

# International Defense Sales Roadmap

## An Industry Perspective

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*This is the second of two articles by the author about international defense system sales. The first article, "International Arms Sales, An Industry Perspective" was published in the September-October 2014 issue of Defense AT&L. This article identifies several key components of an international defense system pursuit and focuses on the U.S. defense industry's (and to some degree the U.S. Government's) in-country campaign to convince international customers that the U.S. solution best meets a given country's overall requirements. It is based on the author's experience in actual international campaigns, and the methodology and actions discussed are intended to provide a notional approach to what often is a complex process.*

Simply presenting a United States system or offering the best solution in the world are not always sufficient reasons for a foreign government to issue a defense contract. An international defense system pursuit can be multifaceted and the outcome can be influenced by both explicit and implied factors.

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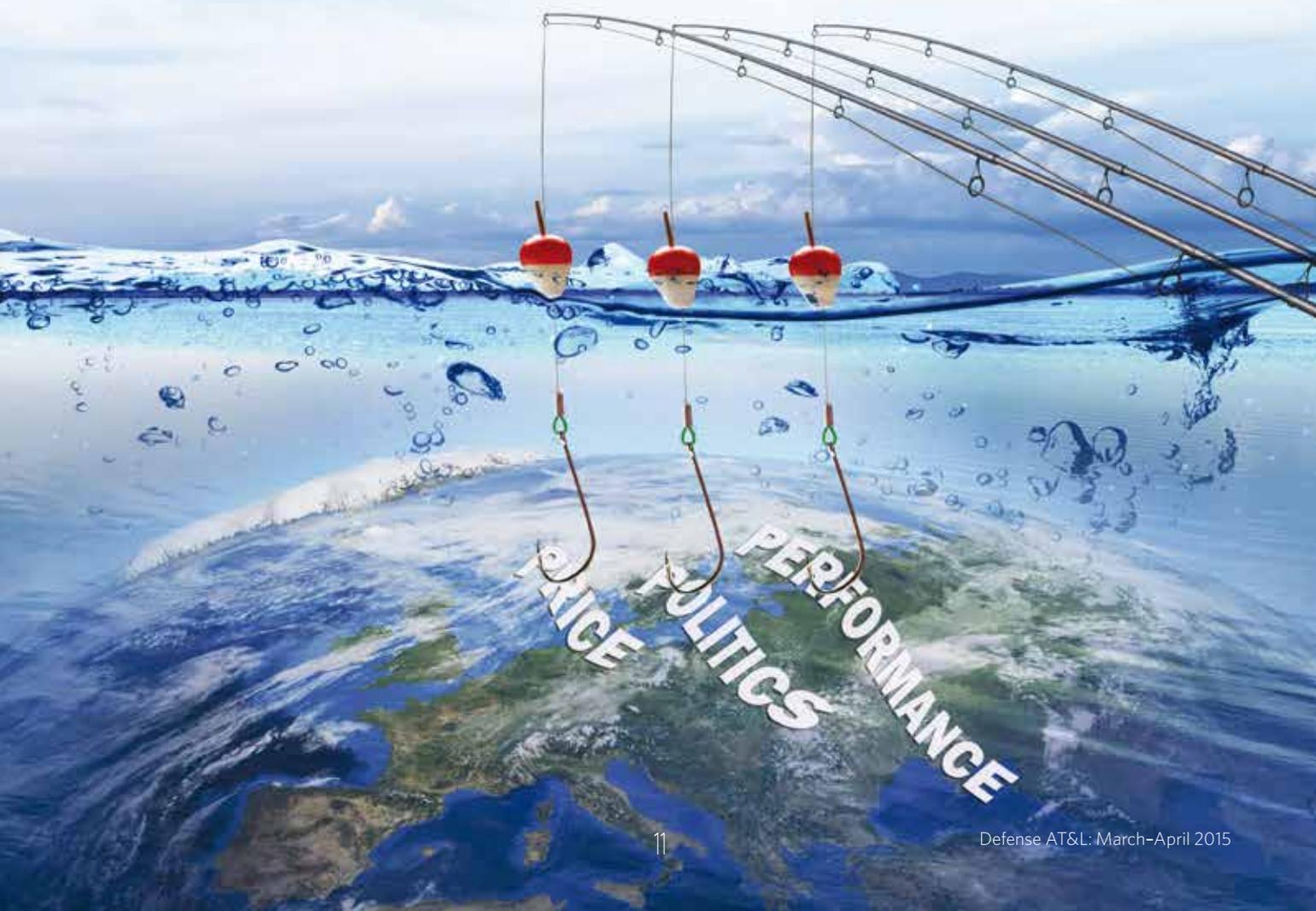


Figure 1 illustrates a series of characteristics that, when addressed during the pursuit of a customer's contract, constitute a viable path to success. Each component along the path can be grouped into one of three pursuit imperatives—politics, price and performance (the “three Ps”). Successfully implementing the three Ps can maximize the probability of winning the contract.

