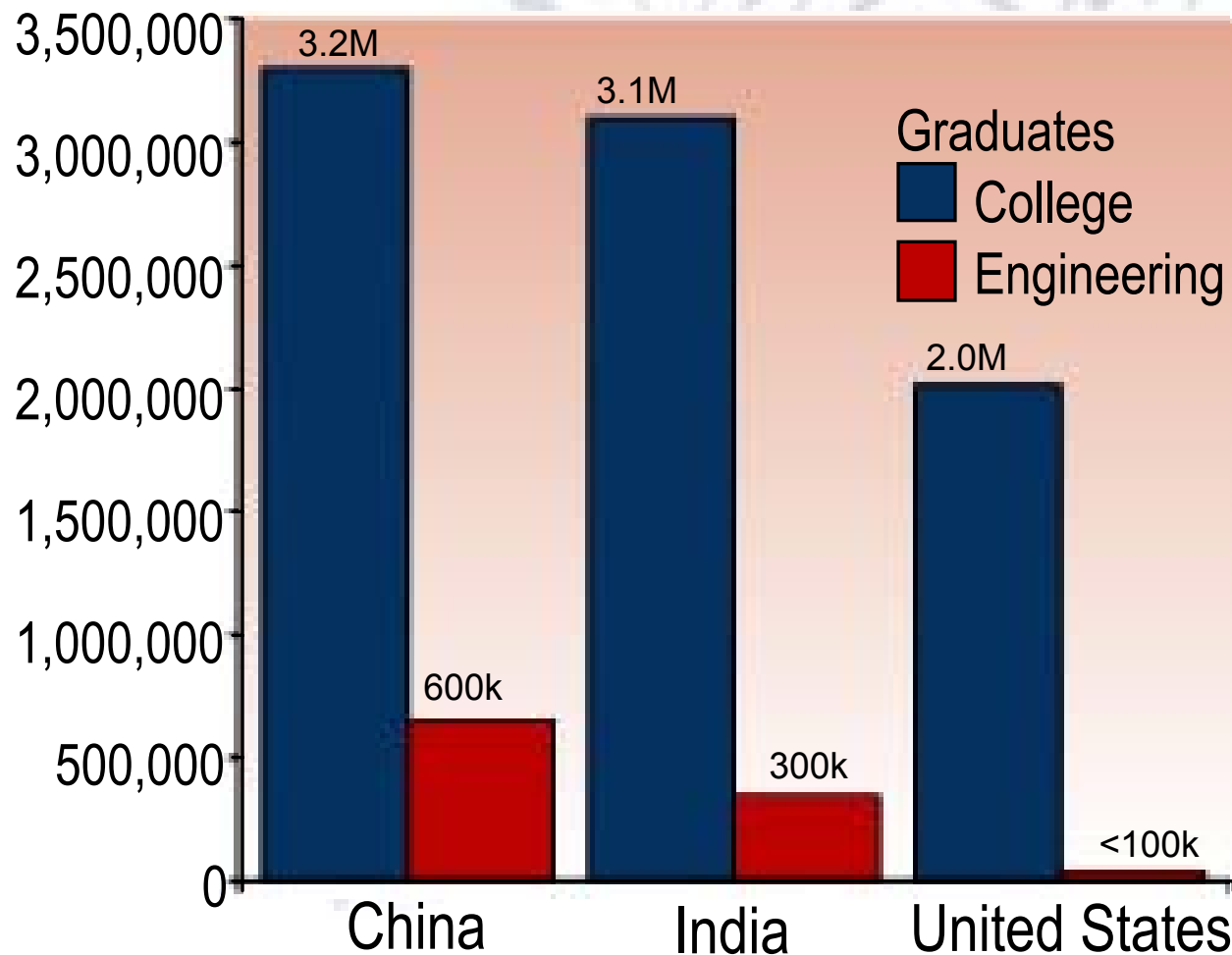
Acquisition Workforce Demographics - Age



Acquisition Workforce Demographics - Education



College Graduates - 2005



It will take about a generation to reverse the ratio of highly skilled workers between the U.S. and India and China. When the generation of engineers and scientists that sent the man to the moon retires, who is going to replace them?"

*Academic Disciplines & Employment Trends'
Applied Information Management Institute,
Jan 2006*

The Emerging Competition For Talent

"One in every three of Lockheed's employees is over 50. To sustain our talent base, we're hiring 14,000 people a year. In two years, we're going to need 29,000 new hires; in three years, 44,000. If this trend continues, over the next decade we will need 142,000."

