

## 8 stories to keep watching in 2010

We rank the most important stories of this year and beyond

- Dec 11, 2009

*Each year, there are big important stories, and few would argue with our picks for 2009.*

*But we highlight these particular stories not only for the immediate impact they had but also for the lasting influence they continue to exercise.*

*In essence, these stories aren't over. They will keep people talking and make headlines in 2010 and beyond.*

— Nick Wakeman

### 1. Obama sets sights on procurement reform

The economy and Iraq were at the top of the agenda when the Obama administration took over the White House Jan. 20. But when the Office of Management and Budget released memos outlining the administration's procurement goals, it was obvious that contracting also was very much a priority.

The memos and guidance that followed have set forth goals that affect outsourcing, picking which type of contract to use, categorizing work as inherently governmental and determining conflicts of interest.

Although industry experts at organizations such as the Professional Services Council have said that the direction coming from the White House is reasonable and reflects good procurement principles, the jury is still out on how individual agencies will apply those principles.

### 2. Beware of government poachers

The rising number of contractor employees being recruited to work at government agencies has sparked complaints from industry.

There have been reports of agencies having lists of contractor employees they want to hire. In some cases, agencies have used job pitches that incorporate economic fears, such as claiming that there are plans to cancel contracts, leaving the contract employee without a job.

Questions also have been raised about the ethics of hiring contractor employees. The government should follow the same rules industry does when it hires a government person, some say.

### 3. M&A continues to remake the market

Two major hardware players — Dell Inc. and Xerox — made large deals that involve services companies with significant government business. Dell acquired Perot Systems, picking up an outsourcing and systems integration business. Xerox went after Affiliated Computer Services Inc.

Dell said it already had a large services business that supports its products, but Perot will bring higher-end work in areas such as education and health care.

For Xerox, ACS brings business process outsourcing capabilities on programs such as Medicaid and Medicare. ACS also will gain a broader international footprint.

The third big deal of the year was Northrop Grumman's decision to sell TASC. They were forced into the deal because of tougher organizational conflict-of-interest rules.

TASC is being bought by equity groups General Atlantic and Kohlberg Kravis Roberts and Co. Because of its size, which limits potential buyers, TASC could be headed toward an initial public offering in the coming years. It could become a long-term independent player in the market.

#### **4. GSA under a leadership vacuum**

This was one of the sadder chapters of the past year. Martha Johnson, who sailed through the confirmation process at the committee level, now sits and waits.

Using the Senate's arcane rules to his advantage, Sen. Kit Bond (R-Mo.) has put a hold on a full Senate vote on Johnson's nomination. He wants assurances that a federal office building will be built in downtown Kansas City.

The timing is poor because Johnson's nomination was hailed by many inside and outside GSA as just what the agency needed to continue its comeback as an efficient contracting partner for the rest of government.

In a time when the highest levels of government are pushing a variety of procurement initiatives, the lack of an administrator at GSA works against the best interests of the government.

#### **5. Growing acceptance of cloud computing**

As vendors address security concerns, it has become harder for agencies to deny the benefits of cloud computing, such as trimming costs, adding new services and increasing capacity.

No one expects an agency to put everything on the cloud, and a public cloud might not be the answer for many agencies. But the tide has turned in favor of cloud computing.

A big reason is the high-level support of White House officials such as Vivek Kundra, who, with the General Services Administration, opened a cloud computing storefront for agencies to easily purchase cloud services.

Many of the large systems integrators also have begun embracing the cloud as a line of business.

#### **6. Contract protests**

During the past few years, contract protests on losing bids have moved from being an unfavorable tactic to a common business tactic.

The huge Alliant contract was delayed nearly a year because of protests. GSA's solution eventually was to award nearly all bidders a spot on the multiple-award contract.

The current poster child for protests is the Transportation Security Administration's Information Technology Infrastructure Program. It was hit by protests at the downselect stage, and TSA let all bidders back in. More protests followed when TSA awarded the contract to Computer Sciences Corp.

Work on ITIP is on hold until the dispute is resolved.

One factor that breeds more protests, industry observers say, is that companies face little to no consequences for protesting. So why not protest?

#### **7. Leadership changes**

Two of the largest government contractors in the market will see leadership transitions in the coming year.

At General Dynamics Corp., Nicholas Chabraja turned over the chief executive title to Jay Johnson July 1. In May 2010, he will relinquish the chairman's title.

Ken Dahlberg is following a similar path at Science Applications International Corp. Walter Havenstein became CEO in September, and in June 2010, Dahlberg will turn over the chairman's role.

Both companies have planned transitions, but new leadership will undoubtedly bring new initiatives and goals for the companies.

#### **8. Farewell, EDS**

Hewlett-Packard erased one of the most storied names in the government and commercial markets this year when it dropped the EDS brand in favor of HP Enterprise Services.

EDS, known originally as Electronic Data Systems, was one of the creators of the market for outsourced IT services, particularly data centers. The name survived for 47 years, including a stint of ownership by General Motors.

But there are a lot of reasons for the change, such as creating a single company culture and presenting a single face to the market.

Dropping the name EDS also signaled that integration of the acquisition was over. It's now time for the billions spent to start paying off.



© 1996-2009 1105 Media, Inc. All Rights Reserved.