These components are not all inclusive and sometimes may appear to overlap. The components typically are independent of each other and accomplishing one does not necessarily ensure success of another. Furthermore, the components do not necessarily occur in the order depicted, yet the successful execution of each increases the overall probability of success.

The first action in any pursuit should be reading recent and relevant after-action reports. Studying such reports from prior pursuits in the targeted country can provide valuable insight and suggest possible options and requirements for a capture strategy. These insights, coupled with a comprehensive approach to the three Ps, provide a roadmap for success.

### Politics

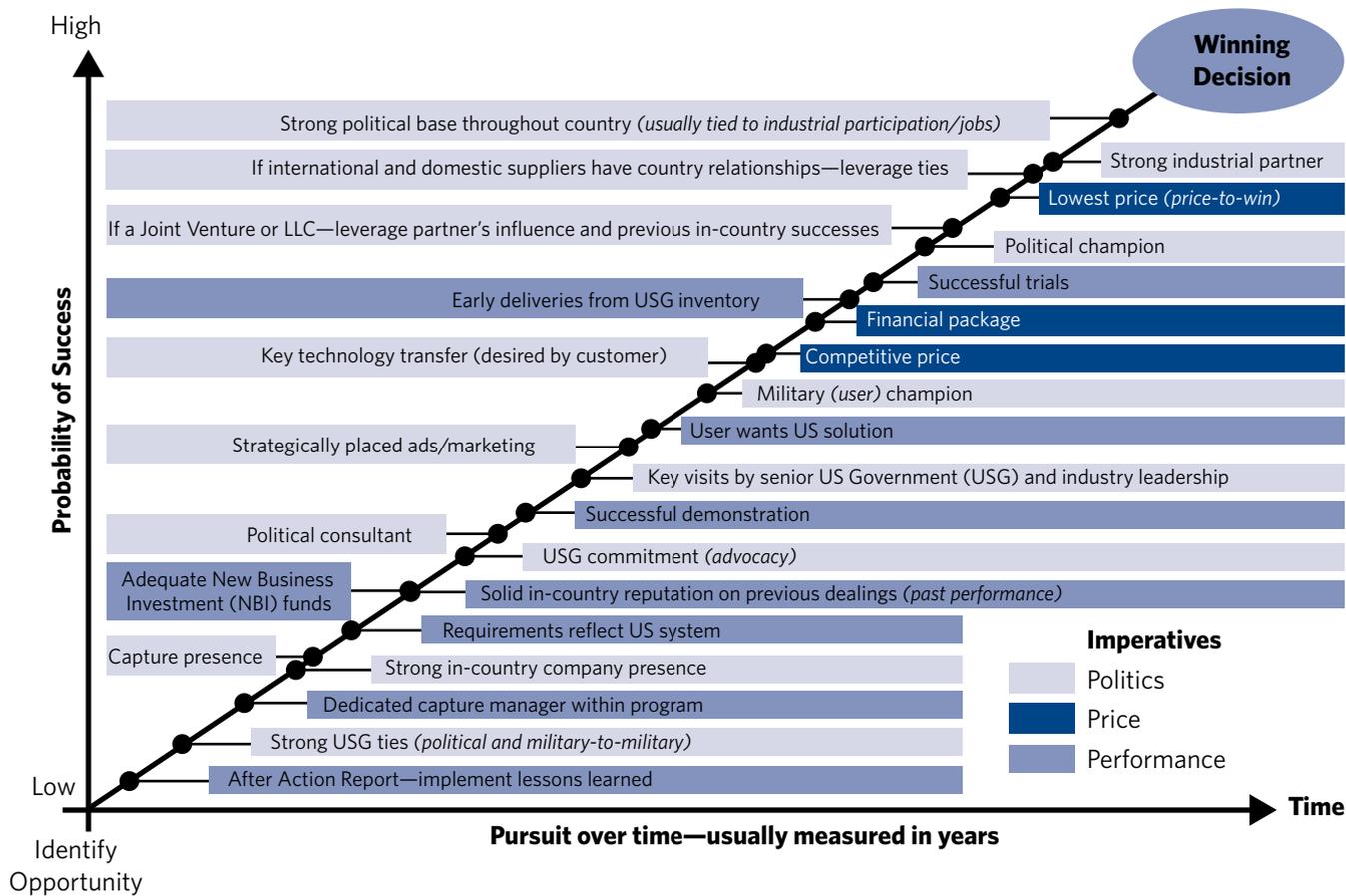
Politics can be a critical aspect of a pursuit and in some cases can be the most important of the three Ps. I have experienced

competitions in which a higher-priced and or lesser-performing system was selected, based largely on politics. The political objective is to inform and persuade the customer directly and indirectly through the United State and host country's governments and militaries, international and local industries, consultants and representatives, media and anyone else who can help convey and advocate strategic competitive messaging. Such messaging can be conveyed through many sources, but it must be consistent and explain how the proffered solution best meets the end user's requirements and the host government's political needs.