- ROBERT J. STEVENS, chairman,
President and CEO of Lockheed Martin.
Wall Street Journal, April 19, 2006

Strategic Target Areas

The **Working Conditions** Have Changed

- **Compelling urgency – everything is accelerated in fight against terrorism**
- **Doing business in the battle space**
- **Deployment of personnel leaves home force shorthanded**
- **Unprecedented level of support needed for hurricane Katrina response**
- **Constant threat of oversight and second-guessing decisions**
- **High media attention**

The **Acquisition Rules** Have Changed

- Years of acquisition reform
- Commercial items and complex services
- Larger task orders with less transparency
- Organization conflicts of interests
- Interagency contracting
- More outsourcing (competitive sourcing)
- Expanded socio-economic programs
- Buy American

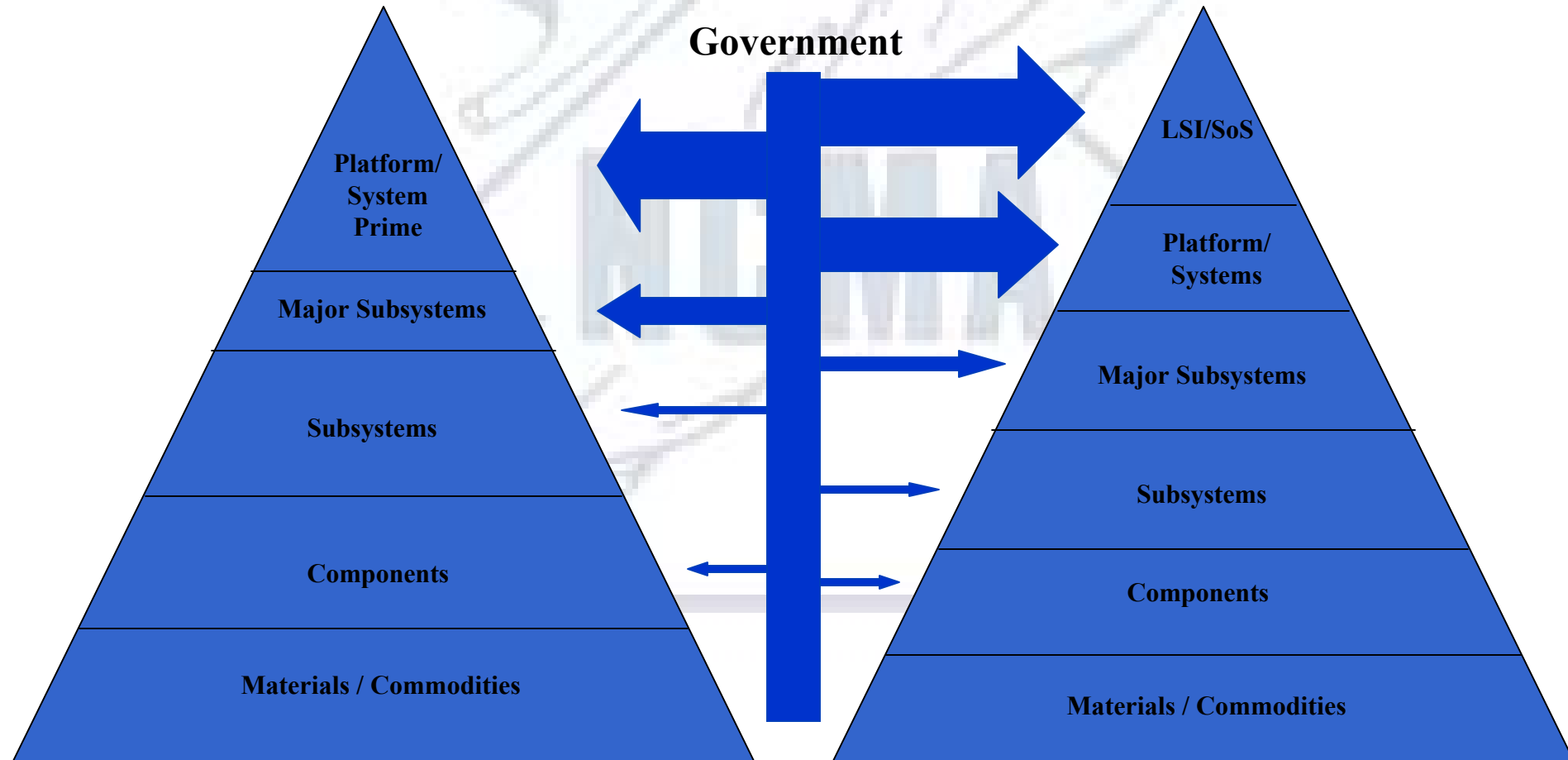
The **Supply Base** Has Changed

- **Industrial base consolidation**
- **Partnerships and teaming**
- **Global competition has increased**
- **Strategic sourcing**
- **More eBusiness**
- **More competition at 2nd and 3rd tier**

