

The logo for Aviation Week features a stylized, curved graphic on the left that resembles a wing or a swoosh, with three parallel lines of varying lengths that taper to a point on the right. This graphic is positioned to the left of the text "AVIATION WEEK".

AVIATION WEEK

Executive Roundtable

White Paper

Carole Rickard Hedden
November 5, 2012
Phoenix, Arizona

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EXECUTIVE ROUNDTABLE

White Paper

Leaders gathering for the ninth annual Aviation Week Executive Roundtable addressed issues critical to the industry, but they did so through the lens of comparing 2012 to 2004 when the roundtables first began. Hosted by Mike Madsen, president of Honeywell Defense and Space, and Tony Velocci, Aviation Week’s editor in chief, the roundtable followed the format it has since 2004 – a setting for open, candid communication among peers to identify issues they have in common and next steps that if taken by individuals or as a group will result in a higher level of performance in delivering space and defense programs and projects.

The 2004 roundtable was hosted by Tom Burbage, who at that time was Lockheed Martin’s corporate VP and lead for the Joint Strike Fighter, and Velocci. Burbage’s contention at that meeting was that when any one program falters, the rippling effects impact all programs. Thirty-six leaders participated.

Participants in the 2012 roundtable maintain this remains the case, though the program-centric world of defense and space is shifting. The 73 leaders who participated in the 2012 Executive Roundtable, sponsored by Deltek, included program, business, engineering/technology, supply chain, and strategy leaders from Rockwell Collins, Lockheed Martin, Northrop Grumman, NASA, IBM, Pratt & Whitney, Deltek, Ball Aerospace, Honeywell Aerospace, Raytheon, Defense Acquisition University, National Defense Business Institute, Boeing, Siemens, Orbital Research, L-3 Communications, Bell-Boeing, CPI Aero, Galaxy Tool, International Tool & Die, Plasma Ruggedized, Deloitte, Moog, StandardAero, and General Atomics Aeronautical Systems.

The core issue identified in 2004 was the bench strength of the industry’s program/project leadership cadre. The 2012 roundtable valued progress in this regard. On a scale of 1 to 5, with 5 as full quality, the participants ranked today’s program leaders as a 3.75 and assigned a 2.5 to the bench strength/ pipeline. The same question evaluated by Program Management Roundtable participants (held Nov. 6) rated the pipeline at 3.1, based on use of best practices, common processes, and methods and exposing emerging leaders to these.

Other comparisons of issues and actions between 2004 and 2012:

Yesterday and Today

2004 Issues	2004 Actions	2012 Issues	2012 Actions
Lack of bench strength in program leadership	Devise method to identify strong programs and their best practices; share across the industry.	Preserve innovation capacity during period of reduced funding.	Identify core innovations that if resolved and shared would allow organizations to focus on innovation discriminators.
Lack of standardized tools, processes to eliminate waste and cost across programs	Define where standardization, open architectures will serve improvement while preserving competitive discriminators.	Impact of declining budgets and program cuts on cadre of program, supply chain and project leaders across the industry, coupled with delay in retirements	Identify and assure leadership vs. survivors, up to highest levels of organizations. Increase rotational and mentoring assignments for identified talents at all career levels.

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Time tied up in import/export process	Work with industry associations, State Dept., Defense Dept. and Commerce Dept. to improve effectivity and efficiency.	Cost of compliance – dramatic increase in last 18 months of reviews/audits, etc.	Improved and shared view of risk vs. overburdening all programs with identical and sometimes redundant compliance processes.
Meeting surge requirements	Improve ability across enterprise to identify solid requirements and contracting process to achieve.	Renegotiation of contracts	<p>Shared language of data and analytics across the value chain.</p> <p>Identify potential risks within extended supply chain.</p> <p>Deal with operational change as government customer now sometimes a competitor.</p> <p>Improve competency surrounding contracting and contracting strategies.</p>
Expectation that 30%+ of expert talent will retire in coming five years	More clearly define the facts with regard to workforce demographics; develop knowledge management capabilities	Threats to supply chain	<p>Set a shared view of risk.</p> <p>Establish a shared language around cost analytics.</p> <p>Improve collaboration on cost modeling.</p> <p>Strengthen partnerships at all levels to address requirement needs, from concept to sustain/retire.</p>

