

# A White Paper

Grant Thornton 

## Fueling Organic Growth for Government Contractors: 10 Ways to Turbocharge Your Business!

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## **Executive Summary**

This White Paper summarizes discussions held at the Grant Thornton LLP Government Contractor Roundtable on February 12, 2004. Roundtables provide a unique forum for CEOs, CFOs and other senior executives to exchange ideas and hear the latest information about issues affecting the industry.

During this Roundtable, participants learned how leading government contractors who began as small businesses have achieved success by focusing aggressively on growth and profitability. After all, we all want to move customers from those who have only worked with your company to those who will champion you to others.

Dr. Gary Nelson, with H&K Strategic Business Solutions, began by listing 10 ways that government contracting executives could grow their business by focusing on value instead of price.

The best way to create growth is to provide value to your customer. Nelson explained different approaches that can turn value to the customer into value for your company.

He argued for the effectiveness of marketing to define services and products, and the packaging of these services and products into customer-friendly solutions. ‘Solutions’ answer a specific problem for the customer. To achieve successful solutions in the marketplace, your company must examine and build around its strengths.

Developing your business relies on the same degree of self-examination. Nelson said, “Business development, done effectively, is a company-wide process. It’s not just the responsibility of business development professionals.”

Nelson emphasized the importance of developing a complete business development process within the company and emphasizing the business development pipeline of new contract leads and bids as an important management tool. By developing clear goals, defining them explicitly for its employees, and providing a strong incentive program, Nelson believes that a company can communicate its message thoroughly and create the internal unity needed to develop business.

The second speaker, William Howe, urged companies to understand how a customer perceives your company. Building on this perception is critical to success in any rapidly changing market. “You’ve got to focus like a laser to zero in on your targets. You must understand them better than anybody else,” Howe said.

While building a brand name is less common than in the private-sector market, Howe stressed that it is important for government contractors to stand out. “The way to win, when your customers have all types of similar products and services to choose from, is to build a brand,” he said.

## Table of Contents

<i>Executive Summary</i> .....	<i>iii</i>
<i>Introduction</i> .....	<i>1</i>
<i>10 Ways to Turbocharge Your Business</i> .....	<i>1</i>
<b>1. Build Value by Providing Value</b> .....	<b>1</b>
<b>2. Find the Solution</b> .....	<b>2</b>
What is a "Solution?" .....	2
How to Choose Solutions for Your Company.....	2
<b>3. Apply Your Own Business Development Methodology</b> .....	<b>3</b>
Proposals – A Company-Wide Activity .....	3
<b>4. Use Your Pipeline as a Management Tool</b> .....	<b>4</b>
<b>5. Build an Entrepreneurial Organization</b> .....	<b>4</b>
<b>6. Assess All Your Growth Options</b> .....	<b>5</b>
<b>7. Know Your Customer</b> .....	<b>6</b>
<b>8. Know Yourself</b> .....	<b>6</b>
<b>9. Building Your Brand in the Market</b> .....	<b>7</b>
<b>10. Succeed at Implementing Your Strategy</b> .....	<b>7</b>
<i>Questions &amp; Answers</i> .....	<i>9</i>
<i>Roundtable Moderator Kerry Hall</i> .....	<i>12</i>
<i>Roundtable Speaker Gary R. Nelson, Ph.D.</i> .....	<i>13</i>
<i>Roundtable Speaker William D. Howe</i> .....	<i>15</i>
<i>Roundtable Co-Sponsor Grant Thornton LLP</i> .....	<i>16</i>

## Introduction

Kerry Hall, an audit partner with Grant Thornton LLP, opened the Roundtable on *Fueling Organic Growth for Government Contractors: 10 Ways to Turbocharge Your Business!* by introducing the speakers. He also facilitated the question and answer session that followed the presentation.

Gary Nelson has more than 25 years experience in government and technology services. He helped lead SRA International from two million dollars in revenues to over \$300 million as a business leader and head of business development. He retired in 2001 as Vice Chairman.