Acquiring Goods And Services Has Changed

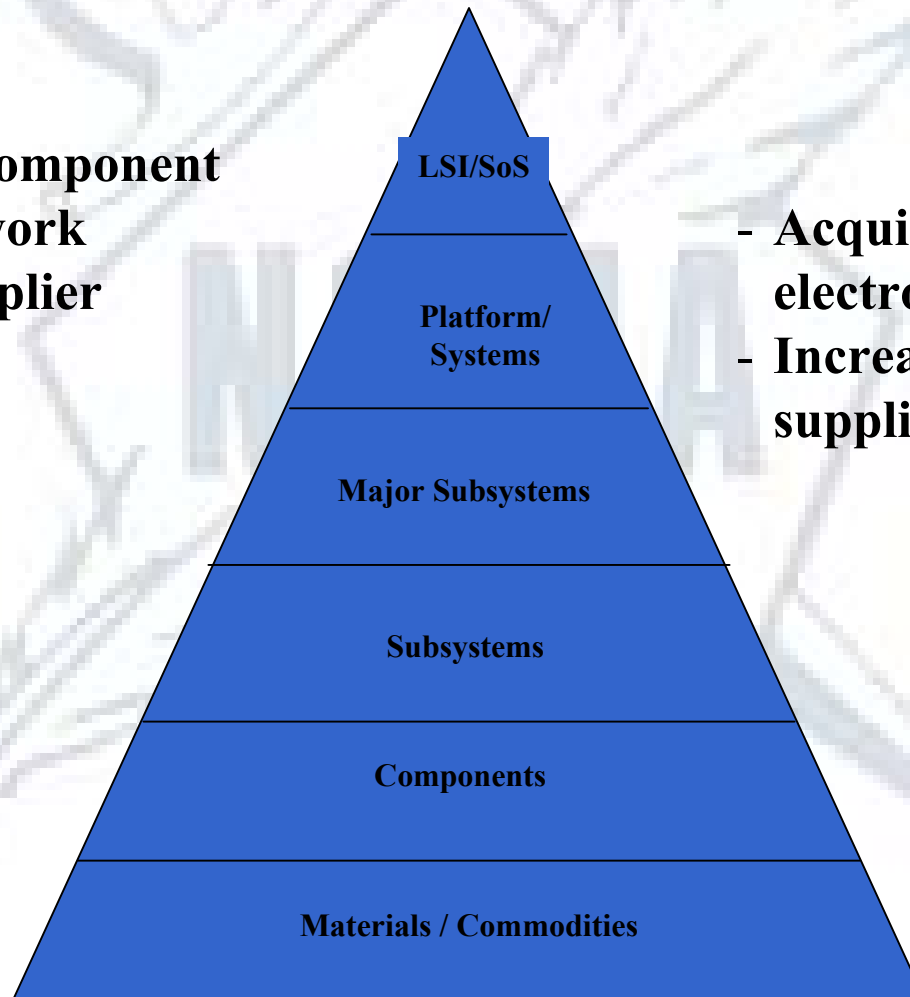
- **Offloading simple transactions**
- **Larger, more encompassing services**
- **Complex IT, communications, and weapons systems**
- **Accelerated fielding to serve the war fighter**
- **Emphasis on logistical support**

System of System Requirements Changing Relationships With Customers....



Defense Supplier Relationships Are Changing....

- **Outsource/exit component and subsystem work**
- **Concentrate supplier relationships**
- **Push risk down**



- **Acquire defense IT and electronic companies**
- **Increased involvement in supplier selection**



This All Adds Up To Risk!

