

United Defense

Achieves Measurable Competitive Edge, Proven by Increased “Win Rate”

Challenge:

Develop a cost-modeling tool that will immediately establish credibility with new customers by quickly producing “data-defensible” proposals and cost estimates. This new tool needs to respond fast to complex “what if” scenarios and make proposal and project adjustments seamlessly.

Over time, a high “level of confidence” must be maintained through ongoing accuracy of quotes in the prototype, test and production phases, ultimately enabling United Defense to effortlessly execute contracts on time and within budget at all times.

Solution:

Establish a disciplined cost methodology based on a robust knowledge base of cost management throughout the life cycle of a program. United Defense's knowledge base is built on an internal history and industry-wide cost data using PRICE tools and consulting best practices.

Result:

Achieved a measurable competitive edge, proven by repeat contracts and an increased “win rate.” With cost-modeling from PRICE Systems, United Defense has established credibility with its customers and contractors. Profitability is now sustained, allowing its systems to sell at competitive costs. Overall, United Defense is in a stronger negotiating position with suppliers, has improved workflow and reduced risk.

Data-defensible proposals win business

Customers choose and depend on United Defense's Armament Systems Division (ASD) for innovation not only to identify and evaluate new technologies that can be “weaponized,” but also to determine their feasibility. “Our cost modeling capabilities allow us to make recommendations with less risk. This helps customers set their strategic direction and execute confidently,” says Jim Unterseher, Director of Army Programs at ASD.

ASD has strengthened their cost methodology by using PRICE Systems' cost models throughout all stages of a project. It serves as a launching pad for initial estimates in proposals, and forms the cost basis from the concept demonstration stage through prototype and production. “Even with complex, billion dollar programs, we have seen that contractors, and even program offices, still use a ‘back-of-the-envelope’ approach,” says Unterseher.

Unterseher has seen that using PRICE's cost models gives them greater accuracy through the combination of continually refreshed industry data and the ASD's historical project data. The model provides a level of granularity beyond what the ASD expected. “It amazes me that the model can tell us what a specific widget will cost in the concept stage—and maintain that accuracy through prototyping and production,” says Unterseher.

It's not just the tool, but the continual infusion of cost and delivery experience of PRICE Consulting that provides the competitive edge to ASD's program capabilities.

“This is a learning model,” says Unterseher.

“We have had to make some tough decisions on internal funding, but we want the added intellectual expertise and best practice experience that PRICE people bring. They are valued advisors and true teammates.”

Credible estimating leads to stronger Customer trust

ASD has found that their disciplined approach to cost management boosts credibility with customers, which strengthens as the relationship with the program office progresses. Given high profile media reports of overcharges and missed deadlines, program offices have built a degree of distrust for contractors in general, and healthy skepticism for program cost estimates. “Our methodology enables a predictability that garners customer trust and respect.

We can develop positions very easily that we can defend and that our customers can understand,” says Deputy Program Director and Business Manager Louise Morgan .

CASE STUDY

United Defense

“We have to be profitable in order to develop new product lines, go after new business and execute DoD contracts. Our work using PRICE gives us the confidence we need to invest in new areas, deliver our projects at a fair price and move forward profitably. Customers keep coming back as a result.”

Jim Unterseher
 Director of Army Programs
 ASD

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Given the DoD's fluid funding situation, ASD needs to respond to "What-if" drills on a frequent basis. "When they ask us, 'What happens if we lose \$30 million in funding, or if the program delivery gets pushed forward?' we can respond within a couple of hours or a day, depending on the complexity of the request. We can turn a few knobs and switches and have a result quickly" says Unterseher. But it's not only the speed that matters—it's really about the accuracy of the estimate. "Our cost model gives us—and our customers—tremendous confidence in the accuracy of our responses. The program managers may not always like what the numbers tell them, but they know those estimates are data-based, and therefore, credible." Customers can then make informed decisions.

Cost visibility pays off

As a result of their expertise in "What-if" analysis, the Armament Systems Division is responsible for managing CAIV (Cost as an Independent Variable) efforts throughout United Defense. (CAIV is an acquisition analysis strategy used in DoD proposal responses and funding requests. It focuses on cost-performance trade-offs in setting program goals. The goal of tradeoffs is to achieve an affordable balance among cost, performance, and schedule.

CAIV engages the warfighter, the developer, and the supporter to facilitate meaningful trade-offs.) "We can see immediately the cost impacts and feasibility of changes to our design or delivery through simulation, all by entering just a few data points," says Morgan.

ASD has also found that the use of PRICE cost models provides a common framework for all members of the team, whether they are part of the customer's program office, a co-contractor to the customer, or their own suppliers. "It improves workflow and communication and reduces cycle time for everyone involved," says Morgan. In the end, customer results are measured by successful contract execution and new contract awards. As one of the key artillery providers for the US Army, United Defense built its reputation with the Crusader program from 1994 to 2003. When the Army reprioritized its future modernization technologies, the program was cancelled. But the ASD was immediately recommended for and ultimately awarded the contract for the "Non-Line-of-Site Cannon" program.

Unterseher considers it a direct result of how well they execute contracts. "This program needed the cost expertise and the discipline to deliver on budget and schedule—we developed that from Crusader."

Accuracy for customers. Profitability for the company

This cost predictability not only allows ASD to be more prompt, credible and accurate with its customers, it also reduces risk internally to the company. ASD pours significant investment into researching new weapon technologies. The ability to identify extremely detailed cost elements—even in the concept stages—protects the division's profitability. In addition, the division has strengthened its negotiating capabilities with its own suppliers. "From our experience with PRICE, we can very quickly tell when a supplier is in the ballpark," says Unterseher.

"We have to be profitable in order to develop new product lines, go after new business and execute DoD contracts. Our work using PRICE gives us the confidence we need to invest in new areas, deliver our projects at a fair price and move forward profitably. Customers keep coming back as a result," says Unterseher.

More information on United Defense's Armament Systems Division can be found at:
<http://www.udlp.com>

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About United Defense

United Defense is a leader in the design, development and production of combat vehicles, artillery, naval guns, missile launchers and precision munitions used by the U.S. Department of Defense and allies worldwide. The company is a sole-source prime contractor on several programs comprising critical elements of the U.S. military force structure. United Defense has produced more than 100,000 combat vehicles and 10,000 weapon systems currently in use by the U.S. Department of Defense and international allies. Its more than 60 years of experience have led to longstanding customer relationships, proprietary technologies, a diversified product portfolio, disciplined program management and a competitive cost structure. To meet the challenging mission requirements for U.S. and allied security needs of the 21st century, Armament Systems Division (ASD) supports weapon technology and platform developments. As a standout provider of leap-ahead weapon and munition handling technologies for more than 60 years, the division applies a proven skill set of traditional and cutting-edge armament engineering expertise to key Department of Defense systems like the Army's new Non-Line-of-Sight Cannon (NLOS-C) artillery system for the Army's Future Combat System (FCS), the Advanced Gun System for the Navy's future surface combatant, the Mk 45 Mod 4 Naval Gun System, and missile launch canisters and mechanical components for the Navy's Vertical Launching System, Mk 41.

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