

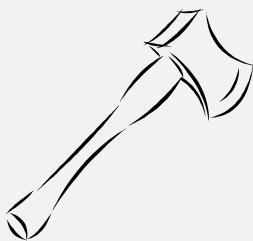
Post-Sequester Federal Contracting Outlook in the Washington Metropolitan Area

Ray Bjorklund
16 January 2014



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“...dull tools can cause more hazards than sharp ones.”

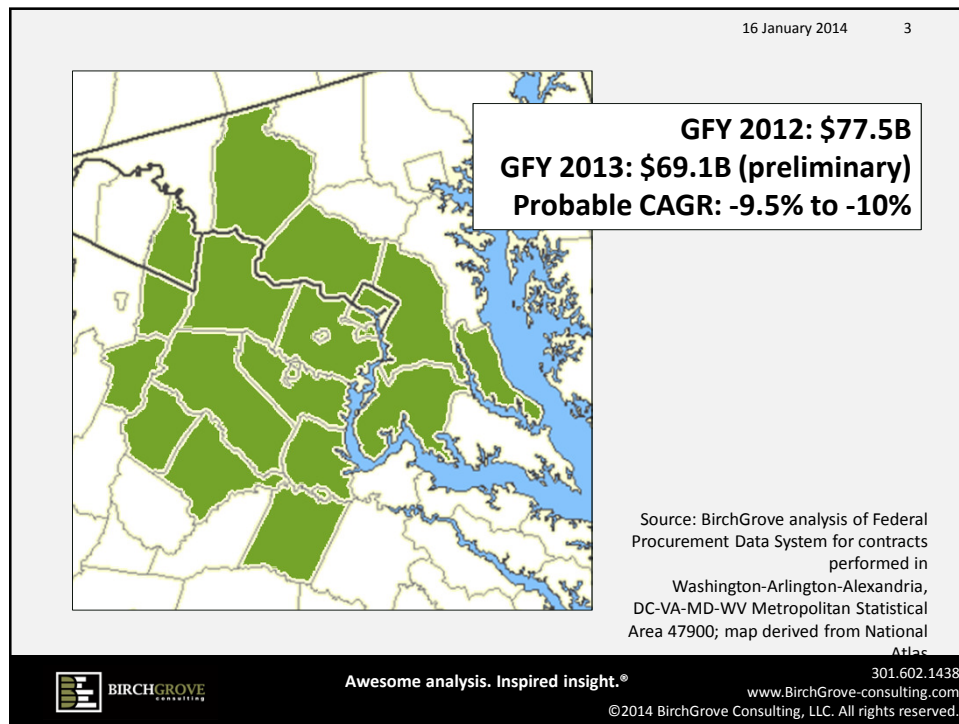


Source: OSHA Publication 3080, “Hand and Power Tools” (2002)



