



Divided Government: Federal Opportunities in 2011



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Gartner

Presentation Outline

Government Market: Frameworks

Federal Market Environment

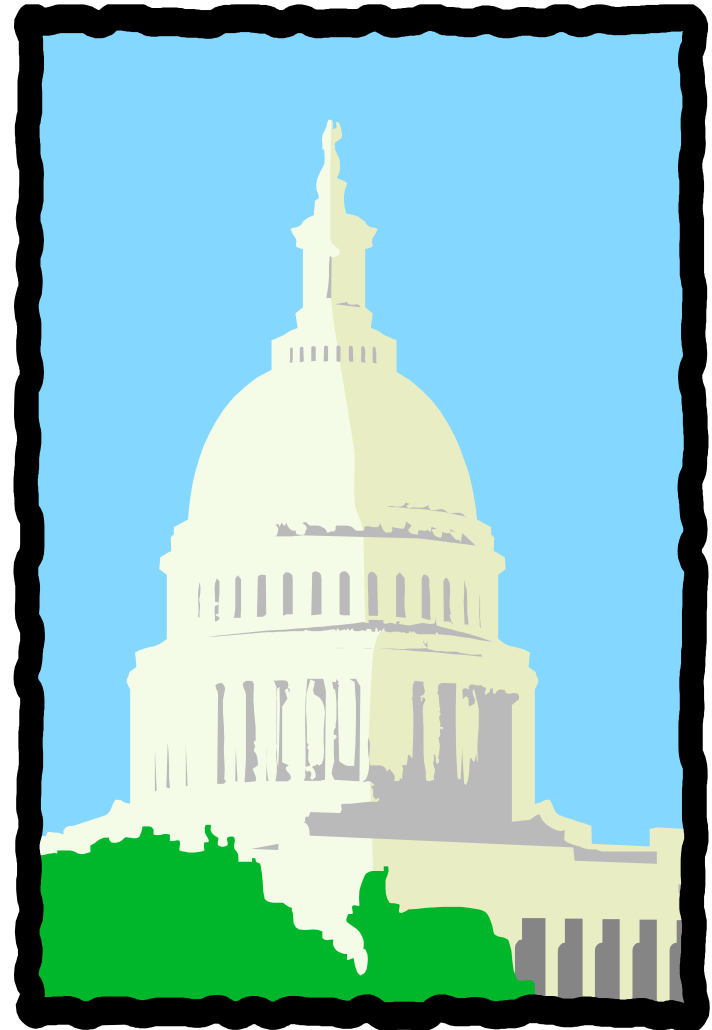
- Market Dynamics: Operational, Initiatives, Procurement, Vendor
- User Data: Major Operation Initiatives
- User Data: Leading Technology Priorities
- Cloud Adoption
- Rise of BPO

Federal: Forecast & Vendor Landscape

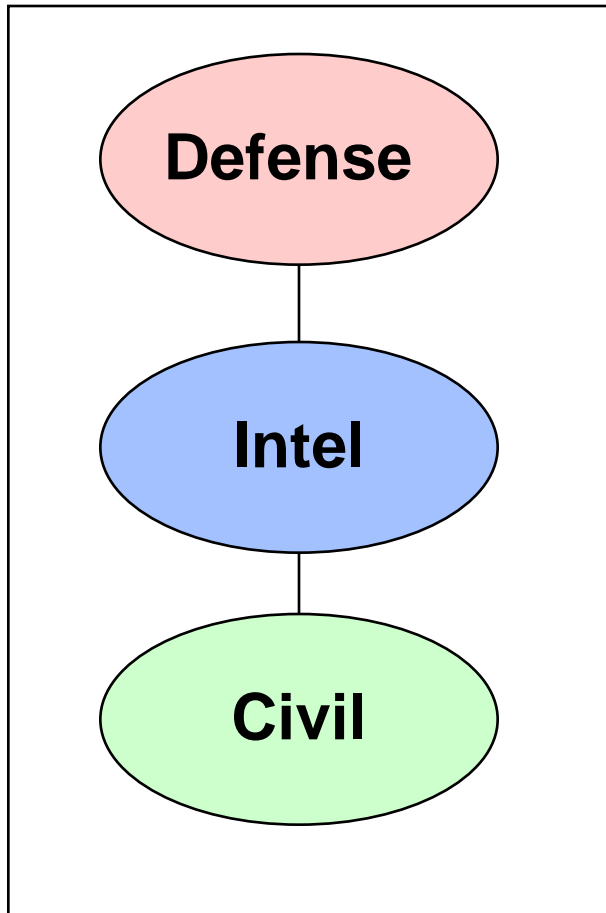
- IT Spending Metrics: Traditional IT Forecast
- Scope of New Federal Forecast Database
- Major Vendor Landscape
- Traditional IT Services Landscape

