INSIDER REPORT
2017

INSIDER GUIDE TO THE TRUMP TRANSITION
ADVICE, INSIGHTS AND GUIDANCE FOR THE YEAR AHEAD
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INTRODUCTION

Since the surprise election victory of Donald Trump, the government contracting industry has been keenly watching and bracing for change.

While many department heads have been named and the top level White House leaders are in place, many of the leadership positions a level or two below those will remain vacant for many months.

What this means is that there will be a time of extended uncertainty. But uncertainty doesn’t mean sitting still. There is still much for industry to do.

That has been a focus of our coverage and much of what we’ve published about the transition.

In this Insider Report, we’ve gathered the best of our reporting and commentary into a handy guide. While much of it was written prior to the inauguration, the principles and lessons are sound.

Our report is broken into two sections. The first is strategic and focuses on what steps your business should be taking now and in the coming months. The second section looks more at the policy implications of the Trump administration.

Our goal is to provide you with a guide to some important thoughts and insights on what the transition to a new administration means, especially one that might be very different than any we’ve seen before.

It is important to note as well that the transition didn’t end with the inauguration but will last through the first 100 days of the administration and beyond. We expect it to dominate much of the discussion of trends in 2017.

As always, we look forward to your feedback and suggestions about how we can improve these reports and make them more useful. Email us at WTInsider@WashingtonTechnology.com.

Nick Wakeman, Editor-in-Chief
SECTION 1: A STRATEGIC VIEW
Strategies for navigating an administration transition

By Deniece Peterson

This year’s presidential election offered us more twists and turns than an NBA championship game. But now that the election is over, contractors cannot afford to be spectators during the administration transition. Especially one in which the timing, scope and impact of changing priorities (and some would say the new president himself) are unpredictable.

Shifts in budgets, human capital, program priorities and procurement are inevitable during and shortly after a transition. The first six months of a new administration are the most critical. It is during this time that new priorities are revealed to all of the players—new leadership, federal employees and contractors. While many players in the federal contracting community will simply respond to these changes, industry leaders are proactively positioning their firms now to align with new priorities and opportunities.

Navigating a transition successfully requires planning that is both tactical and strategic, near-term and long-term. The transition process will reveal new strategies and fruitful relationships if contractors closely evaluate the health of their programs for potential opportunities and how the incoming leadership may influence procurement decisions for those programs.

Understanding the impact of an administration change can be very much like peeling an onion over several months, though hopefully without the tears. The impact of a new administration on the contracting community is revealed layer by layer as it establishes new priorities, timelines and plans. While it takes time to gain a full picture of opportunities and risks, there are activities that contractors can be doing now to position themselves for future opportunities.

Help Defend Your Programs

Months before the election, agency leadership began the process of developing briefing books for transition teams and new appointees. The primary goals for program managers and others working on those briefings are to describe and justify essential programs, mitigate weaknesses, performance issues and risk factors, and deemphasize political affiliations. Contractors can assist these efforts by helping program managers validate program information, highlight program achievements, identify alternative approaches and cost saving strategies, and discuss long-term investment implications.

The transition is a balancing act for agency career leaders. They are tasked with trying to standardize processes and procedures, develop measurable benchmarks to address program deficiencies, and perform cost-benefit analyses on controversial programs to guide the “protect or remove” decision, all before the transition. They may be playing catch up on programs impacted by regular continuing resolutions, while working to maintain momentum on current RFPs scheduled for release after the new administration arrives.

Shifts in budgets, human capital, program priorities and procurement are inevitable during and shortly after a transition.

Because some of these “program evangelists”—managers who go to bat for programs you support—may not be around after the transition, engagement with other program support staff is critical. It is from that pool that new program champions will emerge. Depending on how the agency handles knowledge transfer, he or she may need contractors’ insight to effectively step into that role.

Reevaluate Corporate Strategies

Administration transitions represent a good inflection point for reevaluating internal strategies and processes. How is your offering portfolio structured? What is your corporate footprint within your customer agencies, and are your sales territory assignments organized in a way that best leverages your best business development talent? How robust are your marketing and teaming strategies? Is your current...
pipeline healthy enough to sustain momentum until new priorities emerge?

