

MELPARTICULARS

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E-Systems Melpar Division

February 1995

Performance Key to Success in 1995

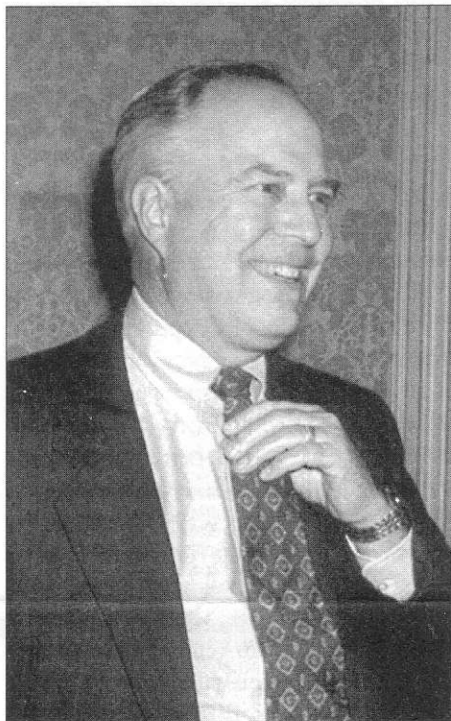
In remarks to Melpar management earlier this month, E-Systems President and Chief Executive Officer Lowell Lawson stressed the importance of performance-based growth at every level. Other Divisions were represented by attendees from ERA, GIO, Garland and Greenville.

"We faced a lot of tough challenges [in 1994]," Lawson acknowledged. "When we look back at the past year, our final performance is a mixed bag. Still, I can summarize '94 as a net positive year."

Corporate objectives for the coming year, Lawson announced, encompass traditional business, market expansion and acquisitions, in addition to a renewed emphasis on performance improvement.

Lawson noted that E-Systems must continually analyze the overall business environment in order to map future strategies. "We have to ask what's really going to happen with DoD?" he said. "We're also a bit concerned about the direction of other federal agencies."

In spite of an increasingly volatile marketplace, Lawson indicated that E-Systems will not abandon its traditional business



E-Systems President and Chief Executive Officer Lowell Lawson emphasized performance-based growth for 1995 at this month's management dinner.

pursuits. "Even with the current business environment, our core business is still intelligence, reconnaissance and surveillance," he stated.

In his 1995 business forecast, Lawson stated that various Divisions within E-Systems will continue to promote existing programs such as aircraft modification, maintenance and overhaul as well as support and services. However, these traditional business initiatives will be augmented by new programs that are geared toward both the domestic and international marketplace.

Many of these new programs are being cultivated as a result of recent corporate business acquisitions. According to Lawson, "Experimental pursuits are combining to add to the tremendous potential growth of our company." In addition, he cited "a tremendous potential for growth in the C³ area."

"The challenges for 1995 can be summed up by the word 'performance,'" Lawson said. "We expect to achieve growth in sales and earnings. I am convinced that we will perform well in 1995." **M**

Melpar to Adopt Price-to-Win, Design-to-Cost Strategy by Tricia Reneau

It's no secret that Melpar now faces one of the most challenging times in its 50-year history. Five years ago, sole-source contracts typified Melpar work. Today, such contracts have been greatly reduced. At the same time, competition for our former niche areas intensifies each day, and our traditional business base confronts funding uncertainty.

What to do? Change. Change in lots of ways, but most of all, change in the way we bid on proposals so we win more. Now, the best priced bid wins out. Melpar's 1994 record offers a good example of this trend. On those proposals we lost, we received the same feedback: *technically superior, yet too high in cost.*

"The shift in the way customers award business requires a new approach," says Melpar Vice President and General Manager Dr. Larrie Judd. "This approach is one where the competitive price drives the solution based on how commercial businesses operate today."

"Think of it this way: the Tier II+ unmanned aerial vehicle programs gives little specifications beyond the flyaway cost of \$10 million per aircraft/system," says Finance Vice President John Gueterman. "Does that mean we should shoot for a cost of \$10 million? Probably not. Instead, we must determine what the real price is to win this important program."

Here's the difference between the old and new ways of thinking:

The Old Way

Cost + Profit Margin = Price

The New Way

Price - Profit Margin = Cost

In other words, instead of calculating, "Our work will cost this much, and with a certain profit margin, that gives us the price we will bid," we now must say, "Here's what we need to bid in order to win, and when we subtract our profit margin, we know just how much it will cost." This thought process is derived from the price-to-win concept.

