



Executive Roundtable:

Program Excellence 2011

Carole Rickard Hedden
Washington, DC
August 23, 2011

Aviation Week's Program Excellence Evaluation Team lists two primary issues of concern as they look to the impending budget cuts for both the Defense Department and NASA: loss of talented people and assuring that cuts are handled with precision versus an across-the-board manner.

Other key concerns itemized by the Evaluation Team included the cost of being risk averse, particularly during development cycles; how to protect a highly complex/low-volume supply chain during economic upheaval and budget cuts; concern about focus on cost versus value and particularly the post-selection negotiation tactic by some customers to move from what a program "should" cost to "want to" cost.

The Program Excellence Roundtable and the awards program were formed in 2004 as a result of a meeting between program and engineering executives. The goals at that time, and which have sustained the team since, are:

- Identify and promulgate lessons learned and best practices across all aerospace and defense programs for the improvement of program performance across the industry.
- Accelerate and enhance the development of future program leaders.

SPONSORED BY



- Create a community of program professionals committed to identifying future program leadership skills and competencies.

Sponsors and members of the Evaluation Team for 2011 include BAE Systems, Boeing Defense Space & Security, Honeywell Aerospace, Lockheed Martin Corp., Northrop Grumman Corp. Raytheon Co., Rockwell Collins, NASA, Defense Acquisition University and Aaron Shenhar of Rutgers University. The roundtable was sponsored by PwC.

The team literally rocked the earth — a magnitude-5.8 earthquake took place during the afternoon portion of the meeting. And as would be expected of such an audience, the group headed for the nearest support beam and stood beneath it!

The Evaluation Team met to select finalists and award winners for the 2011 Program Excellence initiative.

Threshold and score ranges

Year	Score to be Finalist	Score Range
2011	70	56-81
2010	70	44-87
2009	78	62-85
2008	75	64-80
2007	75	64-80
2006	87	71-93
2005	87	66-95

The evaluation process for 2011 focused on supply chain integration, leadership and systems engineering. However, during the evaluation this list of concern areas grew to include metrics and development of personnel.

Trends identified in the evaluation process

- Nominated programs appear to be better understanding and managing complexity
- Program submissions better articulate value creation than in prior years
- The process had two all-new entrants — DRS Technologies and AAR Corp.
- As a result of the programs nominated, the initiative this year included a category for sustainment/MRO

During 2011, the team instilled a two-phased review system. During Phase 1, programs were to submit a narrative piece outlining why the program qualified as excellent. Customers also weighed in during this first phase, which provided them an opportunity to veto the nomination, allow the nomination with no other comment, or endorse the nomination. Phase 2 centered on completion of the standardized submission form.

The team also asked that the sharing of data and information broaden beyond those who attend the A&D Programs Conference/Seminar. With that in mind, Aviation Week and its sponsors were able to schedule four topical webinars for the development of program managers. These incorporated best practices identified in the Program Excellence evaluations and were available at no cost to participants, providing an anywhere/anytime access to lessons learned/best practices.

Improvements in the process to be incorporated for 2012

- Extend webinar series to one per month based on best practices
- Move the metrics category to the No. 2-from No. 4 slot on the submission form; in the directions to nominees make clear the need to provide measures of success, not just say the measurement is being undertaken. Note: both Metrics and Organizational Process are worth 30 points; there are five elements to metrics and 11 to organizational processes. Address this point.
- In directions/letters stress affordability/cost performance versus mere savings
- Note that we are looking for ability to deal with change management as this era will require such an ability (example: nine-stage process on C-17)
- Provide reminder to evaluators of “system” to arrive at numbers for their scoring teams (assigning portions of points for each area of concentration)
- Submit questions for Aviation Week workforce study to better reflect status of program management skill learning across the industry; there is concern that training has been cut and assumptions made about competencies and skills as well as differentiation between certification and qualification (certified does not imply proficiency)

Program Management Workforce Data

- Average age of Program Managers = 47, slightly higher than the average age of the overall A&D population (45.7) and the average age of engineers (44.3)
- Program Managers make up, on average, 5.11% of the industry workforce

- Industry plans to hire 458 new program managers in 2011, 318 in 2012 and 284 in 2013.
- 8.38% of program managers were promoted in 2010, compared with 7.91 for the overall A&D population
- Voluntary attrition among program managers, not including retirements, was 7.35% for 2010 versus 1.6% for 2009
- 13% of the program management population was eligible to retire in 2010; 1.51% of those eligible actually did retire; eligibility for 2011 is forecast at 14.45%

Diversity Stats

	Under 1,000 Employees		1,000-9,999 Employees		10,000-49,999 Employees		50,000 + Employees	
	2009	2010	2009	2010	2009	2010	2009	2010
% Women	15.90%	27.23%	17.1	16.17%	20.30%	16.69%	20.30%	20.82
% Minorities	17%	27.23%	10.11%	9.17%	11.40%	9.48%	12%	13.22

Issues/Concerns for the Program Management Community

- Will ambitious programs be abandoned during period of extreme risk aversion?
- Fixed-price development contracts, in the past, were offset by production; in the current environment and shift to fixed-price contracts there is no way to regain fiscal investment/loss during production
- The difference between customer imposing change versus recording/formal recognition of change and the impact this has on cost and schedule
- How do we recruit and keep the nation's brightest minds with the current cuts in personnel, programs, and ensuing instability?
- Negotiation, upon contract win, is now shifting from "should" cost to "want to" cost—leaving industry in difficult situation
- Will reliance on commercial-off-the-shelf now, to meet cost targets, result in supportability challenges in the future due to configuration control/accelerated obsolescence?
- Processes and procedures for standard PM are fairly mature; execution discipline not always as rigorous
- Concern that as budgets are cut, training in core PM skills and competencies is declining
- Achieving a viable model of shared services based on cost/value
- Attendance in a class/certification does not equate to proficiency
- Government customer will be looking at portfolios of programs, not a single program within its single universe

- The rate of change being imposed by government policy/regulation is difficult for government and industry workforce to absorb
- Is Earned Value Management being used *in place of* planning?
- Emerging role of a supply chain program manager within programs
- The need for a program launch and stage-transition framework
- International collaboration — where we once led, we are now a member of the team
- Strategy/vision needed for all customers — not “cutting” as strategy
- Re-examination of internal processes and procedures to delete anything that is not required as part of efficiency effort; moving pieces and processes around sub-optimizes use of tool sets we have to drive efficiency.
- Data rights — if transferred as product, what are the long-term effects on ability to continue investment in new?

PwC network firms provide industry-focused assurance, tax and advisory services to enhance value for their clients. More than 161,000 people in 154 countries across the PwC network share their thinking, experience and solutions to develop fresh perspectives and practical advice. See www.pwc.com for more information.

PwC’s aerospace & defense (A&D) practice is a global network of 1,200 partners and client service professionals who are dedicated to providing our firm’s latest research and points of view on emerging industry trends. We understand the global environment in which our clients operate, as well as the regulatory restrictions and contract management requirements specific to the industry. We have broad-based, cross-functional capabilities that help our clients manage and address complex business problems. Our industry professionals can assist you in maximizing the opportunities and meeting the challenges inherent in today's A&D industries.