Details of 2012 Roundtable Discussions

Tables 1 and 2

Participants addressed these questions:

- What is your biggest engineering issue in the coming 24 months?
 - Lack of strategy, vision at a national level that is shared by government and industry.
 - Uncertainty with regard to funding is driving up costs; funding stream affects design, development, build and sustain over time.
 - Question as to whether we, as a nation, will continue to be aerospace and defense technology innovation leaders. This is a shared responsibility between government and industry.
- What do you see as emerging technical/engineering needs, despite budget cuts?
 - Allow industry to focus on unique discriminators and advancements vs. the baseline that we reinvent repeatedly.
 - Need to maintain critical national assets – capability and knowledge = people.
 - Development/innovation risk and reward equation between government and industry needs to be reworked.

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- Nation and industry need to be at forefront in basic capabilities for space and defense – tactical, strike, flexibility, movement/mobilization.
- Please list three ways we as an industry can retain young engineers/scientists during these next 24 months?
 - Return to co-location of people with product – give young professionals opportunity to touch, just as previous generations did.
 - Mentoring within organizations but also through value chain.
 - Assure young professional focus for systems engineering and program/project leadership; this will require government buy-in to assure young professional utilization/placement on efforts.
 - Use the new commercial space approach as a way to appeal to new generation.

Table 3

- There has been some public finger pointing related to delays in reaching contract – what do you believe is the most specific issue that needs to be resolved as we go through a period of renegotiating many contracts?
 - Recognize that both customer and contractor derive some benefit from lengthy process; however, the impact to delay in cost and fielding the product/service should be the ultimate arbiter.
 - Contracting officers not as skilled/experienced as once were.
 - Reducing cycle time in contracting is a threat to job security; despite this threat, everyone involved wants a more streamlined process.
 - High turnover within customer contracting staff; results in rework (explanation, achieving shared language, goals, etc.)
 - Need to identify standards/conditions by which contracts can be judged as good/bad.
- From a program performance perspective, please identify the two biggest issues that impede performance across the entire program lifecycle.
 - Current process focuses on specific requirements; we are losing sight of the war-fighter needs – cost and time to field. All contract requirements should include time to field.
 - Intellectual property ownership; the idea that the government customer should always own design rights while not wanting to buy them is not necessarily good; need to reach consensus that it is reasonable that at times IP goes with product while at other times it remains with contractor. The focus should be on what the conditions are that recommend one over the other. [Example: a weapon system that will require modification over time, particularly during sustainment, may imply that the government should own the IP. What is the strategy for this situation? If this is not the case, then IP should not be a contracting factor.]

Table 4

- What is needed to assure the accuracy of program data required for analysis – from a cost perspective, risk and opportunities, decision-making?
 - Common data set across integrated systems and systematic method for reporting out on a periodic basis.
 - Assuring metrics across program type, size, and phase.
 - Assure active engagement across the value chain.
 - Define value of data by two axes – time and accuracy.
 - Balance cost of data with benefit in assessing, evaluating, deciding.
 - Identify common review/audit/assess processes with ability to detail and tailor as needed.
 - The result should be enabled decision-making at the correct level of organization while providing for a centralized view.
 - “We punish bad news” – must alter that reality.

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In 2004 this roundtable determined that there was insufficient bench strength in program leadership. On a scale of 1-5, what is the current strength of your program leadership cadre and what is your greatest concern?

- Currently program leadership assessed at somewhere between 3 and 5 with an average of 3.75.
- Bench strength was assigned a range of 2 to 4 with an average of 2.5.
- In the next five years we expect more retirements but also fewer contracts opening the way for new efforts.
- As you look to the next five years, what are your top concerns with regard to program leadership?
 - Interest in program management, high five years ago, is perceived to be in decline as the personal risk/reward equation tips more toward risk. This correlates with Aviation Week's 2012 Workforce Study, which found pay for program management to be on par/equal to that of other functions at same level.
 - Use of a program leadership standard framework would facilitate movement of people across the industry and to integrate people from other industries into defense and space (common language, processes). This is not seen as a certificate that exists today.
 - Hard to imagine five years from now; think back to 2004 – there was no social networking, no Google, no Cloud. Since we don't know what the landscape will be, perhaps need to assure the core competencies required: courage, attention to detail, ability to influence others, ability to perceive impact of discordant issues and information on an unrelated effort, etc.
 - General consensus reached concerning the bench strength or pipeline of program/project leaders in place five years from now. Will we face the same gap we had a decade ago?
 - Threat of moving majority of systems thinking talent into program leadership versus balance between program leadership and engineering leadership.