Contractors must be stable enough to deal with potential procurement delays in high profile programs, yet agile enough to respond to new opportunities facilitated by new leadership. Take this time to reevaluate offerings, enhance processes, update intelligence collection methodologies, refresh marketing language, and refine partner criteria.

**Keep an Eye on Leadership**

Transitions impact some agencies more than others, depending on the number of political appointees and non-career employees leaving with the Obama administration. As President-elect Trump narrows the field of appointees, a little research on the contenders can help contractors get a sense of the leadership style, strategic vision and experience levels of incoming agency heads.

Tracking changes within Congressional committees and the dynamics between Congressional leaders and President-elect Trump will also provide indicators about the level of collaboration, and therefore speed, of legislative changes that may impact budgets, new initiatives and acquisition policy.

**Focus on Strategic Positioning**

Contractors can weather a transition, and even prosper, if relationship-building, intelligence gathering and solid planning are priorities. Building relationships with new agency leaders while communicating with career employees about new or changing focus areas is key. Understanding priority shifts can help contractors focus on opportunities that are either deemed mission-critical and therefore have a lower risk of cancellation or downsizing, or those that are commodity-based but drive measurable efficiency gains and ROI.

Identify KEEPers—Key Experienced Expert Personnel—who are most likely to be invaluable to transition teams and the new administration. These people know where the skeletons are buried and understand the real mechanics of how things work within the organization. KEEPers may be federal employees switching agencies or leaving government altogether, but they may also be contractor staff. These experts could be invaluable to both existing work and proposal wins. If they are yours, keep them. If they are not yours, consider wooing them.

The success of a transition relies on a number of factors outside of contractors’ control, including the level of experience of transition teams and new appointees, the retention of seasoned employees and the impact of leadership voids. The ultimate goal is to demonstrate thought leadership and value that will stand up to criticism, which is something contractors can control.

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**About the Author**

Deniece Peterson is the director of federal industry analysis at Deltek. She leads the team that provides research and analysis of government budgets and spending, market trends, acquisition policy and legislation, and business development best practices.
While the election is over, and despite many high-level picks undergoing the confirmation process, there is still a lot that no one really knows about the makeup of the Trump administration.

This creates some big questions for the IT industry in 2017: Who will stay and who will go in government, and how do technology companies navigate the transition? It’s tricky, but there’s a lot of opportunity (and risk) during this brief window.

immixGroup recently gathered a few veterans of presidential transitions at immixGroup’s Government IT Sales Summit to cover how marketing and sales professionals in the tech industry can help government customers navigate this period of uncertainty and how they can prepare for (and capitalize on) the upcoming changes. Here are six tips offered by the panelists in the “Taming the Transition” session:

• **Help agencies tell their success stories.** Government customers have to demonstrate to incoming administration executives that their programs have had an impact, said Martha Dorris, founder and CEO of Dorris Consulting International and former director at the General Services Administration. She encourages contractors to provide the data that will help program managers articulate the impact of your products and services on their initiatives.

• **Be a source of information for your government customers.** Share what you’re hearing from others in the IT community, as well as what’s coming down the road. The most successful sales reps are those who can teach their customers, said Kris van Riper, government practice leader at CEB.

• **Wait three weeks before reaching out to a new hire.** They’ll be inundated with people wanting to bend their ear, said Frank McDonough, a former GSA senior executive. Once you get a chance to speak to them, provide some useful advice.

• **Reevaluate your social media presence and make sure you're regularly providing compelling content.** “More federal IT people are using social media and it’s a great way to engage them in between sales meetings,” said van Riper. LinkedIn, in particular, is home to 1.6 million federal employee profiles. Mark Amtower, founding partner of Amtower & Company, said at least 15 percent of them have IT-related positions. “It’s a great way to find who you need to influence and build your trusted advisor role,” he added.