Bill Howe has more than 20 years of corporate management and consulting experience with a focus in marketing, brand management, and general management. He's been a corporate officer at Pillsbury and Bell-Atlantic as well as Chairman or CEO of several smaller high-growth companies. Additionally, Howe has provided consulting services for a variety of clients, both in the U.S. and internationally.

For further information about the speakers, see pages 12 through 14 of this White Paper.

## 10 Ways to Turbocharge Your Business

### 1. Build Value by Providing Value

Gary Nelson opened his presentation by introducing the key drivers to business success that he and William Howe would be discussing: analyzing and knowing your market and competition, and building a business development process that will drive growth.

“Building a successful growing business comes from providing value to your customer. Profitable revenue growth is one sure sign that customers recognize that value. They vote with their wallets,” Nelson said.

Growth is pivotal to your company. It allows successful government contractors to attract and retain the best executives and employees and to achieve premium valuation from the investment community.

*After all, revenue for revenue's sake is no way to live ... or to build a valuable company.*  
Gary Nelson

He explained the process of “building value” as an alignment of three concepts:

- Value to the Customer - a solution to a persistent or mission-critical problem at a good and affordable price
- Value to the Company - you're earning revenue in excess of your contract cost, both at the gross and net contribution levels
- Value to the investor - will be based on how your company's scale, growth and

margins are valued by outside investors. This is always relative to their expectations

Nelson went on to illustrate five methods of turning customer value into company value.

- Mission Dominance -- "This approach gives customers confidence because you have walked in their shoes and understand their business," he said.
- Functional Dominance -- "If you've done network management successfully at a dozen different agencies, you can walk into a new agency and be credible in your ability to deliver results because you've done it many times before."
- Brilliant Proposal -- "Not all of your proposals will be brilliant, but sometimes you hit the mark and convey a perfect understanding of the problem and a great technical approach to solving it," said Nelson.
- Procurement Access -- With the existence of both government-wide and agency-wide vehicles, procurement access is another simple solution that "could narrow the field of competition to just a few firms."
- Cost Breakthrough -- While he urged executives not to cut prices for the sake of cutting prices, Nelson indicated that a cost breakthrough could provide great value to the customer, which reflects back on your company.

## 2. Find the Solution

### *What is a "Solution?"*

By packaging products and services that fulfill a customer's specific needs into solutions, your company can build value.

Solutions provide direct answers to complicated problems. When you sell a customer a solution, you combine technology and services with your company's know-how.

"Solutions are important because they help satisfy a customer's problem," Nelson said. "However, they also provide a key to a problem in this industry – which is that we don't do marketing very well."

"Many of us try to be all things to all people. If you begin to describe your services as solutions or packaged offerings then you're in a much stronger position to convey value and to brand messages about your company," Nelson said.

### *How to Choose Solutions for Your Company*

Nelson advised companies to stay alert to marketplace trends to keep solutions current with the flow of technology.

Look inside at your capabilities and insights. Do your homework with an effective business plan.

Importantly, begin with a basic solution for your company and customers. Then add features as you gain experience. Trying to build the Eiffel Tower will drive up costs and delay entry to the market.

"You need to sell, position, price, and communicate. Don't be afraid to make some news," he emphasized.

A customer's goals are always hindered by problems. When your company finds a specific way to address these problems, they

can be decomposed into issues. Then you develop features that address those issues. They may be technical, software, or experience features. Features will eventually lead to benefits, substantiated by proofs, and ultimately these bottom-line benefits must tie back in to the customer goals. “You’re really telling a story, and telling a persuasive story in the procurement process, and every briefing and every proposal is really an important part of selling,” he said.

### 3. Apply Your Own Business Development Methodology

Business development is the “life-blood” of a company. Many companies make the mistake of cycling through business developers in search of a “miracle worker,” but Nelson pointed out that relying on business developers alone is not enough.

