

article

**ALEXANDER PROUDFOOT**  
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# SHAPING UP FOR THE STIMULUS

Preparing Your Company to Compete for Economic Stimulus Funds



“May you live in interesting times”, or so the saying goes. The precise origin of this quote is unknown - some think it is an ancient curse, others think that it is a proverb; one interpretation suggests potential trouble, the other an opportunity to learn and grow.



“We certainly live in interesting times,” maintains Luiz Carvalho, CEO of Alexander Proudfoot. “Whether current economic conditions signal danger or an opportunity depends on your perspective. Of the \$787 billion American Recovery and Reinvestment Act, \$575 billion is earmarked for government spending. To me, that’s a clear opportunity”.

A large portion of the Economic Recovery Act has been designated to modernizing core US infrastructure; including highways, healthcare, the national power grid and heavy manufacturing. Nearly 75% of this money is expected to enter the economy by the end of Q3 2010. As a result, highways will be repaved for the first time in decades. Bridges

in need of major repair will be either overhauled with fresh steel and concrete, or replaced. Waterlines older than the Great Depression will be dug up and replaced with new piping. This investment is being heralded by some as a good start to the long-overdue renovation of the nation’s infrastructure. For example, an updated transportation system will certainly help manufacturing companies compete in the global economy, enabling a more streamlined and efficient supply chain to emerge.

The remaining \$212 billion component of the plan will come in tax relief, freeing up income for consumers to purchase that new car, washing machine or big screen TV. With so much on the table in an otherwise sluggish economy, it is imperative that companies place themselves in the best possible position to compete for stimulus funds.

And if you think that your competitors aren’t gearing up for stimulus spending, here’s GE Chairman and CEO, Jeff Immelt in a Q1 2009 Earnings Call: “I thought I’d give you an update on what we’re seeing on stimulus. You know, once again, this is going to take some time for the projects to translate to income, but we are seeing activity. On the left-hand side, about \$2 trillion of stimulus has been announced. GE is targeting in nine regions - U.S., Canada, China, Japan, Brazil, U.K., France, Germany, Middle East. We’ve got a real strong team and process in place. You’re going to see several big projects break in the second quarter. And we’ve got a pipeline of about \$100 billion plus in opportunities.” (Source: [www.seekingalpha.com](http://www.seekingalpha.com))

### Make your company as efficient as possible.

Due to the harsh economic climate, many companies are already taking steps to maximize their efficiency. The key is to reduce overhead without reducing quality and service levels. These crucial elements are what potential clients, including Federal and State governments, are going to examine closely during the bidding process.

Some CEOs are announcing wholesale layoffs without addressing how this type of drastic action may win the battle but lose the war. Such companies may weather the recession, but will likely fall short in the battle for Government projects, as well as leading the way in the inevitable economic upswing.

A better approach would be to focus on process improvements. A close look at the operating system of a company will yield a myriad of opportunities to recoup hidden or trapped cash and resources. By paying attention to items often overlooked in day to day activities, wasteful practices can be identified, altered and/or eliminated. Resource utilization can be maximized, while cycle times and quality ratings can be substantially improved.

“Cutting costs without paying attention to quality and service issues will quickly send a company into a downward spiral not easily corrected”, says Jerry Jasinowski, former CEO of the North American Manufacturers Association, “You want your company to be the competitive leader that wins these contracts.”



## ENSURE YOUR PEOPLE MAKE THE DIFFERENCE

A major improvement program involving close analysis of a company's processes could yield big benefits. By paying attention to the business flow, areas of significant rework or inefficient practices will become visible. In fact, internal programs like Six Sigma and LEAN have become commonplace within larger organizations to tackle these issues.

These programs may produce short-term benefits. However, the fact that these programs virtually ignore the human factor creates a major sustainability challenge. "As soon as the initiative moves on, workers go back to doing things the way they did beforehand," says Dan Carmichael, former CEO of the Ohio Casualty Corporation.

Securing worker buy-in is a crucial aspect to creating and sustaining positive change within an organization. In order for effective sustained change to occur, people must be brought in from the onset of the project. Their input from being on the job for years is just as — if not more — important, than what the statistics say. There is an old African saying: "When

you hire a pair of hands, you get a brain for free." Allowing employees active input provides them with a feeling of involvement and a sense of ownership of these eventful changes.