• **Federal IT priorities won’t change too much in the next administration with cybersecurity, cloud, and advanced analytics continuing their starring roles, said Barbara Austin, immixGroup’s Market Intelligence database manager. But many of the people will change, so it’s important to understand how to effectively gather information on personnel shifts, build organizational charts, and update your marketing lists.**

• Barbara said industry can also find clues on where federal organizations will be spending their fiscal 2017 IT budgets in the IT Dashboard. The Exhibit 53 within the proposed federal budget is a valuable guide on IT and e-government priorities. Agencies will also start working on their five-year strategic plans for IT in FY17, with drafts due to the Office of Management and Budget next June. So start planning for the future now.

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**About the Author**

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The Obama era has come to an end and the Trump administration is underway, but many federal contractors are wondering, what’s next? While no one can predict with certainty downstream impacts of policies not yet implemented, the outgoing administration has left some initiatives in place that are likely to continue, in some cases with more or with less enthusiasm.

**IT Modernization Will Likely Proceed**

The Obama administration proposed a $3.1 billion IT modernization fund to help address the problem that up to 90 percent of agency IT budgets go to legacy system sustainment. The House passed the Modernizing Government Technology Act, and it is now in the Senate. The outgoing administration has prepared a list of IT and cyber priorities, and the Office of Management and Budget (OMB) issued a draft memo proposing four steps for IT modernization execution.

Given that the Trump platform favors infrastructure improvement and cybersecurity dominance, it is quite likely that this initiative will move forward in some form. The big question is whether IT modernization will proceed in a centralized, portfolio management fashion with federal CIO direction or in a more stovepipe, agency-by-agency manner. In either case, federal IT civilian and defense contractors should see significant contracting opportunities.

**Category Management May Not Be Enforced**

OMB, Office of Federal Procurement Policy and General Services Administration have worked diligently under the current administration to institutionalize category management. They argue that category management increases federal purchasing power for $270 billion of common products and services across 19 categories. OMB memos and policies called for contract consolidation and reduced spending on desktops and laptops, mobile products and services, and data centers. In addition, Department of Defense Better Buying Power initiatives have focused on similar goals, as evidenced by upcoming procurements such as the Information Analysis Centers multiple award contract, which consolidates three popular vehicles, as well as the Defense Information System Agency Systems Engineering Technology and Innovation initiative, which seeks to establish an overarching acquisition of services vehicle.

OMB recently issued a draft circular that would direct agencies to use mandatory or preferred best-in-class vehicles, drawing industry ire regarding reduced opportunity to compete. Up to 60 percent of IT work is currently competed under multiple award contracts, and OMB’s memo would push even more work in this direction. The MAC trend favors large businesses who can compete well on Unrestricted vehicles as well as small businesses who benefit from set-asides, but has created “mid-tier angst.”

**Contractors with existing procurement vehicles should pay close attention to customers who may quickly need support…**

While it is doubtful the incoming administration will do anything to help mid-tiers in the near term such as increasing NAICS size standards, the new administrators of OMB and GSA might not be as fervent supporters of the centralized category management approach. While they are quite unlikely to dismantle current MACs, the new administration may take a more decentralized approach, allowing agencies to create their own vehicles and shun preferred government wide acquisition contracts (GWACs) such as Alliant, OASIS, CIO-SP 3, NASA SEWP, and the like. Thus, contractors may benefit from increased contracting opportunities.
Policy Initiatives Impact IT Systems
As we witnessed under the Obama administration, passage of the Affordable Care Act had enormous impacts on federal IT systems across numerous agencies, and any dismantling will require additional contractor assistance.

Immigration reform may create increased demand for technologies such as biometrics—facial, iris, fingerprints—as well as systems related to airport and border security, visas, passports, and the like. Of course, these impacts are downstream because changes take time to enact and impact agency budgets.

Speaking of budgets, the fiscal 2017 budget is under a continuing resolution that allows business as usual. Meanwhile, the new administration must draft the fiscal 2018 budget that will more specifically set the course for their policy initiatives. Federal contractors should track these budget developments closely to set direction for business development efforts.