While people carrying business development cards can do some wonderful things for you, they are the reflection of the customer back into the company and the reflection of the company to the customer. They cannot take a mediocre set of capabilities and build a large business. If they could, they would already have their own business.

Every company needs to make sure that their business development is suited for them. How big are you? What are the kinds of

opportunities you go after? What is the interest of your top management? What is the make-up of your company culture? These aspects should make a difference in how you develop the process.

#### *Proposals – A Company-Wide Activity*

Proposals are a core competency of every company in this industry, and officials should encourage this as a company-wide activity. “You should be teaching this skill, and teaching it broadly,” Nelson said.

“While you can use outside experts if you need to, you really need your own approach,” he said.

Nelson also emphasized the importance of utilizing graphics in a proposal: Tell your story with pictures.

During the opportunity review process, use the following criteria:

#### STOP Criteria

- We don't know the customer
- Our solution doesn't meet specs
- We can't meet requirements
- Our competitors are better positioned
- Too many unknowns exist
- Risks are too great or unmanageable
- Competing efforts have priority for resources
- There are budget problems
- Potential return on investment is inadequate

#### GO Criteria:

- The customer's needs match our strengths

***Business development, done effectively, is a company-wide process.***

mistake of cycling through business developers in search of a “miracle worker,” but Nelson pointed out that

- We know the key decision makers and influencers
- The requirements favor us
- We know the customer's key issues
- Our solution is competitive and within their budget
- The risks are acceptable and manageable
- Return on investment is acceptable
- There are no fatal flaws

During and after the proposal review and preparation process, be sure to provide recognition and rewards for your officials and employees. It's a tough, sometimes thankless, job.

#### 4. Use Your Pipeline as a Management Tool

“The business development pipeline data is really the future of your company,” Nelson said. A pipeline should be company-wide, with input from the entire company. Develop pipeline goals for your company, each category of business and for each business unit. Remember that this data is only one source of input into revenue projections.

While Nelson encouraged companies to develop their own metrics for measurement, he gave a warning about the “Law of Small Numbers,” where one or two huge proposals can equal to the value of all of your company’s other bids and dominate the results.”

While the following pipeline metrics may vary, Nelson described the numbers below as a rule of thumb, where to win three contracts you may have to track 50 or more business leads:

Leads	Prospects	Targets	Bids	Awards
50	20	12	10	3

#### 5. Build an Entrepreneurial Organization

“My last exhortation is to urge you to put an emphasis on building an entrepreneurial organization,” said Nelson.

To do so means establishing goals that will not only help your company in the short-term, but also allow you to reflect and plan for the future. Communication goals are extremely important, even if the goals are not achieved.

It is important to flatten your organization and personally empower a number of people to help achieve the goals for the company. While it may be more complex and require more management time and team building, Nelson explained that it is crucial for a strong company to gain the full efforts of a number of key people..

Even with a flat organization, it is important to manage business development centrally. “If you’ve got a \$50 million business and five \$10 million business units, what is strategic for one of the business units will not be strategic for the entire company,” Nelson illustrated.

You also need a careful review of discretionary costs. “What tends to be left over is business development. Make sure you manage all costs tightly, including spending on business development,” he cautioned.

The most valuable resource your company has might, in fact, be a small but innovative and energetic group of 'tigers,' who lead business capture projects and proposals and who come up with the winning creative ideas for your company.

*It's a big jungle, but there are not a lot of tigers needed to keep order.*

Nelson also stressed the need for a clearly defined incentive compensation program at the aggregate level and for key performers.

“I’ve met with many chief executives who say ‘oh yes, we’re very generous to our people,’ but the fact is that they give a check at the end of the year because the company had a good year,” said Nelson. There was nothing written in advance and no plan. “However, when you have a plan that's tied to your incentives, you are making a strong connection between performance and compensation, more effective than a dozen speeches.

## 6. Assess All Your Growth Options

Bill Howe began his half of the presentation by clarifying his perspective on organic growth for government contractors. “I want you to understand that most of my

expertise and experience is in the commercial space. Some companies in the room right now are mindful of the need in a consolidating industry to selectively embrace best practices from the commercial space,” said Howe.

