Michael Fauscette
Group Vice President, Software Business Solutions

Why Government Contractors Need Complete Opportunity Life-Cycle Management

May 2012

For organizations engaged in projects with government entities, traditional CRM, ERP, and project and portfolio management systems are not the best enterprise application option and don’t provide the complete life-cycle solution required to effectively manage their businesses. Given the unique requirements and ever-changing regulations in the government contracting world, finding and winning projects with and executing projects for government agencies requires a system that can provide an end-to-end continuous process from opportunity through project execution, tying front-office and back-office systems together. Purpose-built enterprise applications are available today that meet the needs of project-based organizations such as government contractors throughout the entire opportunity life cycle to support, track, and manage every aspect of a project — including bidding, planning, estimating, purchasing, and billing — delivering more effective business management.

The following questions were posed by Deltek to Michael Fauscette, group vice president of IDC’s Software Business Solutions service, on behalf of Deltek’s government contractor customers.

Q. What’s unique about the government contracting world and how it wins business?

A. There are similar core activities in almost every project-based business, but the government contracting business has some interesting twists. For example, government contractors really have one customer. Sure, contractors may deal with multiple agencies, and there may be lots of different contacts, but in general, they target work either from the federal government or from their state/local governments.

So, in some ways, their focus is limited yet highly regulated. There are many, many different agencies, each with specific requirements and constraints around what you can do and how you can do it. These requirements span the entire sales cycle — including what you can and cannot do when you’re trying to find the business, get the business, and close the business. In addition, there are very complex reporting requirements, such as earned value management, for example.

It’s a unique environment because of those additional complexities and clear boundaries. Yet, at the same time, there are a multitude of overlapping regulations that sometimes aren’t clear and lots of requirements that can be confusing. It’s also a very proposal-heavy environment where the contractor must go after and propose lots of different projects to get enough work. It’s a real numbers game — maybe more so than most other project-based businesses.

It’s also highly competitive, of course, but with a complex coopetition layer underneath. You’re competing with the same firms that, in the end, you may well end up using as a subcontractor or being a subcontractor to. You must manage those changing relationships.
across a portfolio of projects, where perhaps you're the lead contractor on one, the subcontractor on another, and competing with that same "partner" firm on still another deal.

Utilizing market intelligence is also very important, especially when you're dealing with federal contracts. This involves getting information about the opportunity, how you need to approach it, what agency is buying, what the subcontracting rules are, and other sorts of requirements and regulations that may come into play.

Q. Why do government contractors need to manage the complete opportunity life cycle?

A. Most businesses in the project-based world understand the need to manage work across an entire project life cycle. But managing the entire opportunity life cycle, which is very business development focused, is frankly a massive untapped area of improvement for government contracting businesses. However, if you do have this capability as a government contractor — the capability to track everything all the way down the line throughout the life of the opportunity — you will be much more competitive and will improve your win rates. You'd be more nimble and responsive. You'd have all the tools necessary to build proposals very quickly and respond to opportunities very quickly as well as execute the project once it is closed.

When you have an opportunity life-cycle capability, then you have a more flexible solution that'll let you drive volume while more effectively managing margin. This is certainly important from an efficiency standpoint, a process standpoint, and a profitability standpoint. For example, there are times when, if you had all the information about an opportunity, you might decide not to waste resources on trying to land that business because of any number of factors — you may not have the capability to deliver, or it would cost you too much to acquire the necessary capabilities.

But if you can't see across your business and have a broad span of information available at that time, then it's really difficult to figure out what business to go after and what to leave alone. In fact, what often happens is you go after business that you shouldn't pursue, wasting resources and money you can't afford to lose and maybe even missing a much more profitable opportunity in the process. So you have to be able to make the right decisions. If you can leverage opportunity life-cycle management to win the maximum number of contracts that fit your business model and capabilities, then you have a much greater chance of maximizing your profit on the back end.

Q. What should government contractors look for in a complete solution?

A. The answer is in the phrase "complete solution." If you think of a business process that extends from how you win business to actually staff for the business that you won, manage that business, bill for that business, fill all the regulatory and reporting requirements, and then close out that business with a profitability study and feedback skills developed, etc., that is a complete process. In addition, you need to look for a solution that addresses all those areas. First, let's look at the front end of the process — the winning business part.