One near time impact is the result of agency hiring freezes. Contractors with existing procurement vehicles should pay close attention to customers who may quickly need support for ongoing sustainment programs and systems.

What’s the Bottom Line?
As with any change in administration, federal contractors must adapt in an agile manner to take advantage of resulting opportunities. Keep your eyes open, stay close to your customers, and look for ways to help them adjust, predict impacts, and take proactive measures.

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How to find the key players during the transition and beyond

By Mark Amtower

There is truth in the old baseball adage “you can’t tell the players without a scorecard,” especially when a new team is coming to town.

I have been tracking the migratory habits of senior government executives and IT personnel since the mid-1980s, and there is always a spike in migration after an election, both internally within an agency, between agencies, and migration out of government. It happens every year, but the migration spikes after an election year.

Add to that the inbound appointees and the current climate in Washington, and I anticipate the overall migration to be heavier than ever before.

It is crucial to hone your ability to track the incoming senior people because they will ultimately impact your programs.

A new administration brings new top level management (over 4,000 presidential appointees), new priorities which translate into policies, which in turn impact programs, a true trickle-down effect.

It is crucial to hone your ability to track the incoming senior people because they will ultimately impact your programs.

For your current programs, you need to provide support to the career personnel who work on them and see who is coming into those agencies and influencing those programs. You should also track your current contacts if they migrate. You can never tell when they might need you again.

The week before Thanksgiving, I was on a panel at the third annual ImmixGroup Government IT Sales Summit, and the topic of tracking the incoming players came up. The next day, I was at the radio studio with Lisa Pafe, Larry Allen and Nick Wakeman, and the same topic came up: How do you track all of the changes during a transition—and after?

LinkedIn is the obvious answer.

Why? Because LinkedIn tells you who the players are, who else is on that team, what position they play, where they played for before and more:

**Who:** You can look up by the person’s name, agency or job title.

**Who else is on the team:** Look at “People Also Viewed” of the key players and your current agency contacts.

**Where they played for before:** What their background is, as much or as little as they share it on LinkedIn. At present, there are 1.6 million feds on LinkedIn, and over 15 percent have IT job titles and functions—250,000 federal IT professionals. If used well, LinkedIn will help you map out your network and make the right connections to execute your strategy.

It is not simply a matter of tracking the right people and knowing who and where they are. It is a matter of influencing those that can help you retain current business and win new business. You need to get on their radar in a non-intrusive manner and stay visible in a positive way.

But don’t ignore the fact that as you are looking at their profile(s), they may, in turn, look at yours. If your profile is not optimized to clearly highlight your area of expertise, they will simply dismiss you as yet another gawker.

A well-executed LinkedIn profile coupled with the right social engagement skills will be a huge advantage as the new administration settles in.

LinkedIn is a business asset—treat it as such.

**About the Author**

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SECTION 2: POLICY IMPLICATIONS
Highs and lows of Trump’s leading tech indicators

By Stan Soloway

As the Trump Administration begins to take shape, so too do some core components of what is likely to soon become the new administration’s management agenda, particularly with regards to the role of technology.

Over the last three or four administrations, that agenda has experienced a natural, if often too slow, evolution. For the new administration, that trend is likely to continue but to also take place in the context of some very different points of emphasis and priority.

First, the selection of South Carolina Congressman Mick Mulvaney as director of the Office of Management and Budget sets the stage for some significant challenges, particularly for civilian agencies. A well-known budget and deficit hawk, Mulvaney has at various times advocated for sharp reductions in the federal workforce (to be achieved principally through attrition), consideration of privatization as an alternative to traditional government operations, and, of course, for major reductions in federal spending.

He has also evinced real interest in government management (including serving on the relevant House subcommittee) and technology (among other things, as co-chair of the Blockchain Caucus; who even knew such a group existed?).