Continued on page 2



Where We Stand

Two months into the new year, Melpar continues to experience change, from personnel-related changes to those dealing with processes. Still we need to do more. Much of this change involves the way we capture new business, which involves a cross-functional effort from everyone in the Division.

Business acquisition is THE Division priority. In line with this, we have formed the beginnings of a new team to tackle these goals. As the new Vice President of Business Acquisition, Ken Taormina has hit the ground running by instituting a new process we call "price-to-win, design-to-cost." To learn more about this process, see the related article on page 1.

Our Business Acquisition team will continue to grow as we hire more marketing specialists with proven track records of success. This team faces a number of challenges: maintain our flywheel business momentum; expand our business into related areas like C⁴I; complete the spinoff of our asynchronous transfer mode (ATM) business; and pursue selected new initiatives in other areas.

The key to our success is improving both the quantity and quality of new pursuits. We have a number of new people onboard—and we'll need more—who can help us identify ideal opportunities otherwise unknown to us. Then we have an extremely challenging task of boosting the percentage of business proposals we win. Our goal is a 50-percent win rate. I believe the quality of these proposals will improve markedly as we adopt a more customer-oriented focus based on the principles of price-to-win and design-to-cost.


One area we are pursuing is the integration of multi-sensor data. Historically, we've excelled at collecting and processing intelligence data. But the days of big programs geared toward single-sensor collection are over. Today, the

priority lies with disseminating fused data from multi-sensor systems to the user, such as a battlefield commander. To succeed in this area, we are refocusing our system integration capabilities.

Another task is to consolidate our IR&D activity into three to four opportunity-focused programs. These IR&D programs would relate directly to business we designate as vital to our future prosperity. Selecting these projects requires joint effort from Business Acquisition, Product Delivery and Reconnaissance Systems. These groups will take responsibility for scheduling, commitment and prototype deliveries of each IR&D project.

All of these steps are necessary because we have not yet changed to become a strong competitor in this new environment. Our flywheel business is shrinking or is at best flat, and our number of new quality opportunities is less than it needs to be to provide the needed business. Also, our design innovation needs to be oriented to developing affordable systems, not just being the best technically.

We ended 1994 with mixed results. Sales were about the same as in 1993; profit was up, yet bookings were down. The challenges we are meeting come as Melpar celebrates its 50th anniversary. Since 1945, we have grown and retracted several times. Yet certain characteristics remain: specifically, the talent and dedication possessed by Melpar employees. However, the days of offering the most elegant solutions to our customers are over.

There's a new way of doing business, and it means providing affordable systems in order to be competitive. We cannot just be concerned about the costs we offer in proposals (design-to-cost). We must also pay attention to the costs of actually executing a program (execute-to-design-to-cost). So, no matter what department you're in—Finance, Manufacturing, etc.—look at everything you do and see what we can do to make Melpar more competitive. That's the kind of change I'm talking about.  **M**

PRICE-TO-WIN

Continued from page 1

So how do we go about determining the price-to-win? It takes rigorous analysis of the customer's purchasing values and the competitive environment in which the purchase is being made. The price-to-win must be our best estimate of the program price Melpar must bid to win based on what we think our

competitors will bid. Additional considerations include performance, delivery schedule and other conditions. Once we have a price-to-win, we can make a decision whether to bid on the program.

By establishing a price-to-win, Melpar can then work around cost targets. This gives us

Inside the Corporation . . .

Greenville Division has been awarded additional contract options worth \$40 million for two Federal Aviation Administration (FAA) flight inspection aircraft. The contract calls for avionics system modification as well as installation of additional modifications, including antennas, flight inspection system racks and consoles, auxiliary power systems and environmental control systems.

ECI Division has won an \$18.5 million contract with the Jet Propulsion Laboratory (JPL) for the development of a space-related product. JPL selected ECI to furnish the Scatterometer Electronics Subsystem for the SeaWinds project, which NASA will use to measure global ocean surface wind speeds and directions. The SeaWinds scatterometer will provide researchers accurate data covering at least 90 percent of the world's oceans every two days in all weather and cloud conditions.

Serv-Air, Inc., has been awarded a contract with a potential one-year value of \$50 million and an anticipated five-year total value of more than \$270 million by the Naval Aviation Depot Operations Center, Patuxent River, Maryland, to provide operations, maintenance and logistic support for U.S. Navy, Air Force and Marine Corps C-9/DC-9 aircraft at 12 sites in the United States, Germany and Japan.

