



## KEY CHALLENGES FOR 2011

### Integrated Program Management Conference

November 9, 2010

Stan Soloway

President & CEO

Professional Services Council

## AUSTERITY IS A CERTAINTY; BUT WHAT WILL IT LOOK LIKE?

- The elections changed a lot, but they didn't change everything
  - The government's fiscal condition was, and will continue to be, a central issue
  - The Administration is serious about performance measurement, finding opportunities for efficiencies;
  - The government's human capital challenges remain acute

## THE FISCAL ENVIRONMENT: WHAT WE ARE REALLY FACING

- The deficit of today is unlike deficits of the past
  - 80%+ of today's deficit is made up of the gap between spending and revenue
  - OMB projects that by 2015, 73% of the deficit will be interest on the public debt; growing to 90% by 2020—at which time the deficit will again approach \$1 trillion
- As a result:
  - Traditional spending cuts will help but not come close to closing the gap
  - Meaningful budget growth is almost inconceivable
  - Significant budget cuts are entirely possible
  - Programmatic and performance pressures will increase

## The Process Has Already Started

- Agencies submitting plans for spending reductions
  - 5% targets for other than national security spending
  - Generally based off of President's FY11 request
  - Pressure to focus on programs vice “efficiencies”
- DoD has targeted \$100b in savings; initiative includes:
  - Elimination of JFCOM, BTA, NII
  - Some reduction in contractor support services
  - Hiring freeze (OSD, defense agencies, CoComs)
  - A series of “acquisition improvement” initiatives

*This is Just Phase 1*

## What Does Efficiency or Improvement Look Like?

- As evidenced by DoD, it is in part programmatic
  - Pressure on Agencies to find identifiable cuts vice cost elimination
- But there will, and must, be more
  - DoD efficiency and acquisition initiatives include 10% reductions in some services contract spending, more competition, elimination of unnecessary process costs, elimination of “high risk” contracts, “innovation,” etc.
  - OMB, et al watching DoD efforts; potential for expansion is significant
  - How will those goals be reached?
    - Prescriptive or collaborative?
    - A hatchet or a scalpel?

## We Know Who Yields the Hatchet; Who Wields the Scalpel?

- The role of THIS community becomes central and crucial
  - DoD “insourcing” efforts have largely focused on “A” acquisition capabilities
  - Major emphasis on enhanced cost estimating
  - Expansion of EVM use and other tools
- But we do not have the capability to execute
  - Some are over focused on “re-creation” of the past rather than looking to the future
  - Across government, even w/in DoD, focus on program/project management workforce and development is sorely lacking
  - Knowledge of how/where to apply EVM in whole or part is equally lacking

## What's Needed?

- A renewed focus on centrality of PM role
  - Career paths
  - Development
  - Authority and Accountability
  - Various proposals put forth but none acted on
  - Multiple efforts to assess IT program acquisition/management
- More focus on when/how to utilize key tools
  - Over-use and under-use of EVM
  - Potential narrow thinking re: improvements
    - At DoD, focus seems to be on limiting profit, dictating contract type rather than removing unnecessary cost
- Utilize “dashboards” and other performance measurement tool to manage not just judge

## Looking Ahead

- The new Congress WILL take significant steps to address budget and program over-run challenges; this is potentially an area of consonance w/the Administration
  - The new majority is not reflexibly pro-business; fiscal responsibility will be the name of the game
  - Hiring freeze a real, but unwelcome, possibility
  - “A” acquisition currently exempted from Gates initiative; will that be true government-wide?
  - Insourcing, human capital planning processes will be under scrutiny

*In the face of the change we are now witnessing, time is not our ally and quick “fixes” could well dominate; there-in lies our biggest challenge.*