- **There is more work, it is more complex, and it must be acquired faster than ever**
- **Workforce downsizing, expert class retiring, while expectations and oversight increases**
- **Rules are more flexible, actions are less transparent**

Setting Expectations To Reduce Risk

Government Expectations of Industry

1. Deliver as promised
2. Be forthcoming with development or production challenges
3. Convey realistic completion cost and schedule
4. Pick the very best program team
5. Keep program at highest priority possible
6. Execute the contract that was bid
7. Inform government sooner than later about schedule delays
8. Expect frequent government turnover
9. Expect funding instability
10. Don't make commitments that are difficult to keep

Industry Expectations of Government

1. Set the tone for government/contractor relationship and success
2. Continuous disclosure and allowing participation in "making sausage"
3. Share funding challenges
4. Be a part of the "solution" team
5. Truly consider contractor as a partner
6. Remember both government and industry helped "sell" aggressive program
7. Understand industry has sub-contractors and associated schedule and staffing issues
8. Understand award fee gets taxed/shared
9. Understand industry has "company" pressures to meet cash/profit projections
10. Clearly articulate what's important and prioritize what you want via incentives

Our Future



“The future is not a result of choices among alternative paths offered by the present, *but a place that is created . . . First in the mind, and then in the will . . . Next in activity. The future is not some place we are going to, but **one we are creating . . .”***

- John Schaar, Futurist

Your Changing Role

- More strategic presence, to guide organization through high risk.
- Relationship manager, to deal with increased complexity of value chain.
- Ambidexterous – contractually, dealing with both buy and sell deals.
- Technology competent, to master new tools being fielded by company and customers.
- Multi-tasker, to deal with more projects of competing priorities.

Value-chain awareness.

- Who are your customers, and what are their objectives?
- Where do your suppliers fit in the company's value chain?
- Where does your unit fit in the company's mission?
- Where do you fit in the unit's mission?

Strategic mindset.

- Integrated into all aspects of the company's operations.
 - Proactive planners.
 - Integrative implementers.
 - Deal makers, not deal breakers.

Dynamic flexibility.

- Ability to deal with multiple, highly complex, and hyper-changing priorities.
 - Can-do, will-do, did-do.
 - Organized.
 - Efficient.
 - Responsive.
 - One step beyond change friendly – change eager!

Talent infusion.

- Introducing new people into the organization.
 - Internship program.
 - Work assignments that challenge.
 - Workforce diversity.
- Building new talent through creative assignments, professional development.

Formal education.

- 86% of contracts managers have a Bachelors Degree (Business, Management).
- 44% hold a Graduate Degree (MBA).
- 6% hold a terminal degree (Ph.D, Ed.D., J.D.)

Credentials.

- 35% of CM's are Certified.
 - Certified Professional Contracts Manager (CPCM)
 - Certified Federal Contracts Manager (CFCM)
 - Certified Commercial Contracts Manager (CCCM)
 - Organizational certification (DAWIA, etc.)
 - Other credentialing bodies (ISM, PMI, etc.)
- Direct correlation between compensation and certification.

Continuous Learning.

- 80 hours annually!
 - Organizational.
 - Current events.
 - Interpersonal skills.
 - Contracting skills.
 - Technology skills.
- Multi-modal!
 - Classroom.
 - On-line.
 - Reading, writing, researching.
 - Mentoring.

Own your own development!

Find out if your customers or suppliers will allow you to attend their training!

What you can do.

- Lead by your actions.
- Be a “chief courage officer”
- Stay informed on the issues.
- Have opinions, and engage in the discussion.
- Participate in continuous learning.
- Resist cynicism and skepticism.
- Participate in your NCMA chapter.

Engage in your profession.

Federal Contracting Hot Topics

- Acquisition workforce hiring, training and certification; blended workforce
- Interagency contracts
- Organizational Conflicts of Interest (OCI)
- Buy American Act and Berry Amendment
- Ethics and integrity (increased oversight)
- Major systems cost and schedule overruns
 - DAPA recommendations
 - Acquisition Advisory Panel recommendations
- Strategic sourcing

NCMA's Advocacy Initiative

- Monitor and analyze domestic and international developments that may have an impact on the practice of contract management or the people and organizations that practice contract management.
 - Proposed legislative and executive changes.
 - Workforce developments.
- Actions may include:
 - Rapid response teams.
 - Position and informational white papers.
 - Other communications.
 - Education and training.
 - Media outreach.
 - Special sessions to connect and inform.

NCMA's New Professionals Initiative

- Outreach to universities.
 - Standard CM curriculum.
 - MacFarlan research program.
- Connect students to the CM profession.
 - Student memberships, chapters.
 - StudentsConnect (e-newsletter) and StudentsBlog.
- Leadership Development.
 - Leadership Development Program (LDP).

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