Major Vendor Strategies

- Summary
- Federal Agency Scorecard
- Short/Mid Term Strategies



Market Segmentation: Federal



Cabinet-Level Agencies



-  Department of Agriculture
-  Department of Commerce
-  Department of Defense
-  Department of Education
-  Department of Energy
-  Department of Health and Human Services
-  Department of Housing and Urban Development
-  Department of the Interior
-  Department of Justice
-  Department of Labor
-  Department of State
-  Department of Transportation
-  Department of the Treasury
-  Department of Veterans Affairs

Federal: Traditional Tiering Strategies

By User Tier

- Tier I: Defense, HHS, DHS, Treasury, DOJ, DOT
- Tier II: Commerce, Energy, VA, Agriculture
- Tier III: NASA, Interior, State, SSA
- Tier IV: Education, Labor, GSA, EPA
- Tier V: HUD, OPM, USAID, NSF, NARA, SBA, NRC

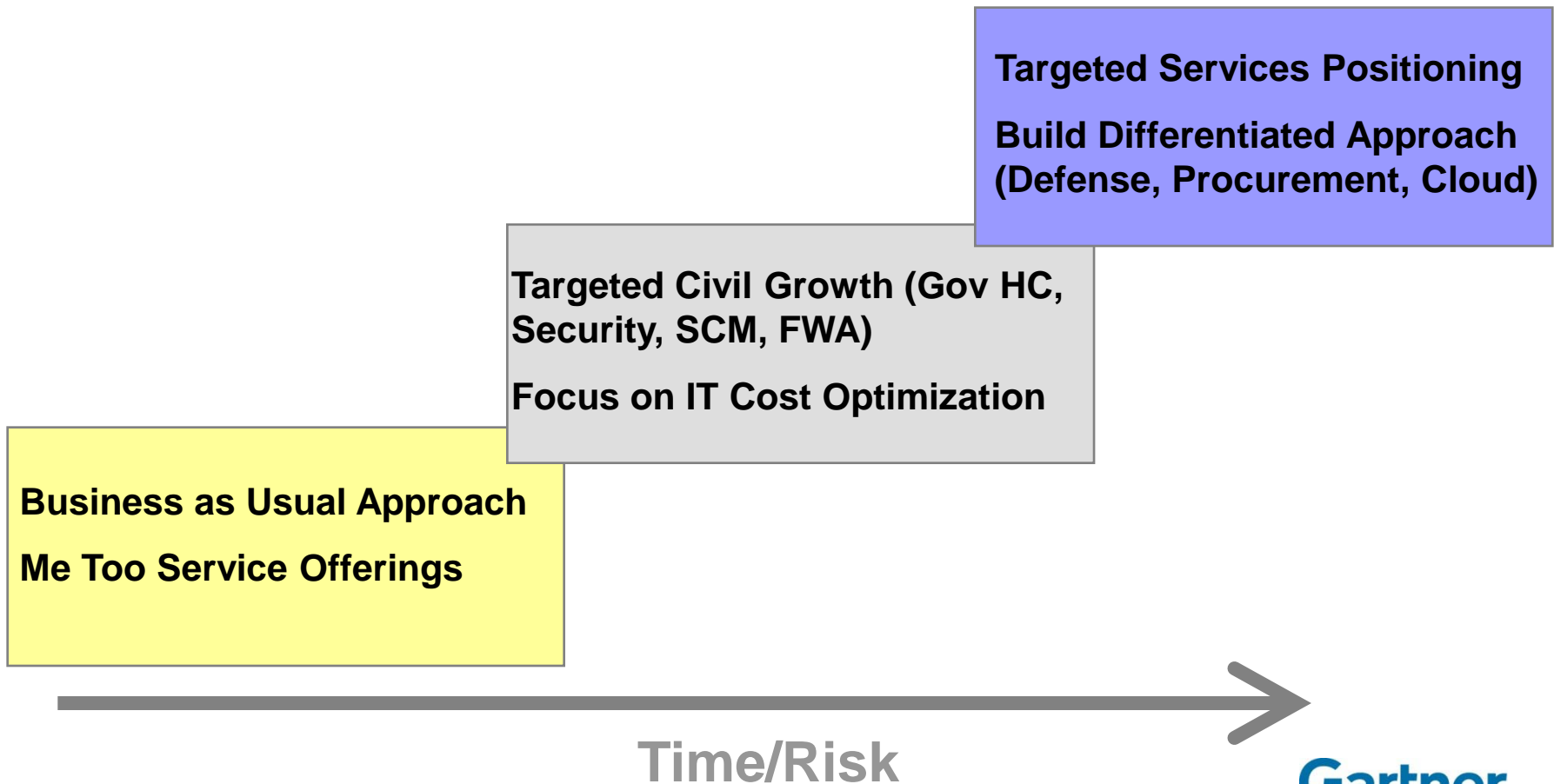
By Cluster

- Civil Security: Homeland, Justice, State
- Health: Defense Healthcare, Veteran's Affairs, Health & Human Services

Niche/Emerging

- R&D: DARPA, Homeland R&D
- Shared Service Centers: DISA, Interior, Agriculture

Federal Government: Key Strategies



Market Chatter: Putting Issues into Perspective

Grapevine

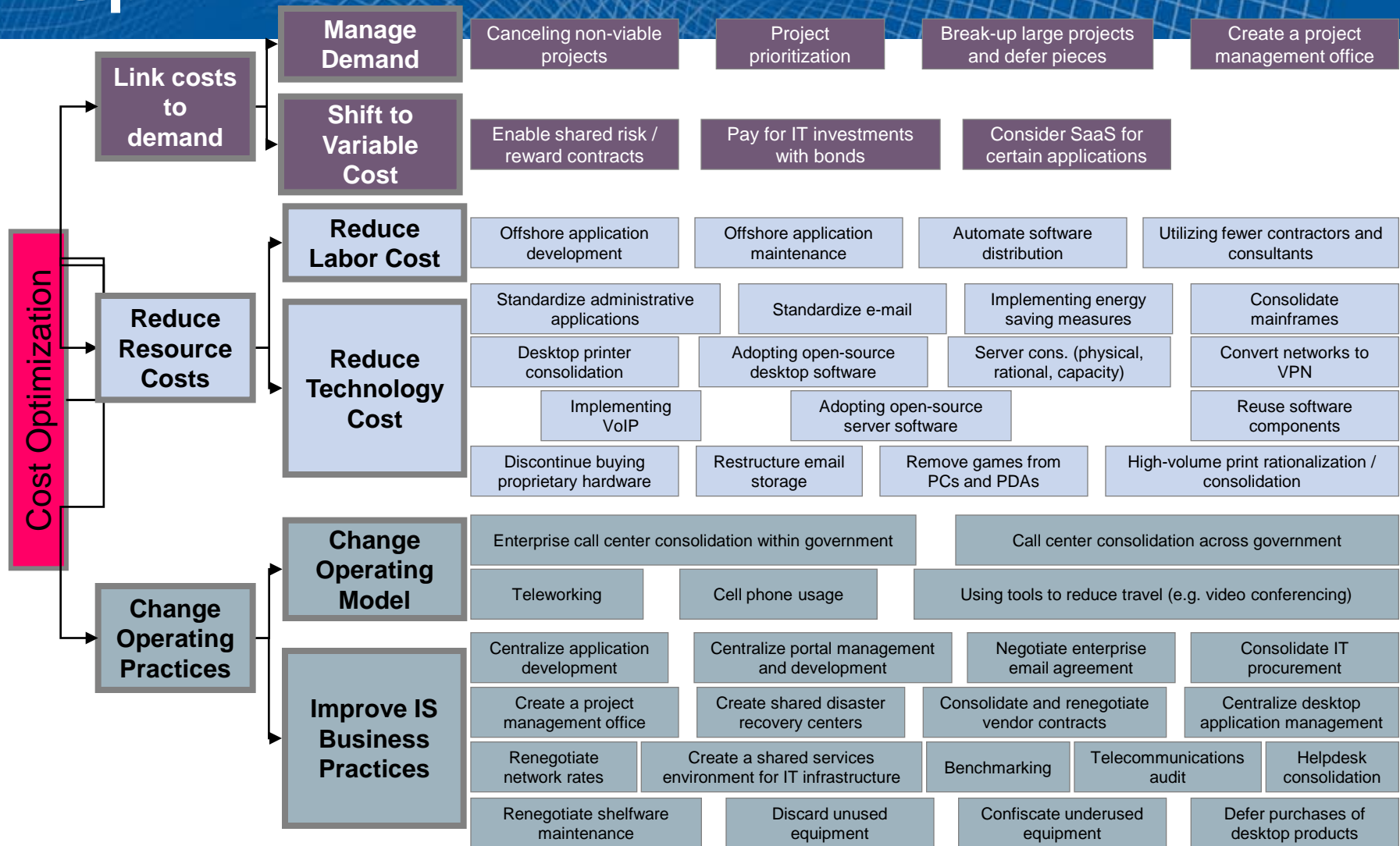
- Divided Government will lead to unstable budget environment
- New procurement vehicles will reset vendor landscape
- Senior IT Leadership (CIO, CTO, CPO) driving historic change
- Government Healthcare policy will be scaled back, restricting opportunities