Most companies seek growth by either acquisition or by chasing new customers. However, many government contractors fail to see the other available growth options in the 'forgotten middle.'

Howe encouraged an increase in marketing, but also said that “the most important thing a company can do is to increase the relative quality that it’s offering versus the competition; that’s the way you grow. Not just looking good in the proposal, but actually earning it the old-fashioned way with high-quality products and services.”

In addition, companies can add new products and services, add a service to an existing project (and vice versa), as well as enter an adjacent market. The company with the most growth options wins.

He focused in on four fundamental questions companies should ask themselves before expending resources on growth:

- Customer Need / Want Analysis -- Is there a problem that we are solving?
- Strategic Assessment -- Should we do it?
- Capabilities Assessment -- Can we do it?
- Competitive Assessment -- Can we win?

**7. Know Your Customer**

Howe cautioned companies that believe they have a good relationship with their customers to challenge themselves further. “If you challenge yourself to understand the customer,” he said, “here’s the real issue: Know them better than anybody else.”

Companies need to target key players in their industry, from top to bottom, and find a way to access them. One powerful method for getting the attention of these key players is branding. “I promise you that I’m not just talking about a name or a logo or a tagline,” said Howe. “We’ve got to go deeper than that. The issue here is, do you have a distinct position?”

you climb the ladder illustrated above and establish customer loyalty.

**8. Know Yourself**

It’s important for a company to know how the marketplace perceives them. Many

*Where are you in the mind of your target on the loyalty pyramid?*

companies tend to overstate how valuable or reputable they are and they do so at their

own danger.

**LOYALTY PRYAMID**

**1. Trusted Advisor**

**2. Very Satisfied Buyers  
(Dominant in short list)**

**3. Satisfied Buyers  
(Will take bids from short list only)**

**4. Switchers / Price Sensitive  
(No loyalty)**

If you are offering value, then you are earning the customer’s loyalty, and that is how

## 9. Building Your Brand in the Market

Many companies are swimming in a 'sea of sameness,' offering the same solutions that their competitors do and not making an effort to stand out.

“Everything you do -- in your products, your services, your

*Brands make meaningful promises & mitigate perceived risk.*  
*Bill Howe*

message, and your people --aligns when you have everything working together to differentiate who you are and why you stand out. This can make all the difference to the decision makers,” he said.

## 10. Succeed at Implementing Your Strategy

The greatest opposition a company can face in implementing a new strategy is internal resistance. “Whenever you have a change initiative there’s going to be natural resistance,” Howe explained. As a result, you’re at a stalemate.

He cited Newton’s Law: “For every action, there is an equal and opposite reaction,” as well as his own law: “Human beings are hard-wired to resist change.”

Howe suggested that unless executives address the critical success components in the Delta Force Model™, as shown on the next page, their employees would exhibit all the forms of internal resistance illustrated.

<b>The Delta Force Model™</b>		
<b>5 Critical Success Components</b>	<b>Barriers to Change</b>	<b>Forms of Resistance</b>
<b>+++ Change Initiative +++</b>	<i>It's not just Business . . . It's P-e-r-s-o-n-a-l</i>	<b>---Change Initiative ---</b> -
Goals	<i>"Where are you taking me?"</i>	Confusion
Rewards	<i>"What's in it for me?"</i>	No Motivation
Training	<i>"Do I have what it takes?"</i>	Apprehension
Resources	<i>"Will you give me help?"</i>	Frustration
Roles (Game Plan)	<i>"What is expected of me?"</i>	Hesitation

## Questions & Answers

*Question:* What are the differences among sales, business development, and marketing?

*Answer:* (Howe) This is a little tricky. In the commercial space, for companies that really care and focus a lot on marketing, and invest heavily in it, marketing permeates everything the organization does. They actually coordinate the efforts of R&D, engineers, scientists and the sales force, and all these things come together. It's the four P's of marketing – product, price, place, and promotion.

