

SOLUTIONS FOR A HIGHLY COMPETITIVE WORLD



Trapping vs. Skinning

How Near-term Trends and Challenges Affect Your Organization



Six Significant Near-term Trends and Challenges

1. Larger numbers of smaller A&D procurements generally in the category of "sustainment":
 - Includes upgrades, modifications retrofits, services, etc...
 - Creates opportunities for some second tier and non-traditional players to go after what were traditionally prime roles
 - More IDIQ competitions increases the cost of winning
 - Increased funding at DHS, NSA, ODNI, and intelligence community in general drawing everyone's attention
 - More inefficient use of resources to pursue new business (peanut butter effect)
2. Fewer major A&D developmental program new starts means that traditional players must broaden their market base
 - Example: NG strong emphasis on IT has resulted in major wins against traditional IT players, most recently in San Diego and in Virginia
 - Pushing harder into the UK/Europe market



Six Significant Near-term Trends and Challenges

3. Portfolio shaping through sell-off of strategically irrelevant businesses and acquisitions that improve long-term competitiveness
 - More emphasis on profitability and debt load reduction
 - All top tier players have reduced debt significantly

4. Traditional A&D players have increasing labor shortages with total white collar head count falling below 600,000 while resource demand continues to increase
 - Critical shortages in program management and systems engineering skill areas
 - Critical shortages of people with SAR clearances
 - Some M&A activities targeting specialized labor
 - Example: GD acquisition of Anteon



Six Significant Near-term Trends and Challenges

5. Successful influx of non-traditional players into A&D space increasing competitive pressure on traditional players:
 - Example: Accenture beat LM Team on US Visit
 - Example: Accenture beat CSC on three major DoD procurements in the last two years
 - SAIC under Dahlberg is sure to become more competitive
 - More UK/European companies coming after US opportunities

6. Major shift in DoD procurement policies to emphasize program credibility:
 - More emphasis on use of non-developmental items to reduce technical and schedule risk
 - Closer examination of risk claims and risk management/mitigation plans
 - More weighting on Past Performance
 - Closer examination of program plans (IMP/IMS)



The Bottom Line

A Tougher Competitive Environment

- Stronger competitors fighting for fewer large opportunities
- Inefficient use of scarcer resources to compete for large numbers of smaller opportunities
- Increasing cynicism in the acquisition environment



Where Are Your P&L Centers In The Cycle Of Typical Business Behavior

Phase 1: The company needs to win business (in new or existing markets) so it spends \$\$\$ and devotes resources until win rate improves. Effective trappers are hired and accommodated.

Phase 2: With increased confidence from winning the company spends more \$\$\$ and devotes more resources to win more strategically significant opportunities. Eventually a transformational win occurs.

Phase 3: Company execution has become a much bigger issue than winning. Less \$\$\$ and resources are available for competing. Increasing financial pressure on profits makes it more difficult to mount effective campaigns. Fewer things are bid and won. The most effective trappers move on.

Phase 4: The Company is increasingly concerned about back log. There is a cliff ahead as current work is finished, and/or as market conditions create growth uncertainty and risk.



Some Thoughts On The Psychology Of Winning Vs. Executing

- All companies are organized around what makes them money, i.e., “skinning”
- Skinning is a full time job, but the skimmers think they can trap on the side
- Trapping is a full time job, but the trappers secretly hope to become skimmers because that’s what their culture values
- Skimmers make poor trappers because they lack the needed tolerance for ambiguity
- Trappers make poor skimmers because they lack the needed discipline



Critical Skinning Skills

- Rigorous process discipline
- Relentless attention to detail
- Continuous focus on cost and schedule management
- Effective risk mitigation strategies
- Customer relationship and expectation management
- Accountability based on performance

It's about meeting the customers requirements on schedule and within budget!



Critical Trapping Skills

- Tolerance for ambiguity
- Ability to work outside comfort zone
- Responsive to win strategy, not convenience
- Flexible process discipline
- Rational cost control
- Effective client relationship building
- Senior leadership expectation management
- Drop dead schedule control

It's about winning not about finishing!



Some Issues That Impact Your Trapping Environment

- Are trappers valued? How?
- Who do the trappers report to?
- Who controls the B&P?
- What's the process for making bid/no-bid decisions?
- How are resources allocated for trapping?
- How is successful trapping rewarded?
- How is unsuccessful trapping rewarded?