My View

- CR's through 2012, with likely market contraction thereafter
- Award protests and bridge contracts will keep short term vendor positioning
- Success in FFP, At-Risk, and Cloud, but influence and power tied to Obama presidency
- Major federal buckets of Gov HC IT unaffected by legislation

Government: Focus on IT Cost Optimization



A Framework for Cost Optimization

Enable Innovation & Operational Restructuring
Implement process improvement, operational restructuring and innovation

Joint Operational and IT Cost Savings
Implement cost-saving technologies in conjunction with the agency operational areas

Cost Savings within IT
Identify opportunities to reduce IT costs

IT Procurement
Get the best pricing and terms for your IT purchases

Difficulty

Value

Execution of various types of cost optimization will involve different parts of the organization and varying levels of control by IT alone.

Federal: The Changing Market Dynamic

Operational

- Cost Optimization
- Program/Mission Accountability
- Fraud/Waste/Abuse
- Short Term Budget Visibility

Initiatives

- Open Government
- Cloud
- Data Center Consolidation
- Cybersecurity
- Energy Efficiency

Procurement

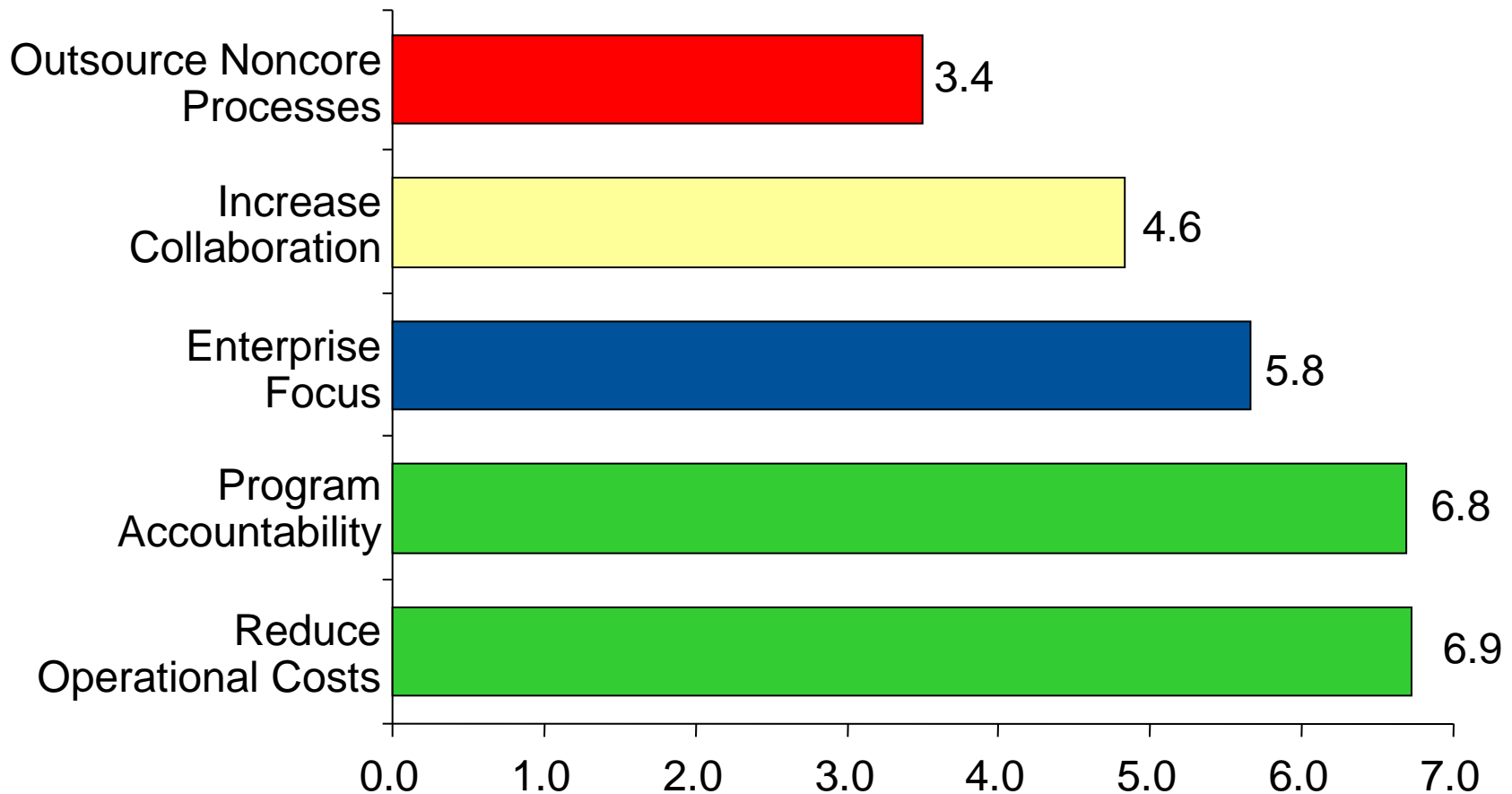
- NextGen: T4, CIMS, Eagle II, CIOSP-III,
- Emergence of FFP and ADM
- Rise of multi-sourcing and BPO type contracts

Vendors

- ID/IQ Led Work
- Focus on mid tier and selected 8a vendors (SDV, ANC)
- New market entrants (Cap, ACS, Google)

