

NORTHROP GRUMMAN

DEFINING THE FUTURE

Expanding Impact of Services Procurement Programs

8TH Annual ISM Services Group Conference

November 29th, 2007

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Agenda

- **Northrop Grumman Background**
- **Why Northrop Grumman Decided to Implement a Services Procurement Solution**
- **Selection Process**
- **Current Overall Northrop Grumman Program**
- **VITA Program – Detailed Analysis**
- **Key Recommendations**

Northrop Grumman Today

- **Global Defense and Technology Company**
- **Headquartered: Los Angeles, CA**
- **\$30 billion in annual revenues**
- **120,000 employees**
- **Delivers products, services and solutions in four main areas with 8 unique business sectors...**
 - Information and Services (main location: Virginia)
 - Information Technology
 - Mission Systems
 - Technical Services
 - Electronics (main location: Maryland)
 - Electronic Systems
 - Aerospace (main location: California)
 - Integrated Systems
 - Space Technology
 - Ships (locations: Mississippi & Virginia)
 - Newport News
 - Ship Systems

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Why Look at a Services Procurement Solution?

- **All sectors operating independently**
- **Contractor hiring process decentralized and varied by sector**
 - Each business sector has different process and levels of compliance
 - Hundreds of suppliers being used across Northrop Grumman corporation
 - Time-consuming for procurement to negotiate contracts
 - Limited ability for reporting and analysis
- **Payment process not efficient**
 - Paper timecards are signed and manually reconciled with invoices by accounts payable
 - Little spend visibility – a manual process to allocate spending, and we need to be able to forecast expenses

Overall Objectives

- **Improve Supplier Management**
 - Build more strategic relationships with suppliers
 - Create efficiencies and cost savings for both NG and suppliers
 - Increase use of small, women, and minority-owned businesses (SWaM) and disadvantaged businesses
- **Centralize and Standardize Contract/Temporary Workforce Process**
 - Streamline workflow (requisitioning through payment) via one consolidated process and on-line tool while still allowing for business group flexibility
 - Create competitive marketplace among external recruiters and increase resource pool
 - Improve efficiency and speed of process
- **Enforce and Enhance Internal Controls**
- **Provide Management Reporting Metrics**
- **Leverage Contract/Temporary Labor for Strategic Advantage**


Choosing the Right Supplier

- **Solution:**
 - Support full lifecycle from “req. to check” for contingent workforce
 - High degree of process automation for efficiency and cost reduction
 - Addresses full range of contingent workers (IT, Engineering, Professional Services, Admin/Clerical, Light Industrial)
 - Integrate-ability within existing enterprise platforms and systems
- **Expertise:**
 - Demonstrated ability to consistently achieve impact
 - Takes ownership, over-delivers
- **Business Model:**
 - Supplier-neutral – essential to supplier adoption and attaining best skills at best rate
 - True partner – aligned with customer’s interest, our success is their success

Why IQNavigator?

- **Supplier Neutral**
 - Easier supplier participation
 - Commitment to bringing value to suppliers
- **Flexibility**
 - Multiple deployment and support options
 - Ability to support different processes for each sector yet provide enterprise-wide visibility
- **Superior Technical Solution**
 - Quick implementation process for new buyer organization (8-12 weeks for a major program)
 - Highly configurable software with robust reporting capability
 - User-friendly interface
- **Experienced in delivering successful solution**
 - Software solution with full lifecycle services to ensure success
 - Proven reference-able customer base

Northrop Grumman Roll-out

- **IT Sector**
 - Live late 2003
 - **Mission Systems**
 - Live March 2005
 - **Newport News**
 - Live May 2005
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- **2000+ Contractors**
 - **1000+ Hiring Managers**
 - **Tiered-Structure Supplier Network**
 - 13 Tier 1
 - 200+ Tier 2

Northrop Grumman Program Benefits

- **Cost Savings**

- Realized through competitive private marketplace for contingent workforce versus targeted work orders
- Soft dollar cost savings
 - 1 consolidated bi-weekly invoice per business unit versus 1000s
 - Overall process efficiencies (time-to-fill, electronic approvals, etc)

- **Compliance & Visibility**

- Enforces approval hierarchies
- Captures electronic audit trail
- Provides real time reporting
- Ensures SWaM and disadvantaged business goals through custom tiering model
- Provides enterprise-wide view of all services spending

VITA Program

- **What is the VITA Program?**
 - 10 year partnership between the Commonwealth of Virginia and Northrop Grumman IT to transform the Commonwealth's IT infrastructure
- **What is unique about the program?**
 - Extremely large and commensurately complex program
 - Size and growth of the contingent workforce leveraged
 - Transition of contractors from pre-existing supplier management firm
 - Current operations suppliers in place to establish as tier 1 and tier 2 suppliers (associate suppliers)
- **What is the structure in place at VITA for staff augmentation?**
 - The structure was created to be similar to that of Northrop Grumman Corporation's Contract Labor Initiative. 9 tier 1 suppliers and roughly 46 tier 2 suppliers.

Summary/Key Recommendations

- **Solid Business Case**
 - Demonstrate hard dollar and soft dollar cost savings
- **Strong Executive Sponsorship**
- **Buy-in from All Major Stakeholders**
- **Realistic Communication Plan and Execution – Change Management**

Solution and Implementation

- **Why?**

- Normal resistance to change
- Concern over loss of control and perceptions of not being able to select individuals that are desired
- SWaM and disadvantaged business requirements
- Services are complex (people are different than goods)

- **Plan**

- Executive Sponsorship
- Mini “Roadshow” with major programs to get buy-in
- Formal Communication Plan throughout implementation
 - NG users as well as our suppliers
- Everyone perceives they’re a part of the program

Thank you!

Q&A