Government-to-government relationships, U.S. Government advocacy, industry presence, political insight, an effective information campaign, strategically timed visits by senior government and industry executives, technology transfer and job creation all contribute to achieving the political objective.

Strong political and military ties between the procuring country and the United States can increase the chances of success. Countries with shared geopolitical objectives are more likely to leverage each other to gain favor, thereby providing the proposed defense systems solution opportunity for preferential consideration. Additionally, militaries frequently seek complementary systems and capabilities with their allies and

**Figure 1. Components of a Successful Pursuit**



coalition partners, often leading to a preference for U.S. weapons. If government-to-government relations are strained, the solution may fall victim to political discord.

It is critical that the industry capture manager leverage the company's in-country presence and that of any relevant business partners and/or international and domestic suppliers. The capture manager, who is responsible for the success of the company's in-country pursuit, often focuses narrowly on

and job creation can build a strong political base throughout the country. A study of compatible industries located in key political districts will provide a blueprint for industrial participation and, by extension, political engagement. The objective is jobs and local economic benefits, from which political support normally flows.

In addition to job creation, technology transfer also can be a critical competitive source-selection criterion as countries



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the program's pursuit and overlooks his or her own company's presence and influence in the country, especially in larger organizations with multiple and diverse business units. Every in-country relationship and resource should be engaged, energized and exploited.

It may be necessary to hire a political consultant in the host country to aid in the development of the political component of the capture strategy. Additionally, the consultant often can help navigate the political landscape and better enable strategic messaging to key elected and appointed officials.

Timely placed ads, articles and editorials in targeted publications are essential in the information campaign, along with securing advocates in the host nation's political and military hierarchy. Influential, respected people in the government and military who champion the U.S. solution can sometimes tip the balance.

It also is important throughout the pursuit to schedule visits by senior U.S. Government and industry leaders. These visits must be linked to strategic program and decision milestones in order to gain maximum effect. Visits by senior leadership send a message that the United States and its industry are serious competitors, and this reinforces the country's importance to them. A comprehensive contact plan facilitates synchronizing visits and managing leadership priorities.

Industrial participation often is an integral part of a successful capture strategy and must be considered early in the process, even if not necessarily required by the customer. Teaming with a strong in-country industry partner puts a local face on the defense system and may be able to accomplish many of the political actions vital to the capture strategy. Teaming

often view it as a building block for industrial growth and economic security. Technology transfer is not always easy and requires U.S. Government approval and support. Additionally, it can have strategic competitive implications, for it may mean creating a possible future competitor using the technology transferred. Implementing technology transfer should be addressed early in the capture strategy process.

If the company's solution is the only U.S. system in the competition, it can also be helpful to seek advocacy from the Department of Commerce. This requires a formal request which, when approved, will ensure the full backing of the U.S. Government. It is especially important when soliciting support from the local U.S. ambassador and the U.S. Embassy team. The request also should be initiated early in the capture process.

Each international defense system pursuit is unique, and each country's industrial base and acquisition process can vary from simple to sophisticated, from opaque to transparent, all of which can influence the breadth and depth of necessary political engagement.

### **Price**

Price and affordability are key considerations in balancing requirements and budgets. Arriving at a competitive, winning price can be complex and involves strategic business and competitive factors.

One of the most challenging aspects of pricing is determining the price-to-win. It is complicated and requires assumptions regarding what competitors may propose and the customer is willing to accept. Price-to-win provides the basis for the pricing strategy and involves sound intelligence, realistic assumptions, accurate estimating and, at times, even a bit of luck.



**Marine Lance Cpl. David Fuertes fires the Javelin missile near Al Asad Air Base, Iraq, Dec. 8, 2014.**  
Photo by Capt. Paul Greenberg

Gaining visibility into the customer's program acquisition budget is a good price-to-win starting point, but also can be difficult as funding levels are not always available through open-source means. Unlike the United States, which openly publishes its procurement budget, many countries consider such information to be sensitive and restrict access accordingly. Sometimes the customer requests rough order of magnitude pricing for the defense item, from which a program budget might be estimated.