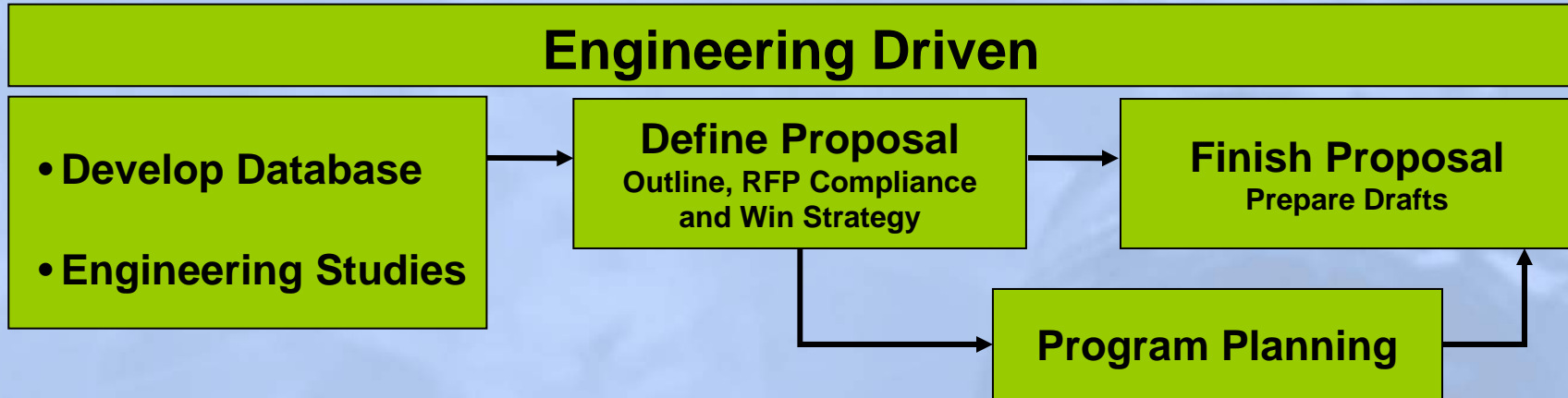
Half The Key To Winning Is Not Losing!

- The incumbent loses >80% of the time -- Why?
- We have yet to work on a competition where the client was not set on doing something that would have resulted in losing, if not changed -- Why?
- Engineering consumes >80% of the B&P on what typically is <50% of the evaluation criteria -- Why?
- Competitions are usually won on other than technical issues -- Why?



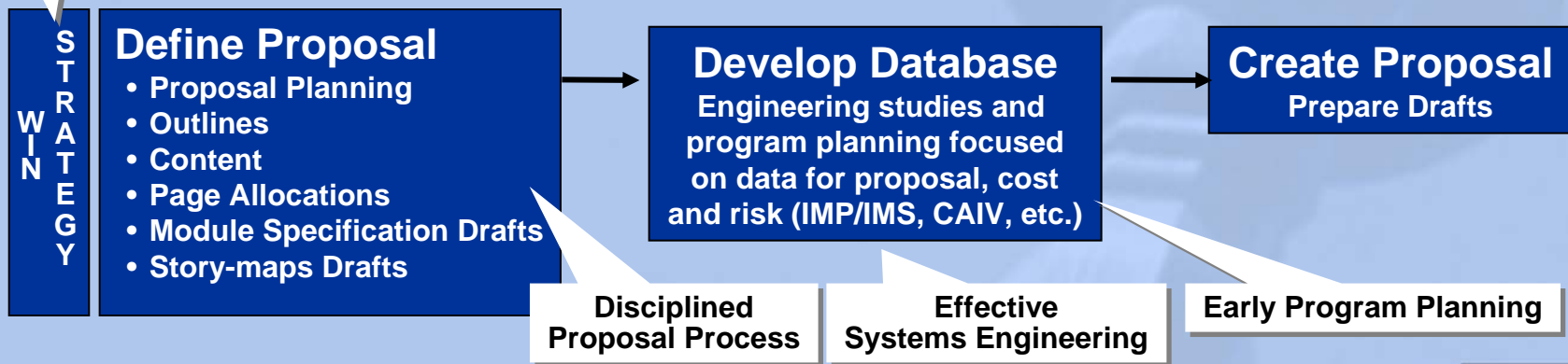
Two Very Different Ways Of Trapping

Engineering Driven



Spending is Strategy Driven

Strategy Driven



When You Must Win



Competitive Suicide Predictors

- “How dare you question my technical judgment, you’re not qualified.”
- “We have technical superiority, so we don’t have to invest to win.”
- “Forget the RFP, I know what the customer really wants.”
- “Don’t worry, the customer hates our competitor – He told me so.”
- “It’s too soon to get excited – We don’t even have an RFP yet.”

What’s At Stake Are Jobs, Careers, Egos, Etc...