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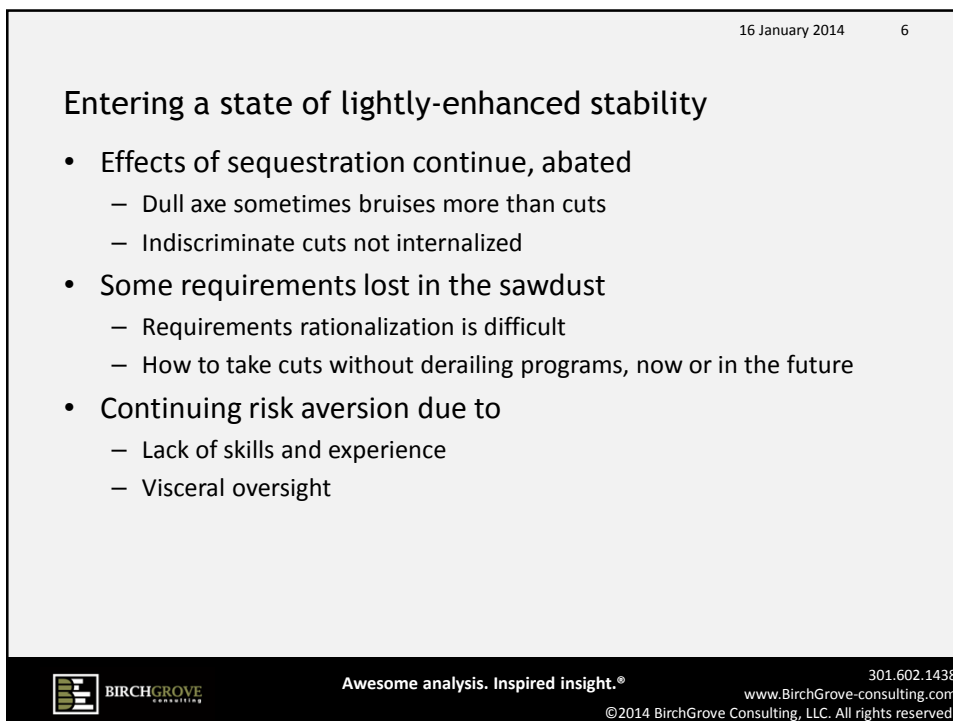
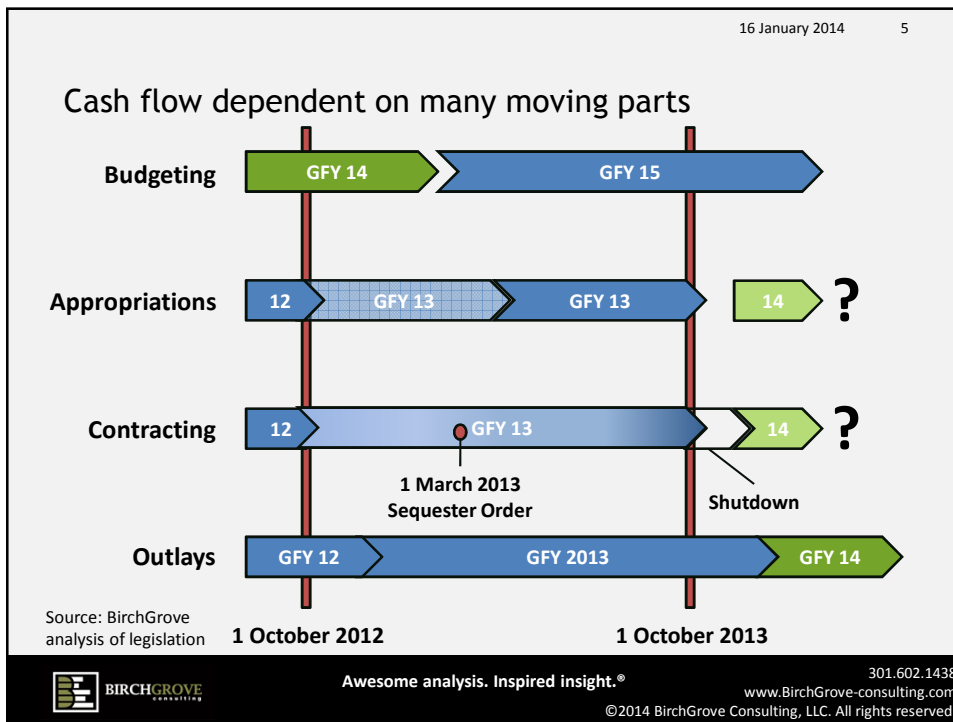


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Bottom line

- Federal market for services and products still a good place
- However, continual decline and residual uncertainty
- Inherent risks, economic conditions notwithstanding
- Agile companies are better positioned to win

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Complexity of acquisition enterprise

- A process not well-adapted to how things are produced
 - Agile development at odds with precision in requirements
 - Precision in requirements at odds with financing
 - Just-in-time or surge buying not always flexible in pricing
- Procurement policy often leads to over-reaction
 - Fixed price contracting pressures
 - Faulty source selection methods
 - Use of socioeconomically disadvantaged contractors
- Contractor reaction to declining market
 - Anxiety about winning or retaining contracts
 - Large number of competitors for fewer contracts leads to “buy-in”