E-Systems announces the acquisition of Westinghouse's Transportation Management Systems business located in Baltimore, Maryland. The new company will be combined with existing E-Systems transportation resources which include the recently acquired Auto-Trac and an alliance with Newcomb Communications, both mobile data communications suppliers. E-Systems will combine those resources to create a new company, Transportation Management Solutions, Inc. (TMSI), reporting to HRB Systems. **M**

a guide so that we may design-to-cost. The process begins with what's called a "Cost Bogey Flow Down."

"You don't want to do bottom-up costing," says Ken Taormina, Vice President of Business Acquisition. "If you do, what results

Continued on page 4

1995 Service Awards January/February

Twenty Years

Margaret A. Franklin
David C. Harbour

Fifteen Years

Mark D. Dokken
Ronald Dubinsky
Junior B. Flanagan
Charles W. Stump
Douglas E. Toppin
Constance A. Wilson

Ten Years

Roy L. Banning
Georganna M. Chase
Edmond J. Comitz
Jeremiah Gray Jr.
John W. Jeanes
Ellen A. Kaminsky
James F. McGibbon
Warren H. Miller Jr.
Diane R. Montemorano
David B. Stovall

Gregory L. Taylor
Terri A. Tolosko
Lois S. Walker
Sherri L. Winnik
Laura K. Woodward

Five Years

Naomi J. Amoroso
Carter P. Bard
Angie K. Beverly
Diana L. Bowling
Sookja Chung
Peter J. Cooley
Steven H. Fredrickson
Sun L. Kim
Gregory W. Kline
Warren S. Lang
Ludwina M. Lazo Chan
Rosemary R. McAleese
Denise L. Parker
Brenda S. Schomburg
Diane L. Shapiro
Vickie L. Smith

Academic Applause

Allen D. Wallace
M.B.A.
Virginia Polytechnic
Institute



Movers and Shakers

PROMOTED FROM

Sharon M. Anderson
James A. Andrews
Michael E. Beretsky
John H. Brown
Joseph C. Bullman Jr.
John P. Carlson
Roy L. Dailey
Paul R. Day
Jeffrey B. Dodson
Douglas H. Dreibelbis
Richard K. Engelfried
George G. Flaherty
Clay A. Hardin
Philip N. Hepler
Diane M. Hunt
Terry R. Hunter
Erin V. Julca
Ellen A. Kaminsky
Edward J. Kelly
David R. Kirsten
Michael S. Logan
Thanh Luu
Teresa H. Nguyen
Randy E. Phillips Sr.
Katie B. Powers
Wayne L. Rohm
Bryan J. Ruffner
Alan R. Russell
Leroy D. Sealy Jr.
Tracey A. Serle
Glenn L. Simolunas
Darryl W. Smith
Patricia D. Smith
Bernard O. Spector
Gina S. Thomas
Kimberly R. Thomas
Timothy G. Tignor
Thomas M. Tremblay
Laura A. Turner
Joann M. White
Leonard G. Willard
Eric H. Wolf
Damian C. Yenzi
Phillip A. Zuk

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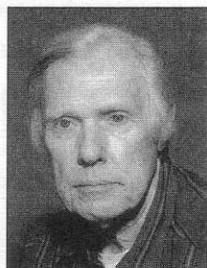
Planning Spec
Dupl Services Supv
Software Supv
Sr Software Analyst
Field Design Engineer
Elec Engineer
Princ Test Engineer
Sr Maint Mechanic
Sr Maint Mechanic
Lead, Dupl Services Ops
Software Analyst
Sr Operations Analyst
Assembly Technician
Sr Test Technician
Sr Software Analyst
Asst Program Manager
Planning Assistant
Assoc Program Mgr
Software Analyst
Sr Operations Analyst
Assembly Technician
Software Engr Supv
Assembly Technician
Field Design Engineer
Accounting Spec
Sr Maint Mechanic
Princ Engineer
Field Design Engineer
Sr Comm Analyst
Sr Network Analyst
Software Analyst
Sr Field Elec Engr
Assoc Test Engineer
Programmer
Sr Program Mgmt Spec
Engr Supv
Sr Drafter
Sr Software Analyst
Sr Software Analyst
Sr Software Analyst
Sr Design Engineer
Sr Software Analyst
Systems Programmer
Sr Facilities Architect

Retirees

Not Pictured: Betty Kozuch – 35 Years

QUOTE TO NOTE:

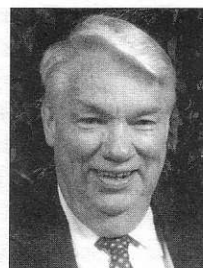
“Do not let
what you
can’t do
interfere
with what
you can.”



