



Adapting to New Realities in the U.S. Government Market

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Overview



- ◆ **We can no longer count on a regular pipeline of federal RFPs.**
- ◆ **This is not all bad. While federal contracts can provide a good source of steady revenue, they bring with them a host of issues and challenges.**
- ◆ **Chief among this issues is that too great a reliance on government contracts can cause a company to lose the flexibility and agility needed to thrive in a global economy.**
- ◆ **Capture and proposal professionals need to be prepared to seek new opportunities in the commercial market, both here in the U.S. and internationally.**
- ◆ **Corporations, in turn, need to rely on the skills of capture and proposal professionals as early as possible in the business development life cycle.**



The Federal Budget Outlook: The Pipeline Dries Up



	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
	15,549	16,034	16,646	17,632	18,792	19,959	20,943	21,890	22,854	23,842	24,858
	-1,089	-845	-616	-430	-476	-535	-605	-710	-798	-854	-957
	11,280	12,229	12,937	13,462	14,025	14,642	15,316	16,092	16,957	17,876	18,902
Outlays	3538	3553	3618	3803	4067	4300	4542	4811	5078	5350	5691
atory	2,031	2,116	2,205	2,342	2,535	2,655	2,768	2,924	3,087	3,263	3,501
t on Debt	223	224	243	272	323	412	517	593	667	730	795
nmatic	1,285	1,213	1,170	1,189	1,209	1,233	1,257	1,293	1,324	1,356	1,396
e	670	640	593	597	611	619	628	648	663	679	702
ense	615	573	577	593	597	614	630	645	661	677	693

Implication for contractors: discretionary spending on federal programs will be flat for the foreseeable future



Federal Contracting – Some Drawbacks



- ◆ **FAR restrictions**
- ◆ **Low margins**
- ◆ **Increase in LPTA contract awards**
- ◆ **Disputed award fees**
- ◆ **Inexperienced and youthful contracts officers who lack a business background (report card)**
- ◆ **Inability to write crisp SOWs and Performance Objectives**
- ◆ **Turnover in federal contracting staff**
- ◆ **Drain on performance and contract execution**
- ◆ **Who is the real customer?**



Trends Observed in International Commercial Work



- ◆ **Greater customer focus on life cycle cost management and total cost of ownership**
- ◆ **Greater use of Joint Ventures tailored to meet the complex cost, performance, and schedule requirements of international ventures**
- ◆ **The ruthless elimination of “silos” and layers of middle management, coupled with greater span of control**
- ◆ **A clear understanding of what core competence is**
- ◆ **Clear Performance objectives (KPP's)**
- ◆ **Partnering with the customer**



Issues in Moving Into the Commercial Market



- ◆ **Overall – many federal contractors have come to resemble their customers**
 - **Lack of flexibility and agility / rapid responsiveness**
 - **Lack of innovation and risk taking**
 - **Excess bureaucratization and management layers**
 - **Silos and “Not Invented Here,” particularly between the government and commercial divisions of a company**
 - **A failure to understand their core competencies**

- ◆ **Failure to Launch**



Agility – The Principal Attribute in the Commercial Market



- ◆ **The commercial environment**
 - A combination of unfolding long-term trends and very rapid changes
 - Long term trends include things like demographics, the global spread of education and technology, and growing demands for energy, water, and other resources
 - Rapidly changing variables include things like revolutionary political change (Soviet Union in 1991, Arab Spring in 2012) or disruptive technologies.
- ◆ **The challenge: restructure the corporation and its policies and procedures to deal with this environment through:**
 - Openness across the corporation
 - Rapid access to information about customers and operating environment (both the external and the internal environment)
 - Shared understanding of core competence to deal with long-term trends
 - Agile operations to adapt to and take advantage of rapid change



Positioning for Success in the Commercial Market



- ◆ **Customer relationship management is essential to success in the commercial market, particularly the international market**
- ◆ **This requires a deep understanding of the customer – issues, needs, hot buttons, decision influences, and so forth**
- ◆ **It also requires time – time in which to know and become known by the customer**
- ◆ **For international business, it requires as well a thorough immersion in the customer's culture**
- ◆ **Bottom line: boilerplate responses and off-the-shelf solutions will not suffice, except for commoditized products**



Implications for Capture and Proposal Managers



- ◆ **Everything said here today brings us back to the fundamentals of capture and proposal management**
 - **Visit the customer early and often to shape and influence the purchase decision**
 - **Evaluate the opportunity for strategic fit**
 - **Know your customer, your competition, and yourself**
 - **Get management buy-in**
 - **Define your discriminators, address your weaknesses, and ghost the competition**
 - **Comply with all requirements**
 - **Communicate clearly**



The Challenges You Will Face



- ◆ **The need to adapt**
 - **Unlearn the shortcuts of the past, such as boilerplate responses**
 - **Learn about commercial codes, international standards, and cultural constraints**
 - **Think collaboratively with your customer and your teammates**
- ◆ **The need to show value to your management**
 - **Master the procedures of your profession and get certified**
 - **Continue your professional education**
 - **Learn more about your company's or client's overall capabilities**
 - **Help drive strategic planning**
 - **Watch for opportunities to create new business**