

Positioning the Contract for Success

(in a changing DoD environment)

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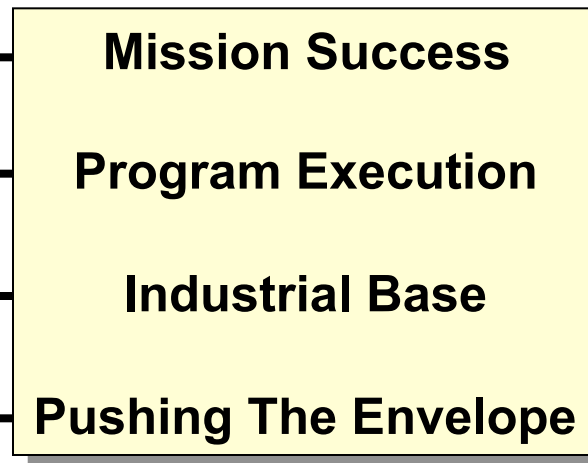
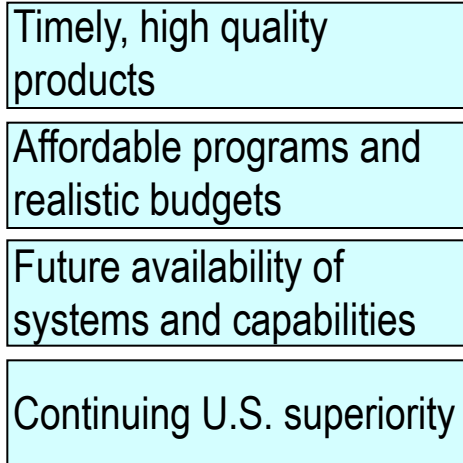
Environment is Different and Changing

- Dr. Carter (USD(AT&L)) Mandate announced 28 Jun 2010
 - Deliver the warfighting capability we need for the dollars we have;
 - Get better buying power for warfighter and taxpayer;
 - Restore affordability to defense goods and services;
 - Improve defense industry productivity;
 - Maintain a vibrant and financially healthy defense industry
 - Promised specific initiatives to implement mandate forthcoming
- Secretary Gates' Initiative announced 10 Aug 2010
 - Reduce DoD's overhead
 - Find and redirect \$100B within the Defense Budget
 - Increase the Defense budget by 1% per year
- Dr. Carter Affordability Initiatives released 14 Sep 2010
 - Guidance on 23 initiatives in 5 focus areas
 - DoD acquisition community directed to implement immediately

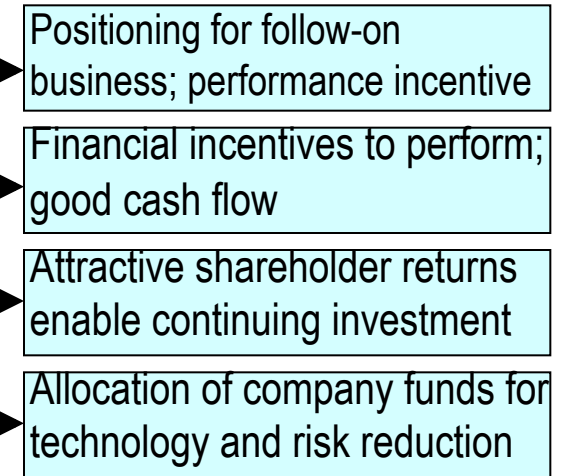
Executive branch, Congress, DoD aligned to “Do more without more”

Align with your Customers - Be Part of the Solution

Benefit to Government



Contractor Drivers



- **Achieved through commitment and partnership**

- Effective communication and collaboration enable tough challenges to be overcome
 - New “rules of the road”
- We must work together to execute successfully

We have a common objective: Deliver promised performance on time and on cost

Positioning for Success – Preparation

- **Organizational and Personal Competency**

- Competency - What the organization, and you, must know, understand and be able to do
- Maintain currency on changing and evolving contracting regulations
 - Training
 - Evolving policy and practices
- Critical analysis skills – identification and management of contract risk elements
 - SOW, terms & conditions, schedule, requirements, acceptance, supply chain, etc.

- **Communication**

- Internal and external communication from pre-RFP through proposal, negotiations throughout contract execution
- Clear articulation and discussion of issues, concerns, etc. shapes the business deal
- Environment is different and evolving
 - Greater use of should cost/will cost analysis by DoD
 - Increased use of FPI contracts – share line and ceiling focus
 - Shorter program timelines to support the warfighter and support affordability
 - Profit policy changes – supply chain/indirect cost management; revised Weighted Guidelines
 - Superior Supply Incentive Program to be established
 - Increased competition

Positioning for Success - Proposals

- **Proposal Phase: Can you do what you say you are going to do?**
 - Holistic understanding of proposal offering – integrated appraisal of program risk and opportunities balancing customer and company needs
 - Assess program execution within proposed cost and schedule; does it expose customer/company to unacceptable risk?
 - Identify areas of concern, problems/issues, risk and opportunities; incorporate risk mitigation and management into offering
 - Do proposal ground rules, assumptions and contract terms address areas of concern?
 - » **Four corners of the contract, not just Section H and I**
 - Rational and honest dialogue that openly identifies risk and establishes management approach
 - Poorly articulated offering – causes misalignment between customer and contractor
 - Best practice – quantified evaluation of proposal risk and opportunities with quantified range of probabilistic outcome
 - Be flexible – implementation is happening real-time

Positioning for Success - Contract Execution

- **Contract Execution: Managing the contract baseline**
 - “Affordability” is now a contract requirement – establishes cost and schedule trade space at key acquisition milestones
 - Affordability means conducting a program at a cost constrained by the max resources DoD can allocate for the capability
 - Contract change management, always essential, takes on a greater importance
 - Manage scope creep internally and externally, suppliers and customers - contractor response to customer verbal requests without contractual change
 - Relationship management - professional relationship, keeping common objective in mind
 - Integrated team (Customer, Pgm Mgr, Bus Mgmt, Contracts, Engineering, etc.) to recognize and resolve contract changes
 - Formal and integrated change boards (Contracts, Program, Customer, Tech, Business (EV), Supplier, etc.)

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