Meanwhile, Trump’s confab with top technology leaders, the prominent role being played in the transition by Peter Thiel (and a number of his close associates), and the involvement as well of respected government technology veterans such as Karen Evans (former OMB) and Casey Coleman (former GSA), seems to make clear that the role of technology is only going to grow.

Indeed, if the fiscal 2017 GOP congressional budget is any indication (it called for reducing civilian agency budgets to their lowest levels in some 50 years), the pressure on the civilian sector is going to be enormous, and technology will be an increasingly essential component of how the agencies meet their missions.

Meanwhile, the Defense Department will be led by a widely respected, no-nonsense Marine general, who is almost certain to come down hard on what he perceives to be budgetary waste, whatever its source.

While it is unlikely that many current major programs will face major cuts, it is also unlikely that he, or the incoming president, is going to pour massive funding into a lot of new major systems. Nor will modest increases in the procurement accounts enable them to do so.

...the pressure on the civilian sector is going to be enormous and technology will be an increasingly essential component of how the agencies meet their missions.

In addition, the president-elect has talked about reversing some of the recent force structure reductions, which itself will be an expensive undertaking.

Thus, as always seems to be the case, the department’s operations and maintenance accounts will again be a primary target for helping to fund other budget gaps. There too, the role of technology is almost certain to loom large.

But it is less the growing role of technology than the way technology is viewed and prioritized that is new here. During the Obama Administration, we saw more experimentation and innovation than we had in a long time. But much of it has been limited in scope and scale and often outside of traditional processes; and the focus has largely been on citizen access and engagement versus major systemic change.
Going forward, however, the stark fiscal pressures will almost certainly drive a much greater emphasis on cost savings and on return on investment as a core principle. That necessarily will require more attention to the barriers that exist to scaling and to real disruption in traditional management and mission models.

Of course, many experts have been agitating for some time for that kind of change, yet only modest progress has been made. But the confluence of trends before us suggests that more progress, particularly through digital and related tools, could well be in the offing and that overcoming those obstacles could well take on a new urgency.

That is not to say that contractors should expect a massive windfall. In fact, if expected trends continue, contracting dollars are likely to, well, contract. Big technology implementations will continue to be the exception and smaller, modular applications, that can quickly drive savings and performance improvements will be highly sought after. Moreover, one does not have to be a linguistics expert to recognize that to some extent, the new president sees the government and its contractors as one, not essentially separate, communities. Thus, the pressure for new entries and new solutions is likely to also continue apace.

Of course, we’ve seen this movie before, or one very much like it. And there is considerable, legitimate concern as to what specific changes will be pursued, and how those changes will occur in, or be foisted on, the system.

But that doesn’t mean that we won’t see an unorthodox management agenda that tries, possibly aggressively, to change the current trajectory and culture. If nothing else, technology is enabling change that just a few years ago was unthinkable, and the fiscal realities may demand it. Thus, betting on the status quo is not likely a winning strategy.

About the Author
Stan Soloway is a former deputy undersecretary of Defense and former president and chief executive officer of the Professional Services Council. He is now the CEO of Celero Strategies.
Federal procurement:
The road ahead under Trump

By Rob Burton

Though the Trump administration has spoken little about its acquisition policy, the transition and campaign websites provide some insight about the acquisition agenda that the new administration will pursue, as well as other policies that may impact government contractors and federal acquisition personnel.

REGULATORY REFORM
One of the Trump administration’s cornerstones is regulatory reform—a concept that is likely to have a significant impact on both industry and government acquisition professionals alike.

At a general level, for government contractors, this likely means less regulatory burdens. More specifically, contractors should anticipate that the administration will review many of the Obama-era executive orders impacting government contractors.

Though it is unclear how many of such orders President Trump will rescind, those that are more administratively burdensome (e.g. Fair Pay and Safe Workplaces) are less likely to survive than less onerous orders (e.g. paid sick leave and minimum wage), which may remain largely untouched.

Contractors also should anticipate that, in furtherance of regulatory reform, the administration will look for ways to reduce regulations increasing compliance costs. In this respect, a prime target could be commercial item procurements, which have become less efficient and effective as the number of policies, procedures and requirements imposed on commercial item contracting has increased exponentially.