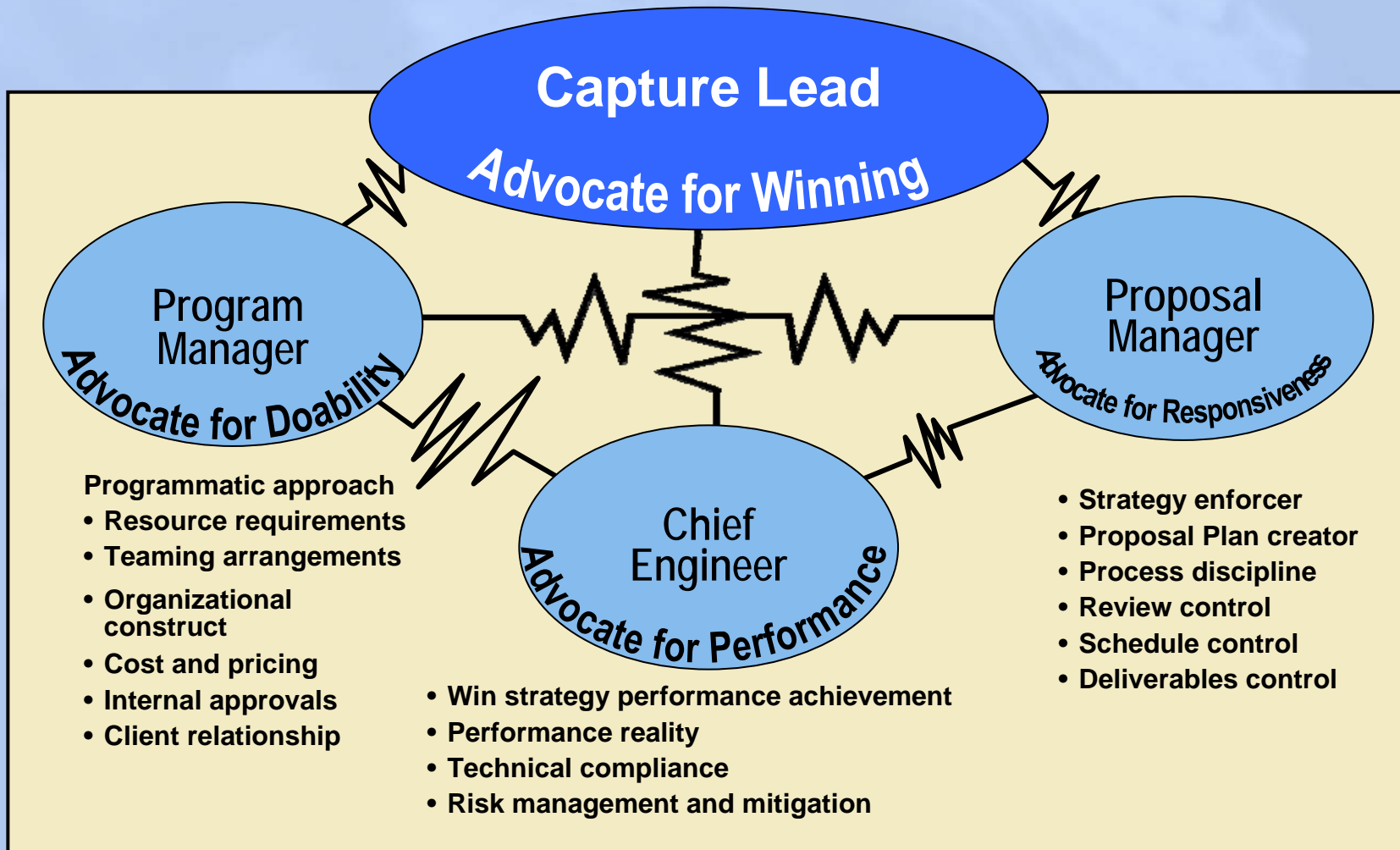
Some Fundamental Trapping Concepts

- Figure out why we're going to win first, and then enforce it!
- Create organizational checks and balances between those selling, planning and designing
- Use a systems engineering driven process with incremental reviews to uncover bad ideas, bad behavior and hold everyone accountable
- Be prepared to confront and resolve issues sooner, rather than later. This will be painful!
- Start early, spend efficiently, and have the proposal drafted by the time the RFP is released.

We've never lost a competition when all of these things were done!



Dynamic Tension Is Required To Produce An Excellent Offering





Four Things That Can Be Done Now

1. Take a serious look at your BD reporting relationships
2. Do an honest assessment of the capabilities of your BD leadership and act accordingly
3. Prioritize the Pipeline:
 - What are the top ten new business opportunities?
 - Why are they on the list?
 - What is actually being done to win each
4. Start having effective bid/no bid meetings often
 - Start saying no sooner to marginal value deals
 - Start saying yes sooner to must wins