Business development in the public sector is more one-on-one, focusing on a specific customer, in your case zeroing in on what their requirements are and showing that you can meet that better than anybody else.

*Answer:* (Nelson) Well, in commercial software companies, sales is the selling activity, business development is all about creating channels for your products, and marketing is that the process of defining the product and its features, setting the price, and communicating its benefits through advertising. In the big consumer product companies, marketing is a highly quantitative activity... lots of numbers and lots of research.

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*Question:* My company is mid-sized, and we are involved in a big growth effort. How do you get the resources to put this together?

*Answer:* (Nelson) You might look at developing a small team of tigers that can provide leadership and develop initiatives. Unfortunately, when you're working the short-term problem, employees who must write the proposal are also needed by the customer every minute of every day... that's a difficult situation.

*Answer:* (Howe) I would just add that with all the technology that we focus on for our government clients, it always comes down to people. The shortage is always going to be having enough strong horses to carry the load, and you don't have enough strong horses right now. One of the ways to address that is to make tough trade-off decisions, which is all about priorities. When you are in a market that is as exciting as this one, there are so many opportunities that you can chase yourself to death, and burn your team out. Zero in on the high leverage opportunities, chase them aggressively, and put your best in charge of those.

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*Question:* Could you talk more about branding in a government contractor situation?

*Answer:* (Howe) It's tough to understand branding in the context of our industry. We understand Disney and commercial companies like that, but what's this whole branding thing all about in the government space? I'd like you to think about branding as reputation. Your reputation is not just what you say at people in a slogan or on your business card. It's every day in every way what your company stands for that makes you stick out in the minds of your target audience. That's branding. You don't have to open a theme park. What you have to do is everyday have a consistency in your offerings. All you have to agree on is "what's our message," and you have to deliver that better than anybody else.

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*Question:* Can the brand you build be separate and distinct from the products or services that you offer? Can it be the way that you do it?

*Answer:* (Howe) I guess it can, but I would say that your odds of success increase when you hit on all the cylinders – the products, services, and the message – in a consistent way. Before they ever buy your product or proposal, they have to first buy your message and how you are presenting it to them. It has

to have integrity. While you don't have to have a brand identity that fits in with the products or services you offer, but you raise this specter of confusion in the minds of your target. That might cause them to become skeptical about the actual integrity of your products or services.

*Answer:* (Nelson) If your people don't believe the messages that you are trying to create in the market, then you have no chance of carrying those messages to customers. After all, your employees are with your clients day after day. You could build all the loyalty you want to have good people work at your company, but you also want these people to believe your message because they deliver it for you.

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*Question:* You talked about "flattening the organization," but the problem is that it puts more responsibility on management. What are some techniques or approaches that can help in this situation?

*Answer:* (Nelson) Clear-cut responsibilities – you tell people what you want them to do. You can have a flat organization with an awful lot of delegation. From what I've seen in this industry, a totem pole organization doesn't work. A CEO over a COO, who is over an operations director running all the business is doesn't work.

It's a question of what are the responsibilities, what are your goals? You spend a lot of time doing team building, but you ought to be spending a lot of time building effective teams. I think the solution is communications, I think it's clear responsibilities, and I think an incentive system will work. I wouldn't over-engineer an incentive system in terms of individual accomplishments, but I would use it seriously.

**Answer:** (Howe) I want to build on what Gary said. In the technology space, your business is so complex, that with the world swirling around you with change you need to get grounded on some fundamentals. You should take time to reflect on your core values, and your vision or mission. I'm not talking about just a statement; I'm talking about what you care about as a company. When the mission is very clear, all of a sudden all of the confusing possibilities that don't stand up to your core values go away.

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*Question:* What would you say are the crucial elements of a good business development team?

**Answer:** (Nelson) You have to have a sense of what you are looking for, but the trick is being able to attract and retain people. You need to get people who really buy into your company. For that it's back to "walking

the talk." They have to feel comfortable and know that the company will stand behind them. It's a team approach, not depending just on business developers.