Indeed, according to the Coalition for Government Procurement, from 1996 to 2012, the provisions of law or executive orders applicable or potentially applicable to commercial item contracts have increased from 17 to over 50; and the level of oversight and data reporting associated with commercial item contracting programs such as GSA’s Multiple Award Schedules program have expanded significantly.

A reduction in this growing burden on commercial item contracting by restoring the notion of “commercial” to “commercial item” contracting is likely given its potential to reduce contractors’ compliance cost burdens and transactional costs and foster efficiency across the procurement system, yielding significant savings for taxpayers.

Federal acquisition employees, on the other hand, may see manifestations of regulatory reform in two areas—program management and category management.

First, the administration likely will embrace and promote the recently-passed Program Management Improvement and Accountability Act of 2015 (“PMIAA”), the objectives of which comport with the administration’s desire to increase government efficiency and reduce cost-imposing regulatory burdens.

In particular, the PMIAA, by effectively professionalizing the program management workforce, will lead to increased collaboration, improved decisionmaking and reduced risk, which, in turn, translates into more projects delivering expected value to stakeholders in a timely fashion and within budget.

Second, the administration is likely to reject, or at least significantly reform, category management. In fact, though the underlying premises of category management as outlined on GSA’s website are not objectionable (e.g., “eliminate redundancies,” “deliver more value and savings from the government’s
acquisition programs”), its current structure is unnecessarily complicated and complex—a structure that is at odds with the regulatory reforms and streamlining the Administration is likely to pursue.

HIRING FREEZE/OUTSOURCING
In addition to regulatory reform, another initiative likely to impact government contractors and federal employees is an element of Trump’s Contract with the American voter—a promise to implement “a hiring freeze on all federal employees to reduce the federal workforce through attrition (exempting military, public safety, and public health).”

As the contract’s plain language suggests, such a policy may further reduce the current acquisition workforce, which is already insufficient to handle existing procurements. Indeed, federal agencies presently contract out a number of acquisition functions (with the exception of awarding a contract, which, of course, is an inherently governmental function—a designation that will not change); however, as the federal acquisition workforce diminishes (from the administration’s hiring freeze and natural attrition), outsourcing, by default, must increase, leading to more contracting opportunities for the private sector.

There may also be a return of public-private competitions, a high-profile initiative of the Bush Administration.

EMPHASIS ON INFRASTRUCTURE
Contracting opportunities also likely will increase as a result of the Trump administration’s promise to invest $550 billion in improving America’s infrastructure. Though the actual total of appropriated funds may not equal this pledged amount, OMB likely will readjust the budget to increase the amount of money dedicated to infrastructure projects, which necessarily means increased opportunities for contractors, particularly those in the construction and service industries.

CYBERSECURITY
Finally, the Trump administration’s focus on cybersecurity may result in greater federal spending on government contractors, particularly those in the IT field. Specifically, the administration has pledged to “make cybersecurity a major priority for both the government and private sector[,]” i.e., “immediate and top priority for [the] administration.”

As part of this focus, the administration intends to strengthen the military to ensure that it is the best in the world—both in terms of cyber offense and defense. To accomplish these goals, the government may heavily rely on contractors for innovative methods and technologies.

In sum, the policies of the Trump administration, as currently articulated, are likely to result in less regulatory burdens for contractors and more contracting opportunities for the private sector—either as a result of the emphasis on outsourcing (a natural result of the administration’s commitment to a hiring freeze) or from the administration’s prioritization of certain issues such as infrastructure and cybersecurity.

Simply put, this is favorable news for the acquisition community, particularly government contractors.

About the Author
Robert A. Burton is a nationally-recognized federal procurement attorney, who focuses his practice on assisting government contractors navigate the complex and rule-driven procurement process.
How bumpy is the road ahead?