After industry proposals are submitted, which may be as complicated as three separate bids (one technical, one for price and an industrial participation or offset bid), there often is a subsequent customer request for a best and final offer. Attempts to convince company management to lower the price frequently are challenged and therefore require a compelling business-case argument. Pricing strategies may involve reducing company margins, U.S. Government fees, in-country local representative commissions, proposing early system deliveries, increasing host country work share, enhancing system warranties, and similar value propositions. The best and final offer is an opportunity for innovation with both the price and the offer, as it is the final chance to secure a favorable decision.

Offering the customer a financing package occasionally may provide competitive advantage. This approach is uncommon, customer dependent and likelier in countries with smaller defense procurement budgets. Loans and creative payment schedules normally are limited to Direct Commercial Sales (DCS) or to the DCS portion of a hybrid Foreign Military Sales/Direct Commercial Sales case. If envisioned, a financing package should be considered early when the pricing strategy is developed.

Finally, because a defense systems pursuit is protracted, often lasting several years, pricing is updated routinely. Determining a winning price is a fluid process predicated on sound strategy. Pricing is more complex than addressed in this article. But despite the limitations of this discussion, it is important for a successful outcome. In the end, a procurement decision often comes down to customer affordability.

### **Performance**

Although counterintuitive, system performance may sometimes be less important than politics or price, assuming the customer minimum essential requirements are met.

Performance encompasses both program execution and system operation. Shortcomings, real or perceived, in program management or system performance can have far-reaching implications. Program management and system operation must therefore be seen to perform consistently and at expected levels.

Identifying and funding a capture manager, meeting technical and operational requirements, demonstrating system performance, meeting delivery dates, managing expectations and outperforming the competition during customer trials all contribute to the performance imperative.

Industry often does not assign a single point of contact for a pursuit; there is no "one person" accountable, other than the program director, to win the contract. It is essential that industry early in the pursuit identifies and resources a capture manager. Resourcing may involve contracting a local representative or consultant to lead the in-country effort if local procurement laws permit. Ensuring that the pursuit is funded adequately with new business investment is crucial

and requires constant vigilance by the capture manager to retain and maintain funding throughout the pursuit.

Yet funding is irrelevant if the system offered does not meet the customer's stated requirements. Conversely, a significant competitive advantage is possible if the user's requirements mirror the proposed solution. I recall reading a country's "futures" white paper discussing the concept of a man-portable anti-armor missile system. The paper proposed specifications identical to the American Javelin anti-armor system. The paper was published a full year before the competition was announced and, needless to say, years later the Javelin system was selected. On the other hand, I have experienced competitive requests for proposal that reflect the competitors' specifications verbatim.

Laying the foundation for a successful pursuit begins well before a competition is announced and a specific pursuit is identified. Marketing the system early, quickly responding to a potential buyer's requests for information and aiding the prospective customer in developing system requirements before an official program is announced normally ensure de-

graded exercises and must be accomplished without a hitch. Here a company's technical and engineering support must be resourced with priority.

In the end, program management and system performance are critical determinants of success.

### Conclusion

International defense system sales are governed strictly by a number of U.S. laws and regulations, most notably the Arms Export Control Act, the Foreign Corrupt Practices Act and the International Traffic in Arms Regulations. It is essential that every action and conduct in a pursuit complies fully with all such legal and regulatory requirements. There can be no exceptions.

The in-country campaign always will be defined by some combination of politics, price and performance. Regardless of how these "three Ps" imperatives are approached, or how the components are accomplished, two fundamentals will always prevail: listening to the customer and both building and maintaining professional relationships. Both must be done well.



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velopment of a friendly specifications document. It is a major advantage if the customer wants your system, yet this is seldom publicized and that preference can be trumped by price or politics.

A system demonstration can increase the probability of success significantly, yet it also can consume limited new business investment funds, especially if conducted in the host country. Often it is mandated by the customer—but if it is not, a demonstration should still be considered. Like any high-payoff event, there is risk in such demonstrations. A technical problem or system failure can haunt the remainder of the pursuit.

Performance also is the credible capability to deliver the system on schedule and within budget. In collaboration with the U.S. Government and the lead Service, an early delivery from the U.S. inventory sometimes may influence the procurement decision positively. This is not easily obtained and is authorized by exception.

Finally, formal customer system trials, which are usually scored, must be executed as flawlessly as possible. These are

Additionally, a successful sale requires U.S. Government and industry collaboration. If the two entities work as a well-coordinated team, the probability of success is significantly enhanced.

An international defense system sale can be a complex and lengthy process. The capture manager and his or her team must be persistent, patient and diligent, as the journey in pursuit of a contract often is littered with frustration and disappointment.

Finally, the value of international defense system sales can range from hundreds of thousands of dollars to billions of dollars. Some are sole-source procurements while others are competitive, and the purchase may be a Foreign Military Sale, a Direct Commercial Sale or a combination of the two. Yet regardless of contract value or procurement method, successfully addressing all components of a pursuit strategy provides the best path to a winning decision. 

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