

Price To Win & Lessons Learned

THE VALUE OF PERFORMANCE.

NORTHROP GRUMMAN

A white curved line graphic that starts under the 'N' and ends under the 'M' of the company name.

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What is Price To Win?

Price To Win is the process of determining the bid price required to be successful

The Pillars of PTW are understanding:

- **Who** the competition is
- **What** the competition will propose
- **How** the competition will likely attempt to win (Strategies)

Ethics rigorously underpins PTW at Northrop Grumman

- Can't use data you shouldn't have
 - just because it's in the public domain doesn't make it usable
- No skirting non-compete agreements
- Reverence boundaries in "gray areas"

Price To Win, a bit more

Disciplines of PTW

Essentially all the disciplines of capture!

The PTW analyst prepares for the competitor much of what the entire capture team does for the company

1. The proverbial *Ethical Sleuth*
 - Doing all you can to understand the competition
 - Looking at information about strategies they use
2. Functional Expertise
 - Need to understand FAR compliant **Pricing** practices
 - Need to understand **HR** & Staffing issues
 - Need to understand **Contracts** and geometries
 - Need to understand acquisition evaluation process
3. Creative thinker, *but...*
 - Create an entire strategy for each competitor
 - Need to distill it down to a cost model in the end

Northrop Grumman Corp

Business Sectors



Aerospace Systems

Northrop Grumman Aerospace Systems is a premier provider of military aircraft, autonomous and space systems and next-generation solutions to assist our customers worldwide, preserve freedom and advance human discovery.



Mission Systems

Northrop Grumman Mission Systems is a leading global provider, manufacturer and integrator of advanced, secure and agile software-defined systems and solutions. Our differentiated C4ISR and cyber solutions deliver timely, mission-enabling information and provide superior situational awareness and understanding to protect the U.S. and its global allies.



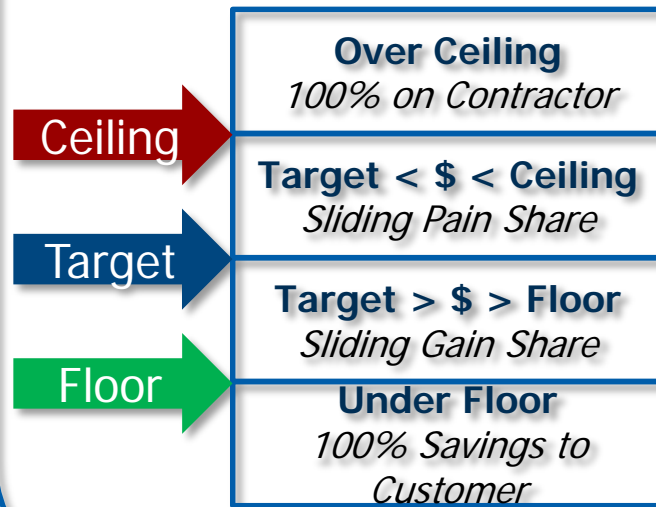
Technology Services

Northrop Grumman Technology Services is a global provider of innovative, cost effective solutions. From sustainment and modernization, supply chain management, training and simulation, and high technology services, we offer a full-spectrum of support.

War Stories & Lessons Learned 1

Crazy Contract Geometry

At beginning of period,
Contractor & Customer
negotiate Target Price, *then...*



**What bidding behavior
would this incentivize?**

**How will people try to
game it?**

How do I model it?

War Stories & Lessons Learned 2

Overseas Issues



- 1. Everything is different!**
 - *Intuition is likely wrong*
 - *Acquisition rules, process, decision makers, et al*
- 2. Understanding the labor market**
 - Probably not like US
- 3. Too much US help**
 - Tendency is to send help to do things the “right” way
 - In-country work content
 - Mentoring organic capabilities

War Stories & Lessons Learned 3

Comprehensive Understanding of Customer Landscape



Assigned to an existing capture activity...

Key metrics & values had been created much earlier... and decisions were being made...

PTW first cut analysis had very different results.. **approx 5x higher!**

As an independent evaluator, PTW can keep programs on track with a verified image of the opportunity

War Stories & Lessons Learned 4

Business Concerns: Legacy programs require continuous efficiencies over time



Customers experience budget constraints, and continuously expect innovations & efficiencies over time...

PTW is the front end of recognizing these forces and driving tradeoffs to increase value.

What to do???

- *Become more efficient (again!)*
- *Cut costs – Salaries? Benefits?*

PTW can uncover and force discussions about business concerns earlier than otherwise

War Stories & Lessons Learned 5

“The PTW is unrealistic!!”

PTW forces capture process to examine biases



We all have biases – decision, belief, social et al

PTW’s job is to be the **honest broker** and point out that other companies may not hold the same biases.

Responses

- Some embrace it...
- “...there’s some dysfunction in the PTW organization...”

PTW forces the capture process to focus on achieving a price with a high likelihood of winning

War Stories & Lessons Learned 6

International Projects II: Divided by a Common Language



Two additional challenges

1. Lack of face-to-face time
 - Dependence on email
2. Dialect nuances

What the They Say	What Others Understand	What They Really Mean
That's Not Bad...	That's Good !	That's Poor
That's a Brave Proposal	They Think I have Courage	You're Insane
Quite Good	Quite Good	A Bit Disappointing
I'll Bear it in Mind	They'll Probably Do it	I've Forgotten it Already
I Only Have a Few Minor Comments	There are a Few Typos	Please Rewrite Completely
With the Greatest Respect	They're Listening to Me !	You're an Idiot
I Hear What You Say	They Accept My Point of View	I Disagree & Don't Want to Discuss Any Further

War Stories & Lessons Learned 7

Driving Past Cognitive Biases

Danger of seeing only one “real solution” –
& Underestimating the ability of others to be more creative



Program specified that specific hardware (owned by another contractor) had to be involved

Obvious strategy was to exclusively team with the other contractor...

Other people had a different solution...

In the end, customer decided that teaming didn't matter –

**PTW's job is to keep ourselves bias-free
And to push back when capture underestimates others**

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