By Stan Soloway

Among the many issues the new administration will come face-to-face with is that of the federal budget. The new administration will play a major role in clearing out the fiscal 2017 budget. Simultaneously, it will be crafting its own, first proposed budget, for fiscal 2018.

With a unified government, will we finally see a “grand bargain” that eliminates the current spending caps and deals with the longer term fiscal challenges we face, including the deficit, debt, and entitlements?

Will the first Trump budget largely mirror the current GOP budget proposal? While the intuitive answers to both questions would seem to be “yes,” there are a number of reasons to think it might not be quite that simple or clean.

First, it is important to bear in mind the very significant differences that exist between the Trump and congressional Republican budget priorities and plans, at least as stated to date.

Trump has said he remains intent on launching a major jobs and infrastructure initiative in his first 100 days. At the same time, the current GOP budget proposal (which the congressional leadership continues to cite as their baseline), would reduce non-defense spending to its lowest proportional level in some fifty years.

And both Trump and Republicans on Capitol Hill have stressed the need to increase defense spending to address what they see as major gaps. This creates a difficult dichotomy, particularly since the combination of a major infrastructure initiative and increased defense spending will require the elimination of the current budget caps (either explicitly or, if they take the path of the Obama stimulus program, implicitly), and will almost certainly cause the deficit to rise, at least in the near term.

Similarly, the President has made clear his commitment to not reducing Social Security or Medicare benefits, while the House Republican leadership continues to stress its commitment to aggressively addressing the entitlements question, including actually phasing Medicare out and replacing it with a private program. The two positions may not be mutually exclusive, but finding a common path forward will be complicated and, of course, face significant Democratic opposition.

Finally, there is the reality of the congressional balance of power; a majority in both houses does create a carte blanche for any president, particularly when the majority is neither filibuster- or veto-proof.

At the same time, there is a battle within the Democratic Party over its direction in the aftermath of the election. How that plays out will directly impact the Senate’s dynamics and how and where the Democrats will opt to make “a stand,” particularly in light of the new president’s need to, as rapidly as possible, move his cabinet and sub-cabinet nominees, and presumably a Supreme Court nominee, through the Senate.

Will the first Trump budget mirror the GOP budget? It might not be that simple.

Indeed, a lot of analysts believe that in order to move highly controversial legislation, the Republican leadership will need to take extraordinary steps, including reconciliation—the so-called “nuclear option”—which Senate Majority Leader Harry Reid was so roundly criticized for considering in recent years. But if and when to take such steps, how often, and at what cost all remain open questions.

Over the longer term, it does seem evident that we will see increased defense spending and greater downward pressure on non-defense agency budgets. The real question is how far and how fast. In the meantime, the road may not be as bumpy as it was, but it won’t be entirely smooth riding either.

About the Author

Stan Soloway is a former deputy undersecretary of Defense and former president and chief executive officer of the Professional Services Council. He is now the CEO of Celero Strategies.
What M&A can teach the Trump transition

By Mark Hoover

There are many similarities between a presidential transition and merger and acquisition activities in the business world.

A report by Deloitte, The Presidential Transition: Translating lessons from mergers and acquisitions, shows how lessons learned from M&A activities can be used by people involved in the new transition.

A presidential transition is large and complex. “Up to 4,000 new political appointees will assume leadership of a $4 trillion annual enterprise comprising hundreds of agencies, including seven that, in terms of budget, would rank among the 50 largest companies in the Fortune 500,” according to the report.

“This is truly going to be a non-incumbent election, which is also extraordinarily rare in the last 100 years. It is really important to look at what we can learn from what is a much more common phenomenon—corporate mergers and acquisitions—and how lessons learned from that universe can be applied to how to think about presidential transition,” said Greg Pellegrino, principal at Deloitte and one of the report’s co-authors.

The report highlights components of each event:

• CEOs and leadership teams identify and acquire companies for value creation, as opposed to the President-elect and incoming administration, who establish new leadership and, for some agencies, set a new course.

• The deal team researches and screens acquisition targets and performs due diligence on target companies, much like how the transition team researches federal agencies and deploys “landing teams” to conduct in-person due diligence.