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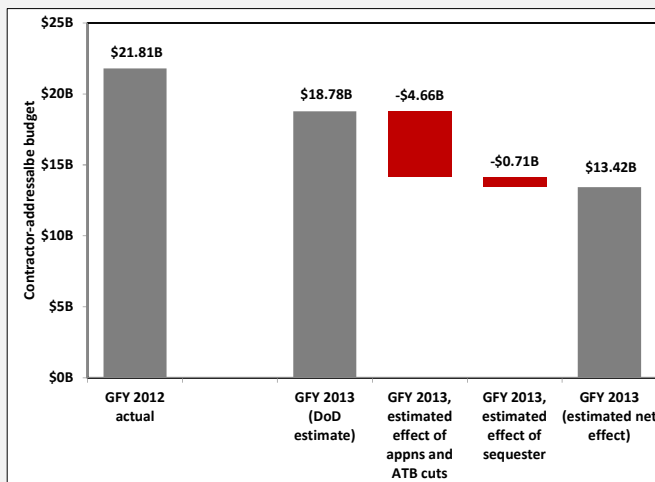
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DoD construction programs reflect the challenges



Source: BirchGrove analysis of President’s Budget and DoD spending plans



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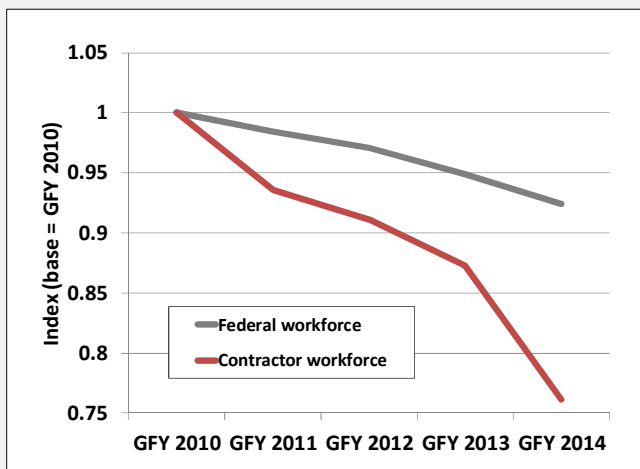
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Contract services spending has declined 7% CAGR



Source: BirchGrove analysis of the President's Budget for workforce and contract spend plans



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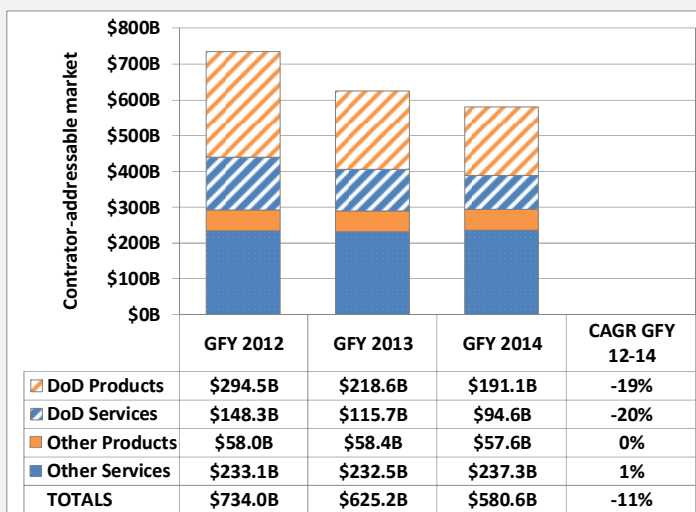
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Contract spending will continue to decline



Source: BirchGrove analysis of President's Budget, sequestration reports, and appropriations