Before you need to execute on a project, you must successfully land the opportunity, and that's where opportunity life-cycle management really delivers value. You must be able to find opportunities and take advantage of them. So the solution needs to manage the process from a project perspective, allowing you to carefully build proposals so you get the right skills involved and bid on the "right" business. Typically, generic customer relationship management systems don't create links between resources and customers because they're unnecessary in businesses that aren't project based. But in a project-based business, this link is crucial.
The best opportunity life-cycle management solutions offer these industry-specific capabilities:

- Access to a broad network of teaming partners and subcontractors that you can partner with on opportunities to win more business
- Deep and embedded market intelligence on thousands of government opportunities representing hundreds of billions in potential opportunities
- Ability to capture and share all information and data necessary to make bid/no-bid decisions
- Integration with common office tools, including Microsoft Office Suite
- Ability to automatically create gate review presentations
- Visibility into current activities across customers, contacts, and subcontractors
- Hierarchical structure mapping for complex customers
- Ability to track and report at vehicle, task order, and subtask levels and even at the CLIN level
- Role-based security that enables multiple business units to share or not share information
- Ability to capture and report on current contracts for compliance and data call responses

These capabilities should be completely connected from end to end and executed through the system with very consistent and stable handoffs across multiple boundaries throughout the bid process and after the contract has been won (e.g., from sales to project management, and project management’s interaction with finance, and everyone’s interaction with compliance and regulatory issues and reporting). A complete solution extends across the whole opportunity life cycle and then extends across the project life cycle once a deal is closed, which is the real key to unlocking your potential as a contractor.

Q. What additional requirements should contractors look for in the solutions they evaluate from opportunity life cycle to project closeout?

A. The system needs to be very flexible because you're dealing with a lot of project-process and partnering complexity, which I described earlier. You must be able to manage a portfolio of projects across several different agencies and with multiple contract types, so system flexibility becomes really important.

You also need a vendor you can trust. It’s a partnership because adopting this kind of solution is a business-critical decision. The vendor needs to be well established, with deep vertical expertise. In fact, the more vertical features and functionality built into the system because of that expertise, the better off you'll be; that is, the less you have to customize and the more you can avoid the trap of not being able to upgrade.

You also need a scalable system because, hopefully, you’re growing your business. The system is going to have to scale out to manage multiple projects over a period of time as your business grows.

Consider, too, what the best financial position is for your business and how the delivery model of the software meets that need — you will need to decide whether to invest in on-premises software that you maintain, public cloud–based solutions that minimize your IT needs, or
perhaps a private cloud using your own IT resources. That decision will be based partly on how much you’ve invested already. Some government contractors have a very large IT infrastructure because that's a big part of their business and the services they deliver to the government anyway. For these organizations, it may make more sense to have an on-premises solution. Then there are government contractors with little expertise in IT that don't want to invest money there. These firms may want a cloud-based solution.

In addition, remember that you're dealing with highly secure and often very sensitive information. You must have really, really strong security. It has to meet whatever standards the government sets out — and those standards may change. It doesn't matter if the solution is on-premises or in the cloud. If it doesn't meet the security requirements, then you’re in trouble.

Q. Why should contractors consider front-office solutions that are part of a larger suite of, and can integrate with, project-based back-office solutions as part of the “complete solution” you described earlier?

A. Systems that integrate front-office and back-office processes help managers make better business decisions. In the end, it's about profitability — and in government contract work, the margins can be very thin. So you have to be able to drill into, understand, and act on the right information. This way, you can bid on the right projects and also execute correctly with the right resources. As I mentioned, you’re also able to avoid projects that simply wouldn’t be profitable because of skill set challenges or other requirements you couldn’t meet.

An integrated system can really help you cut your costs and manage your overhead more effectively. When you can do that, you’re able to use the cost savings to go after more opportunities. Using the market intelligence that's tied into a tool makes it even more effective because you find more ways to make better decisions. Then you can invest more in finding the right business and executing more effectively, which of course leads to more revenue. But most importantly, it leads to much better margins.

ABOUT THIS ANALYST

Michael Fauscette leads IDC's Software Business Solutions group, which encompasses research and consulting in enterprise software applications, including ERP, SCM, CRM, PLM, collaboration and social applications, software partner and alliance ecosystems, open source software, software vendor business models, SaaS and cloud computing, and software pricing and licensing. Mr. Fauscette conducts market research, analysis, and consulting on emerging markets and technologies such as social business, enterprise 2.0, go-to-market strategies, end-user requirements, application implementation, vendor business models, partner strategy, and end-user experience.

ABOUT THIS PUBLICATION

This publication was produced by IDC Go-to-Market Services. The opinion, analysis, and research results presented herein are drawn from more detailed research and analysis independently conducted and published by IDC, unless specific vendor sponsorship is noted. IDC Go-to-Market Services makes IDC content available in a wide range of formats for distribution by various companies. A license to distribute IDC content does not imply endorsement of or opinion about the licensee.

COPYRIGHT AND RESTRICTIONS

Any IDC information or reference to IDC that is to be used in advertising, press releases, or promotional materials requires prior written approval from IDC. For permission requests, contact the GMS information line at 508-988-7610 or gms@idc.com. Translation and/or localization of this document requires an additional license from IDC.

For more information on IDC, visit www.idc.com. For more information on IDC GMS, visit www.idc.com/gms.

Global Headquarters: 5 Speen Street Framingham, MA 01701 USA P.508.872.8200 F.508.935.4015 www.idc.com

©2012 IDC