• A company’s board of directors approves the CEO’s strategy and overall transaction and is then subject to approval; similarly, Congress passes a budget and approves political appointments.

The report then delved into the structural similarities between the two kinds of transitions, noting that each could be broken down into six phases—strategy, screening and preparation, due diligence and review, execution and governance, planning and integration, and execution.

“When you look at successful mergers and acquisitions, the change management, the communications strategy and the acknowledgement of the cultural differences between the organizations as it comes together are vital elements of how successful the acquisition will be and how quickly that success will be obtained,” Pellegrino said.

“Transition leaders in the federal government can learn from our research and come up with strategies that apply what we have defined as the nine key lessons of mergers and acquisitions to presidential transition,” he said.

These nine key lessons include:

• Start with the end in mind
• Assess yourself from the “outside in”
• Establish leadership and accountability
• Control the integration
• Plan for an issue-free day one
• Expand and front load benefit capture
• Provide clear and consistent communications
• Stabilize workforce and retain critical talent
• Coordinate complexity without disruption

Speaking of the impact on the government contracting industry, Pellegrino said that there might be some uncertainty in the coming months. “Any type of transaction of this scale has the potential to be distracting,” he said, but he believes there will eventually be a great deal of opportunities driven by new thinking.

About the Author

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Trump Administration: Optimism tempered with hard realities

By Nick Wakeman

President Donald Trump is seen as a disrupter of both the political status quo and the way the government operates.

While many details are still unknown and it is doubtful his actions will live up to his rhetoric, there likely will still be plenty of action that will have a significant impact on government contractors.

During a pre-briefing for the Professional Services Council’s annual Vision conference, several executives shared their views on what a Trump administration will mean and how it will impact the market.

For the most part, they see positives. Trump’s plan to freeze hiring of government workers will likely translate into more outsourcing to government contractors.

The huge investment in infrastructure projects will drive many new contracting opportunities. And for large engineering and professional services firms, the investment in roads, bridges and the like will bring more predictability to their markets.

The government will continue to make a shift to more digital services, and that means more opportunities for contractors.

PSC also is optimistic that there will be more of a shift toward capacity-based buying such as the cloud. The cloud still has great potential in the federal market with only 5 percent of federal leaders saying they felt their agency had made enough of a movement to cloud.

Other opportunities for government contractors will be driven by new technologies that are gaining footholds in the market such as mobility, Everything as a Service, big data, the Internet of Things, and machine learning.

But while there are opportunities, there are also great challenges, but these are challenges any new administration would face.

There are macro-economic conditions that will present roadblocks to significantly increasing spending. Current projections have the budget growing from about $3.9 trillion in 2016 to $6.3 trillion in 2026. That’s a compound annual growth rate of 5 percent.

Meanwhile, projections for economic growth are at about 2 percent. This will continue to put pressure on discretionary spending. But the challenge with discretionary spending is finding the places to cut. “Discretionary spending isn’t as discretionary as people think,” one official said.

The expectation from PSC is that the topline number for the budget will not change much, but underneath that, there will be significant changes.

As others also have predicted, the Budget Control Act and the threat of sequestration will likely be dealt with, at least for the short term.

But without stronger economic growth, any president will be significantly challenged to increase spending.

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Besides a stronger economy, the government, particularly Congress, needs to work more efficiently. They have to move away from the reliance on continuing resolutions, which is particularly challenging for the Defense Department.

Not having predictable and timely appropriations undermines DOD’s ability to plan and implement.

As for Trump’s immediate impact in the market, it might be best to wait. Contract awards and other procurement activity take a sharp uptick traditionally between the election and the inauguration, but by January, spending plummets. One PSC spokesperson attributed that to the fact that so many positions need to be refilled with the turn of an administration, and all of the inertia that comes along with that.

Bottom line: Disruption is coming in what and how the government buys, but it might just take a little while before it gets here.

About the Author

Nick Wakeman is editor-in-chief of Washington Technology.