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**Roundtable Moderator**  
**Kerry Hall**

*Audit Partner*  
Grant Thornton LLP

**Roundtable Speaker  
Gary R. Nelson, Ph.D.**

*Consultant*

H&K Strategic Business Solutions

**Consultant, HKSBS, 2002-2004**

Serve as advisor to information technology service companies in the federal government market on strategic planning and decisions, on business development and growth, and on expansion through acquisitions. Outside of HKSBS, provided direction and business development for software products and technologies for biotech and medical research.

**SRA International, Inc., 1982-2001**

Helped lead information technology services company from \$2 million in revenues to \$300+ million. Served as Senior Vice President (1985-1990), Executive Vice President (1989-1997), and Vice Chairman (1997-2000). As a line manager, built information systems and management consulting practice that grew to be one-half of SRA revenue within three years. Then led business development and sales for a 10-year period in which revenues increased 1000 percent, achieving a high success rate on competitive proposals. Developed leading practices in command and control systems and health information systems.

**U.S. Government, 1975-1981**

Headed up mammoth U.S. civil service programs for retirement and insurance as Associate Director of the U.S. Office of Personnel Management (1979-1981). Eliminated large retirement claims backlogs and reduced processing times. Made innovative changes in health benefits system. Testified extensively before Congress. As Deputy Assistant Secretary of Defense (1977-1979), led program and budget analysis for logistics, personnel and military health care. Coordinated policy for the All-Volunteer Armed Force. At the Congressional Budget Office during its formative years, 1975-1977, served as principal analyst for key segments of defense programs and budget.

**Previous Positions**

As an economist for the Rand Corporation and the Institute for Defense Analyses, applied statistics and mathematics to areas of public policy research. Conducted studies and published extensively on the all-volunteer armed forces, pay and compensation systems, and urban transportation.

**Board Positions**

- ✓ SRA International, Inc., Vice Chairman, 1997-2000
- ✓ Mail2000, Inc., Board of Directors, 1996-2001
- ✓ Information Technology Association of America (Enterprise Systems), 1998-2001 (Vice Chairman for Federal Committee)
- ✓ Army Science Board, 1999-2001
- ✓ Others: IsoQuest, SRA Europe, Electronic Learning Facilitators, and non-profit organizations

**Education**

Ph.D. in economics, Rice University (Ford Foundation Fellow)

A.B. in mathematics, Duke University (National Merit Scholar)

**Roundtable Speaker**  
**William D. Howe**

*Management Consultant*

H&K Strategic Business Solutions

William Howe is a management consultant specializing in “Go-to-Market” Growth Strategies. This unique methodology integrates an optimized business planning process with all aspects of marketing, branding, and sales strategy. He has served clients since 1997 ranging from corporate giants such as TV Guide, The Washington Post, Meredith, Alcatel, Primedia, and Siebel Systems, to mid-sized businesses in a wide variety of industries.

Bill is a management and marketing professional with twenty years experience in a number of industries including consumer packaged goods and telecommunications. His diverse experience spans both ends of the business spectrum from corporate officer in Fortune 100 corporations, such as the Pillsbury Company and Bell Atlantic (now Verizon) to President/CEO of mid-size companies.

A number of special accomplishments highlight his professional career, including the distinction of being the youngest head of Marketing and the youngest Vice President and corporate officer of the \$6 billion Pillsbury Company.

Bill’s bold approach has consistently yielded blockbuster results. He has lead three dramatic business turnarounds, and managed over 100 businesses and brands. The new businesses he has launched and the failing ones that were turned around have gone on to generate over \$2 billion in annual revenues. In addition, Bill has significant international experience in training hundreds of top salespeople from over 30 countries in the areas of Advanced Sales Strategy, Key Account Management and Winning Major Opportunities.

Bill received a BA in English from Hobart College and an MBA from the Wharton Graduate School of Business at the University of Pennsylvania.

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