"Change agents must be mindful of one key ingredient in managing people: changes in processes or procedures are sustained only when changes in behavior occur. As a rule, people are going to be resistant to change because they are currently operating within a comfort zone. They are going to wonder why there is something wrong with the way they perform, especially if they are working within parameters set forth in their initial training," Carmichael concludes.

By utilizing a behavioral approach along with an internal initiative, CEOs can fully exploit the capabilities of both practices, so maximizing the value and effectiveness of their operational excellence programs.

## GET STREAMLINED, EFFICIENT AND COMPETITIVE - NOW

The more effective and inexpensive it is for the organization to operate and deliver quality goods and services, the more competitive it will be in not only procuring and delivering on government contracts, but also better prepared for market conditions during the inevitable economic upturn. By removing all non-value-added activities, a CEO is removing as much excess cost from operating expenses as possible. This isn't always an easy proposition. Tough, emotional decisions are often involved.

This is where an outside operational excellence specialist can help.

A skilled external change provider can partner with management to evaluate the situation, design and implement improved process systems that engage the human element. Operational consultants are by their nature, objective. They are experts at viewing the situation and removing "scary" emotions from the decision-making process.

Dave Dealy, former Vice President at BNSF, saw this kind of employee engagement first-hand: "Our partnership with Proudfoot allowed us to get inside people's heads and present to them a compelling vision of how things could be — a change for the better that really would work, bringing tangible benefits for all."

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“ When you hire a pair of hands, you get a brain for free. ”

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The initial expense of using "operational" consultants will be quickly outweighed by the benefit stream; lower operating costs, improved quality and customer satisfaction and a healthier profit margin. Such specialists not only place a company in a better position to compete for government contracts, they also place the company in a much better position to capitalize on the market opportunities once the economy wakes up.



## PURSUING GOVERNMENT CONTRACTS - IT'S ALL IN THE DETAILS

Although there is a huge amount of money at stake on both the state and federal levels, the competition for these funds will be fierce and the funds are finite. Keep in mind that this money isn't going to fix everything, and it isn't available simply because you ask for it. You've prepared your company for optimal performance, why blow the deal due to a lack of attention to detail?

A recent memorandum from Rahm Emanuel, Chief of Staff, to Department and Agency heads sums the government's stance on the distribution of the Economic Recovery Act funds: "We are asking the American people to trust their government with an unprecedented level of funding to address the economic emergency.

In return, we must prove to them that their dollars are being invested in initiatives and strategies that make a difference in their communities and across the country. Following through on our commitments for accountability and openness will create a foundation upon which we can build as we continue to tackle the economic crisis and the many other challenges facing our nation."

Just like dealing with a potential client, proposals for government contracts need to be carefully crafted and submitted. These submissions need to convince decision makers why your company is the best fit for the job, both culturally and economically. The recipient who will be evaluating your proposal is not a faceless bureaucracy, but a person who is accountable for their decisions. A quick visit to [www.recovery.gov](http://www.recovery.gov) will reinforce the transparency of where the stimulus package money is going.

Be sure to properly communicate what makes your company stand out from the pack as well as outlining a concise and realistic action plan, key events schedule and table of intended raw materials and their origin. Give the evaluator something easy to understand and easy to follow.

## CONCLUSION

Despite the many hurdles that government traditionally puts into place for potential vendors, there is now an increased transparency to the tendering and contracting process. This equates to a more level playing field with more potential players –

and an increasing demand that your company must be demonstrably sharper, leaner, quicker and more efficient than all the others in order to win that government contract. Due to the speed that this money will be distributed, the company that proves it is the best prepared with the strongest understanding of what criteria is being evaluated will not only win the business, but will also be ready to take advantage of the economic upswing.

We are, indeed, living in very interesting times. Does your company look at current economic conditions as a curse, an opportunity, or both? One thing's for sure - the way a company treats the current economic situation will almost certainly determine its future.

## ABOUT ALEXANDER PROUDFOOT

Since 1946 Alexander Proudfoot has specialized in implementing change to achieve measurable and sustainable performance improvement in client companies. Its teams work with client company management, and with people of all levels of the organization, to design and install programs as well as increase bottom-line financial results. Alexander Proudfoot is a part of Management Consulting Group PLC., one of the world's largest 25 consulting firms, and is headquartered in Atlanta, Georgia.

**For more information call 404-260-0600 or visit [www.alexanderproudfoot.com](http://www.alexanderproudfoot.com).**