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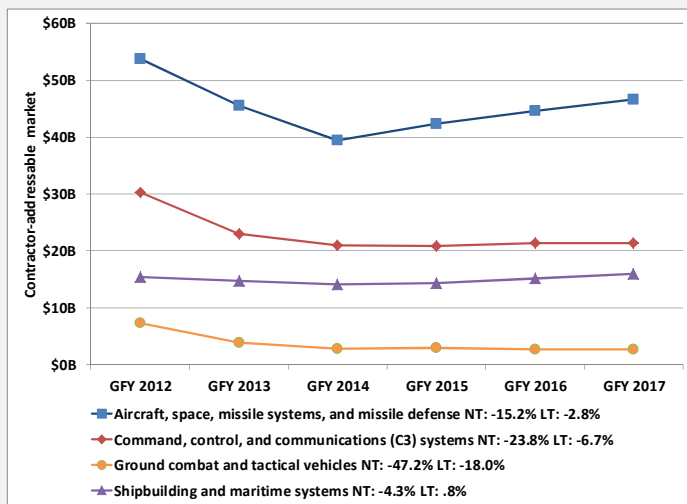
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Choosing revenue or growth



Source: BirchGrove analysis of President's Budget, sequestration reports, and appropriations; depicts Near-Term (GFY 12-13) and Long-Term (GFY 12-17) Compound Annual Growth Rates



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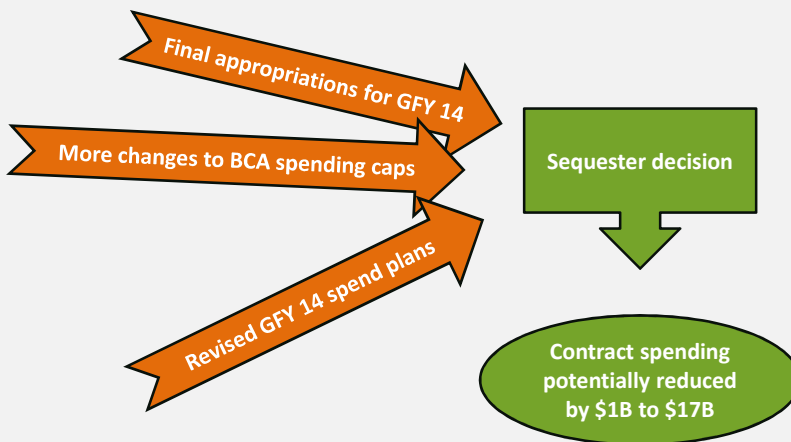
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Another sequester?



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Business opportunities still strong in metro Washington

- Cyber security
- IT infrastructure consolidation
- Data analytics for program integrity
- Veterans medical and benefits programs
- Support services for programs at risk



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Companies that do well in the federal market

- Deliver to customer needs
- Act with agility (big & small)
- Offer differentiated position
- Do the right thing
- Maintain enough size/scale
- Understand margin control
- Adapt to market realities

re-tool
realign
strategic
pivot
shift



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Q & A

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About BirchGrove Consulting LLC

Ray Bjorklund

Experience:

- President, BirchGrove Consulting LLC (2013 to present)
- VP and Chief Knowledge Officer (CKO), Deltek Information Solutions, Deltek, Inc. (2011 to 2013)
- SVP, Market Intelligence and CKO, SVP, Market Intelligence, FedSources, a Washington Management Group company (2003-2011)
- VP, Market Intelligence and CKO; VP, Consulting; Manager, Consulting Operations; Senior Principal Consultant, Federal Sources Inc. (1998-2003)
- Assistant Deputy Director (and Acting Deputy Director) for Procurement and Logistics, Defense Information Systems Agency (1995-98)
- Program manager, operations manager, and systems engineer for technology systems (1969-1995)

Expertise

- Market consulting
- Procurement analysis
- Defense program management
- Working knowledge in more than a dozen domains



Education:

- Defense Systems Management College 1993
- Dwight D. Eisenhower School for National Security and Resource Strategy 1990
- MS, Procurement and Acquisition Management, Northrop University School of Law 1985
- BS, Soils and Plant Nutrition, University of California, Davis 1971

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