

Global Project Strategy (011) (603) 862-3374

## Defense Plan Could Kill Many Projects But Add Others

*Big cuts in conventional warfare systems means many projects will be killed*

Early this month Defense Secretary Robert Gates announced a major change in defense spending, one that would shift defense priorities from conventional warfare systems to counterterrorism. It would be a shift that would be appropriate in supporting the kinds of activities that defend us from a very different enemy than in the past.

He suggested that we need to cut back on weapon systems that focus on yesterday's enemies and emphasize intelligence, surveillance, communications and reconnaissance.

Gates proposed that we cut missile defense spending by \$1.4 billion, that we end production of Lockheed Martin's F-22 fighter, the Army's Future Combat Systems, and radically alter the Navy's shipbuilding operations.

It is a budget that would add billions to unmanned aerial systems and provide troops with capabilities that are essential in unconventional situations.

And it would provide the support necessary in shorter conflicts.

Gates, also concerned about the consistent problem of cost overruns

made it clear that he is ready to stop projects that "significantly exceed their budget."

To keep costs in line, he said "we must move against ad hoc funding."

But Gates didn't stop there he proposed changing the "culture" of the Pentagon especially the way it chooses and buys weapons.

While Gates will not get everything he wants from congress, it does suggest that we should expect a significant shift in projects from hardware toward electronics and software.

## Many Companies Still Investing in Projects for the Future

*Not everyone is cutting back. Some are aggressively investing in new products and processes*

While the recession has forced many companies to drastically cut back on projects whose payoffs are well into the future, some continue to take the long view.

According to William Weldon, CEO of Johnson and Johnson, in an interview aired on Fortune Magazine's website, the company continues to

invest in people and products even though the recession has also forced them to take a hard look at their cost structure.

We won't compromise short term for our long term interests he said. Our R&D projects are still on track.

He quotes Sam Walton who said "we looked at

the recession and decided not to participate."

Other large companies are also refusing to participate.

In January Intel announced a new chip manufacturing facility and plans to spend \$7 billion on new chip technology.

# Federal Funding Under Obama's Rescue Plan promises New Projects

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Where will the stimulus money go? Obama has lots of ideas and they suggest those areas that should provide excellent job opportunities for Project Managers.

Here is a partial list.

Creation of an Advanced Manufacturing Fund to identify and invest in the most compelling advanced manufacturing strategies.

Manufacturing Extension Partnership directed at improving manufacturing efficiency and introducing new manufacturing technology.

Commercialization of plug-in hybrids and promotion of commercial-scale renewable energy.

Workforce training programs to focus on clean technologies.

Enhance Federal Transportation investments.

Doubling of federal funding for basic scientific research.

These are just a few examples, but the direction is clear; manufacturing, renewable energy and education.

What about manufacturing. Isn't it best

left to the low-wage countries?

The evidence suggests that if you use modern technology and effective management strategies, manufacturing can be successful in highly developed economies.

One of the best examples is the Mini-Cooper Plant in Oxford England. Its success in manufacturing and exporting automobiles to all corners of the globe from its plant in the UK makes a very strong statement that manufacturing is not dead in the developed world.

## How can Defense Projects live past their Usefulness

News this month about Defense Secretary Gates' efforts to revamp Pentagon spending processes leads many to ask the question, how did it get so bad in the first place?

But those of us who have had experience with mature bureaucracies understand how this could happen.

It is of no surprise to us that once a project is approved and once it has been started, it builds its own momentum. Project managers become committed to the end result and are often so busy with execution that they fail to realize that the project, although it will

meet the objectives specified when it was approved, will no longer meet the needs of a changed military (or competitive) environment.

It's quite easy to fall into this situation. First, and especially with the size of the programs under consideration for termination, the expenditures have been large, and most want to keep the project going rather than end it and "waste" what has already been done. Second, to protect the project from threats, managers are prone to suffer from a cognitive distortion called "conservatism" in which outside information that contradicts the view of

those involved in the project are minimized or ignored.

The result is that that these projects continue.

No one inside the project questions its value and political pressures both inside and outside work to keep the project alive.

Not only are military projects tough to kill, but the same problems plague non-military projects. Its just that the amount of money involved in commercial projects is less.

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