

We've been mulling this article over for a while, thinking about [budgetary pressures](#) facing defense contractors and the never-ending debate about

[right-sizing](#)

the Executive Branch's workforce of government employees. You might think that, just because we focus on FAR and CAS and DCAA audit issues, we don't also consider HR issues (aka "human capital" issues). If so, you'd be wrong.

The biggest problems aren't numbers problems. The biggest problems—the most intractable problems—are people problems.

The biggest mistakes companies make aren't about numbers. They aren't about defective pricing or false claims, or even about screwing-up the financial reporting. No. The biggest mistakes you'll ever make are the ones involving human interaction. Almost certainly, your biggest mistakes will involve failing to listen to your workforce, or failing to ensure that knowledge is successfully transferred out of the heads of your senior, experienced, team and into the heads of the next generation.

Companies are going through the "rack and stack" process right now, deciding how to reduce costs while preserving abilities and skills. The Federal government is going through a similar process, albeit tailored to meet the unique protocols of the [civil service rules](#). The same thing can be said for the military service.

The point is, the knee-jerk response to budgetary pressures is to slash headcount. And that's not an incorrect response, if thought-through and strategically executed. Back in 2009, Aviation Week & Space Technology [predicted](#) as much as a 10% headcount reduction across the A&D industry, but also reported (perhaps with fingers crossed for luck) that A&D executives had learned from the mistakes that had been made in the 1990's, when indiscriminate headcount reductions had significant down-stream ramifications, and thus would be smarter this time around. We remain similarly hopeful, but perhaps a bit more cynical that "one-size-fits-all-functions" mandatory headcount reduction percentages will remain the favorite tool of so-called "leaders" who seek to be perceived to be tackling the tough challenges while in reality they aren't willing to do the necessary work that would lead to the right solution(s).

A recent white paper report issued by the mega-consulting firm, Accenture, discusses some of the challenges facing the A&D industry—and notes that A&D companies "are not yet taking the kind of comprehensive, value-driven approach needed to respond to the business, workforce, leadership and culture challenges ahead." In other words, Accenture apparently thinks that your corporate leadership is failing at the job of preparing for the future. And Accenture may well be correct in its assessment.

Before we get too far into the Accenture report (called "High Fliers"), we want to give you a link to it, so you can read it yourself. Here's [the link](#).

The report discusses the challenges facing the A&D industry, including both the commercial

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airplane and defense sectors. We're going to focus on the comments, findings, and recommendations relevant to the defense sector. The report sets up the situation thusly—

The defense industry will need to cope with falling budgets and lower government spending levels. For many companies that will mean looking abroad and competing in the international marketplace. These companies will need to put an increased emphasis on operating efficiency and on new kinds of partnerships and alliances. Deeply rooted in a military-oriented culture, defense companies will need to become more entrepreneurial and collaborative—not necessarily a traditional strength.

If one looks closely at these challenges, almost every one of them relies to a large extent on superior human capital—on the A&D workforce, its leadership and its culture. Yet the capabilities and performance of the workforce ... are now being severely tested—in some cases straining the ability of organizations to respond. ... Based on our research, we contend that companies must be taking action across a range of integrated areas [including] Talent, Leadership, Culture, and Organization. ... An effective human capital strategy informs a company's most important decisions about where and who to compete, and supports the enterprise as it balances short-term decisions with longer-term imperatives.

We have no problem with Accenture's conclusions. More importantly, we think companies need to take the kind of actions that Accenture recommends, including—

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Initiate broader workforce planning based on advanced, detailed capability models.

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Re-focus on retention *and development* of top talent—the “high potential” employees.

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Ensure that the current leadership team embraces “diverse thinking” and also fosters that attribute in the next generation of leadership.

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Look to broaden the traditional engineering and/or military backgrounds and skill sets of corporate leaders.

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Evaluate current cultural issues and challenges, and address them.

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Decentralize decision-making as far out and down in the organization as possible.

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Develop a continuous change management capability, so as to move toward a more agile company and workforce.

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Reexamine the current governance and incentive structures so as to enable the foregoing.

There's a lot more that can and should be said about the Accenture study. Time constraints (and fear of an allegation of copyright infringement) act to limit what we can write. In addition, Accenture has not paid us anything and we are not going to shill for free.

So go read the Accenture report. We think it's worth your time.

The problem, of course, is that the people who most need to read it probably won't. They won't want to read about the approach they should be taking, because then they will have to acknowledge their own leadership failures. Consequently, you need to be smart about how you get the report into their hands and how you spin the need for a strategic approach instead of a knee-jerk reaction. You can do it. We have confidence in you.

More importantly, your co-workers are depending on you.