Tables 5 and 6

- How do we increase speed in negotiating between customers and industry, in defining requirements, and in moving from development into production and delivery?
 - Industry and enterprise dramatically changed in last decade; in the past speed attained within an organization; today it flows across an extended supply chain.
 - Turnover has increased among contracting officials.
 - The only way to build speed is a shared vision and set of goals. If we agree speed is relevant, we do get there.
- What are the two most important measures of supply chain integration?
 - Quality delivery is the number one measure.
 - Speed of information.
 - Time to joint decision.
- How do we maintain and build on the current talent pool in supply chain expertise as we deal with retirements, downsizing, and growth?
 - Retain focus on supply chain expertise as competency.
 - Job rotation and flexibility.
 - Assure rotations beyond supply chain – that this is a step in the career.

Table 7

- What do you consider the three most critical strategic issues your business faces in the next 24 months and in the next five years?
 - Talent management – from identification through seniority; we want A&D to be where best and brightest want to be; this isn't marketing/telling as much as it about "becoming" that preferred industry.

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- Global fiscal uncertainty.
- Globalization and the inherent processes and regulations needed to enable sales to people/countries who have money to spend, shared objectives.
- Threat of an imbalance between affordability and requirements with the need to be timely in fielding.
- Security and management of information and critical business knowledge.
- In what ways can organizations such as yours collaborate to avoid disruption as we continue down a path of economic/budget cuts?
 - Our tendency in this industry is to look at one another as customers, suppliers or competitors – you are in one of those buckets. But not the case – huge customers who are our competitors – we buy and sell to one another at all levels.
 - Perception is the industry associations are not moving fast enough around these internal issues due to external focus requirements (legislation, regulation).
 - Need to use these forums to collaborate e.g. council that is working on offsets. Target areas: counterfeit parts, commercial item justification, talent (not marketing, but managing talent requirements, retention, development), export compliance.
- What do you consider the most important factor that will allow your organization to grow despite program/budget cuts?
 - Global expansion
 - Educated consumer, who is then our best customer.
 - Cost and cycle time reductions (cycle drives everything)
 - Thriving innovation and technology capacity.

Table 8

- What do you consider the three most critical strategic issues your business faces in the next 24 months and in the next five years?
 - Return to growth.
 - Assuring room for innovation – the balance of capital expenditure and discretionary dollars allocated for research and development.
 - Being able to identify “where the puck isn’t” – being ahead in anticipating where need will be tomorrow.
- In what ways can organizations such as yours collaborate to avoid disruption as we continue down a path of economic/budget cuts?
 - Establishing sound discussion with government customers to eliminate the 30% cost of compliance.
- What do you consider the most important factor that will allow your organization to grow despite program/budget cuts?
 - We may have had 50 years of a Cold War, but this last decade has been a shooting war. The paradigm is shifting as budgets are cut. Reset the equation of business between government and industry to assure acceptable risk is balanced with acceptable profit.
 - As industry leaders, we have seen extraordinary coming together around articulating potential affect of sequestration in a fairly effective communication effort. The focus now needs to shift to strategy/direction for national space and defense of the future.
 - Collaboration amongst companies will not grow as the budget declines and competition is more intense. This makes it even more important to find those areas where we can collaborate – workforce, talent development, basic commodity technologies.
 - Maybe more so than any other issue, we will now if growth is successful — but how do we set that strategy/direction for the future?

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- How can industry players collaborate better?
 - Doubtful this will occur when budget is smaller, creating more intense competition.
 - Areas where contractors may be able to collaborate more are workforce and program management development/performance.

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