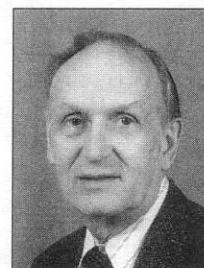
William P. Clements
39 Years



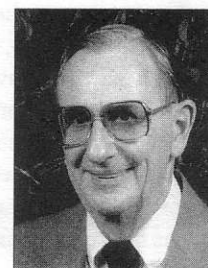
Harold W. Davis
9 Years



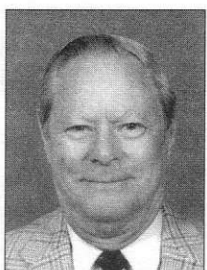
Wayne E. Dawson
32 Years



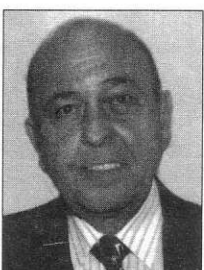
John O. Griggs, Jr.
13 Years



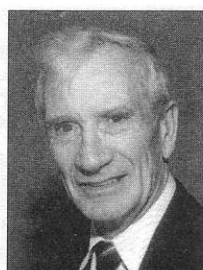
George W. Koditek
40 Years



John B. Lynch
40 Years



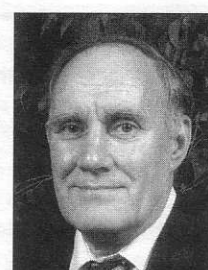
Stanley F. Muzidal
37 Years



Charles H. Nelson Jr.
37 Years



Peggy L. Williams
7 Years



Charles F. Wood
36 Years

Sports Corner... 10SNE1? Tennis League Celebrates 15th Season



1994 Tennis League participants include (left to right) Chuck Busby, Richie Huang, John Cole, Kane Insomphou, John Kudrle, Lynn Garland, Allen Wallace, John Suggs, Jim Lok, Georg Hibner and Dan DeBold.

Melpar's Tennis League closed out its 1994 season with a December awards banquet, handing out trophies in nine categories.

Leading the competition during the league's fifteenth season were the following tournament winners:

A Singles

1st Place Kane Insomphou
2nd Place Jim Lok
3rd Place Dan DeBold

B Singles

1st Place Lynn Garland

2nd Place

3rd Place

Doubles

1st Place

2nd Place

3rd Place

Mike Swift
Chuck Busby

Richie Huang
Kane Insomphou
John Kudrle
Lynn Garland
John Cole
Bob White

The 1995 Tennis League season will begin this spring and will run through mid-fall. To sign up for play, contact league coordinator Chuck Busby at extension 1696.

Voice Mail Greetings Needed

According to the Facilities Communications group, 30 percent of Melpar Voice Mail users have failed to record their personal verifications and external and internal greetings. As a result, outside callers are often confused or frustrated by anonymous mailboxes. In addition, calls are sometimes redirected unnecessarily to administrative personnel.

To ensure efficient business-related communications, users are reminded to personalize their Voice Mail greetings immediately. See your department secretary for assistance or refer to pages 8-9 in the *Meridian Mail Voice Messaging User Guide*.

PRICE-TO-WIN continued from page 2

is a gold-plated design instead of one with adequate design complexity. It's incredible how many power supplies we overspec, when minimally compliant is all we have to be."

Another example, according to Ken, is pricing a Nanomin receiver into a proposal for a shipboard system. "The Nanomin is a terrific receiver," he says. "It's smaller than the CD player box in your car's dashboard, lightweight, and can be dropped off a loading dock and still work. But you don't need the elegance of a Nanomin receiver for a shipboard rack."

To help employees adopt the price-to-win, design-to-cost concepts, Ken has designed a series of training seminars, the first of which was held in January. Other seminars will follow until the process becomes ingrained in the organization. The objective, Ken says, is to boost Melpar's win rate—that is, the percentage of proposals we bid on and win. Last year, that rate was 19 percent. The goal for 1995 is 50 percent.

"We cannot rely solely on our traditional customer to keep us in business," says Larrie Judd. "The days of the big programs are over. One of the things we need to do is identify higher quantity and better quality pursuits. But the other thing is that everyone must refocus on this new mindset: price-to-win, design-to-cost. It is key to new business."



Use the Melpar Division

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(Anonymous Calls Will Be Accepted)

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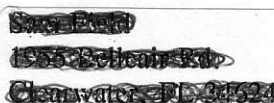
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