

FedBiz

Recent contracts

Booz Allen Hamilton Inc., ManTech SRS Technologies Inc., Schafer Corp. and System Planning Corp., all based in Arlington, have each been awarded a contract that allows them to bid on task orders for advanced technical engineering services that support Defense Advanced Research Projects Agency/Tactical Technology Office programs and initiatives. These contracts include options that if exercised would bring the cumulative value of the contracts to a combined estimated \$150 million.

A division of **Northrop Grumman Corp.** in Herndon received a \$119 million part-reimbursement part-fixed-price contract for the design, development, test and deployment of Increment 10.2, a modernization of the Air and Space Operations Center Weapon System.

Progeny Systems Corp. in Manassas has been awarded an \$11 million modification to a previously awarded cost-reimbursement contract for the third phase of engineering and technical support services that are supporting a Small Business Innovative Research project.

Booz Allen Hamilton Inc. in McLean won a \$10.5 million cost-reimbursement contract to exercise the second award term option year for the Joint Terminal Engineering Office and the Global Broadcast Service Program. This contract modification will provide systems engineering and integration support for the Military Satellite Communications System Directorate, Space and Missile Systems Center.

Employment report

Executive Summary: Virginia could see 122,800 jobs disappear if the congressional supercommittee charged with finding ways to reduce the deficit fails to reach an agreement, triggering \$600 billion in defense cuts on top of more than \$400 billion already planned.

A closer look: That number – as well as the 36,200 jobs that could be lost in Maryland – comes from an economic impact analysis conducted by Moscow, Idaho-based Economic Modeling Specialists Inc. and Stephen Fuller, director of the Center for Regional Analysis at George Mason University. Next to California, Virginia would experience the steepest job loss of any state, due primarily to its high concentration of defense and aerospace companies. The report projects that more than 1 million American jobs could be lost because of defense budget cuts if the deficit reduction committee fails to reach an agreement on how to trim \$1.2 trillion from the deficit by the end of November. Without an agreement, automatic deficit reductions, evenly split between the Defense Department and civilian agencies, would kick in.

Quotable: “The multiplied impact of aerospace and defense workers losing their job is very simple – purchase of consumer goods goes down overnight, homes become unaffordable and the housing crisis is compounded, and so forth,” Fuller said.

Inside the numbers:

- Total potential job losses (direct, indirect, community): 1,006,315.
- Total potential aerospace/defense and supply chain job losses: 352,000.
- Total loss of workers' wages and salaries: \$59.4 billion.
- Impact on national unemployment rate: plus 0.6 percent.
- Impact on projected growth of 2013 gross domestic product: minus 25 percent.



With the departures of baby boom CEOs who led defense contractors during a time of expansion, companies realize that “new positioning is needed to align with the changes” now taking place, says executive search firm leader Jeremy King. Photo by Joanne S. Lawton

Contractors do ‘data refresh’ for new talent as older execs retire

By Jill R. Aitoro

Market upheaval combined with an aging baby boomer generation is leaving many federal contractors facing changes at the top, as industry veterans step aside to make room for new talent.

Two factors are driving CEOs at the biggest defense contractors to step down. First, they’re getting older. And second, the market is changing as two wars wind down and budget restraints cause agencies to adjust priorities. That’s leaving some companies to look beyond the good ol’ boy network and their own internal front-runners to rising stars less tethered to the old ways of doing business.

“Many of the older guard of CEOs that seem to be stepping down in droves have been in this business for years,” said Jeremy King, managing partner of Reston-based Benchmark Executive Search. “These are executives that saw a buildup of the defense industrial base and understand now that new positioning is needed to align with the changes happening at agencies.”

Falls Church-based Computer Sciences Corp. said Oct. 18 its CEO of three years, Michael Laphen, will step down by October 2012. McLean-based SAIC Inc. announced a few weeks earlier that Walt Havenstein would retire effective June 15, 2012, and Melbourne, Fla.-based Harris Corp. named a new CEO Oct. 10, after announcing in March that Howard Lance would retire.

Interestingly – and perhaps frustratingly for those companies on the hunt for top talent – the pool of candidates has transformed.

“There’s no shortage of outstanding people, but the reality is that we in the search business have done a major data refresh,” said Randy Jayne, who leads the aerospace, defense and aviation practice at Chicago-based Heidrick & Struggles International Inc., an executive search and consulting company retained by CSC’s board of directors to advise on the quest for Laphen’s replacement.

“Many of the people who five years ago would be at the top of most any list are from the baby boomer generation and either already committed to retire or are so close to retirement that they wouldn’t be a good fit for a company that wants at least a few years’ run out of their executive,” Jayne said. “There are great people, but we’re dealing with a new crop now.”

Consider Harris’ pick for CEO, William Brown. Previously head of corporate strategy and development at United Technologies Corp., he is hardly a defense contracting mainstay. But Brown successfully integrated more than 40 acquisitions, increased sales from \$4.2 billion to \$6.5 billion and tripled operating profits. He’s also 48.

Jayne said Brown is indicative of the new leadership pool – relatively young but experienced in expanding companies into new, largely uncharted territory.

To defense contractors – and their boards, many of which are part of that good ol’ boy

network – this new crop of talent is widely untapped and unknown.

“There’s a war for talent, and obvious movement among companies, but we expect a very valuable, competent pool of individuals,” said Mary Hough, SAIC’s vice president of talent management.

While SAIC wouldn’t comment on specific progress in choosing a successor to Havenstein, Hough confirmed that the board has strategic oversight over the selection and will consider internal and external candidates.

A company’s decision to expand the search beyond its corporate hallways sends a message that it either was not prepared with thorough enough succession plan or felt the need to shake up its corporate strategy, said Evan Scott, president of Alexandria-based executive recruitment firm ESGI.

“Companies go outside to bring fresh perspective and to change the culture,” he said. “It’s indicative of a corporation that isn’t performing.”

Contrast that tactic with Lockheed Martin Corp., which announced it was shifting certain responsibilities from current CEO Bob Stevens to his second in command, Chief Operating Officer Chris Kubasik, in what seems to be step one in an eventual succession.

“Everybody likes predictability, and shareholders don’t want to be disappointed or surprised,” Evans said. “That can be tough when you’re dealing with the federal government

jaitoro@bizjournals.com