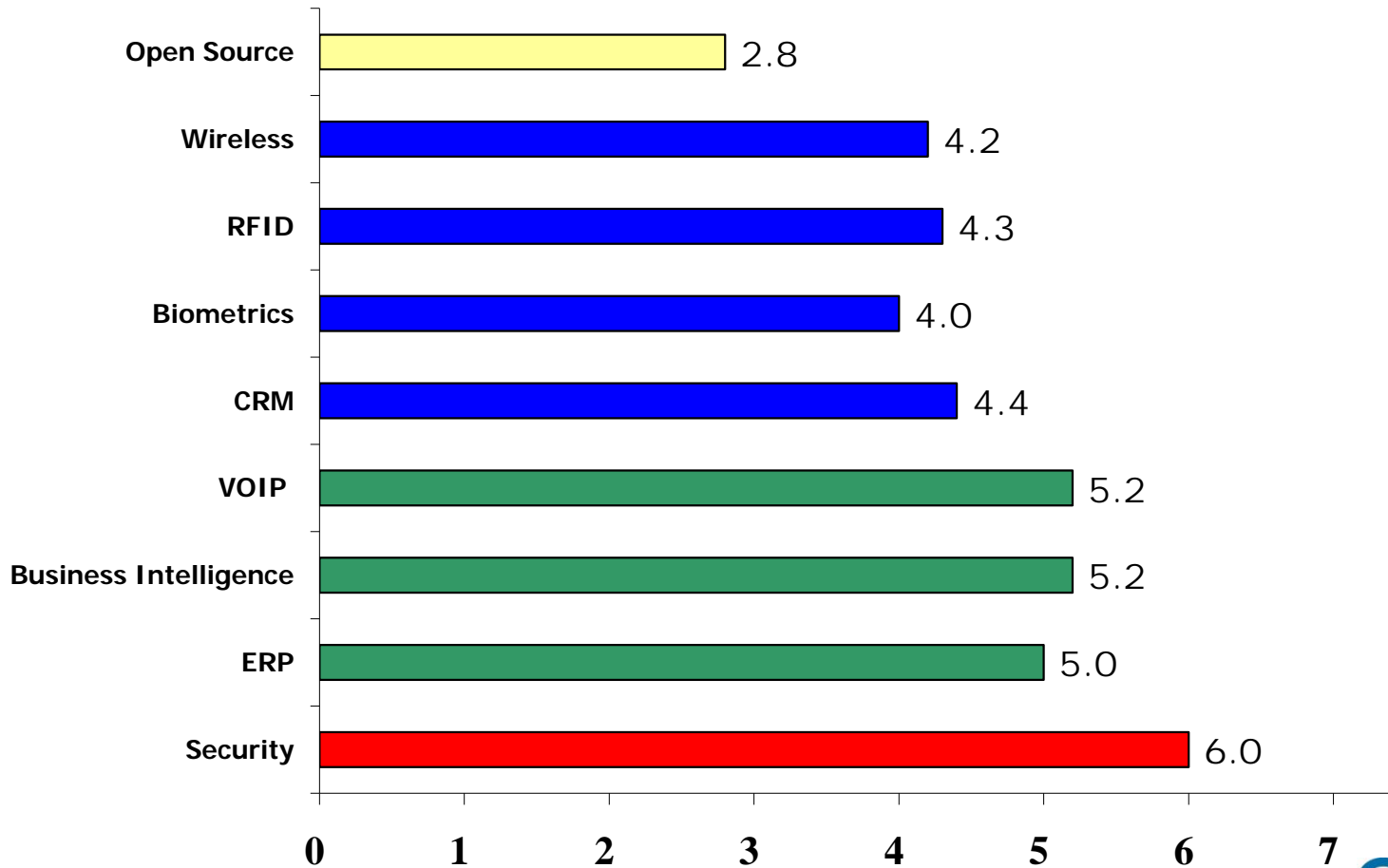
Federal: Priority of Major Business Objectives, 2010

Question: What is the level of priority for each of these business issues for your organization (scale 1-7, with 7 = highest priority, 1 = lowest priority)?



Federal: Technology Ratings, 2010

Q: What are the most important technology priorities for your organization (7=most important, 1=least important)?



Federal: Continuing Budget Priorities

Government HC

- Veteran's Affairs
- Health & Human Services
- Military Health System

Civil Security

- Homeland Security
- State Department
- Justice Department

Civil SCM

- Health & Human Services
- Agriculture

Energy/Climate Change

- GSA Green Buildings
- Energy
- Envir. Protection Agency
- NOAA
- NASA

Management Models: Cloud, AO, SaaS, Remote Hosting

IaaS

- Driver: Infrastructure Revitalization
- Current adoption rate: Low
- Future adoption rate: Medium, driven by exec mandate

AO

- Driver: Align w/ declining internal skillsets and mission
- Current adoption rate: Low
- Future adoption rate: Medium, particularly in legacy apps

SaaS

- Driver: Shift modernization cost and limit risk
- Current adoption rate: Low
- Future adoption rate: Limited, focus on front office services

Remote Hosting

- Driver: Cost benefits & greater security advantage over SaaS
- Current adoption rate: Low
- Future adoption rate: Significant among Tier II-III clients

Federal: Major BPO Areas

Agency Processes

- Civil agency segments which mirror commercial processes
- Focus on areas such as claims, application processing, loan administration, facilities management

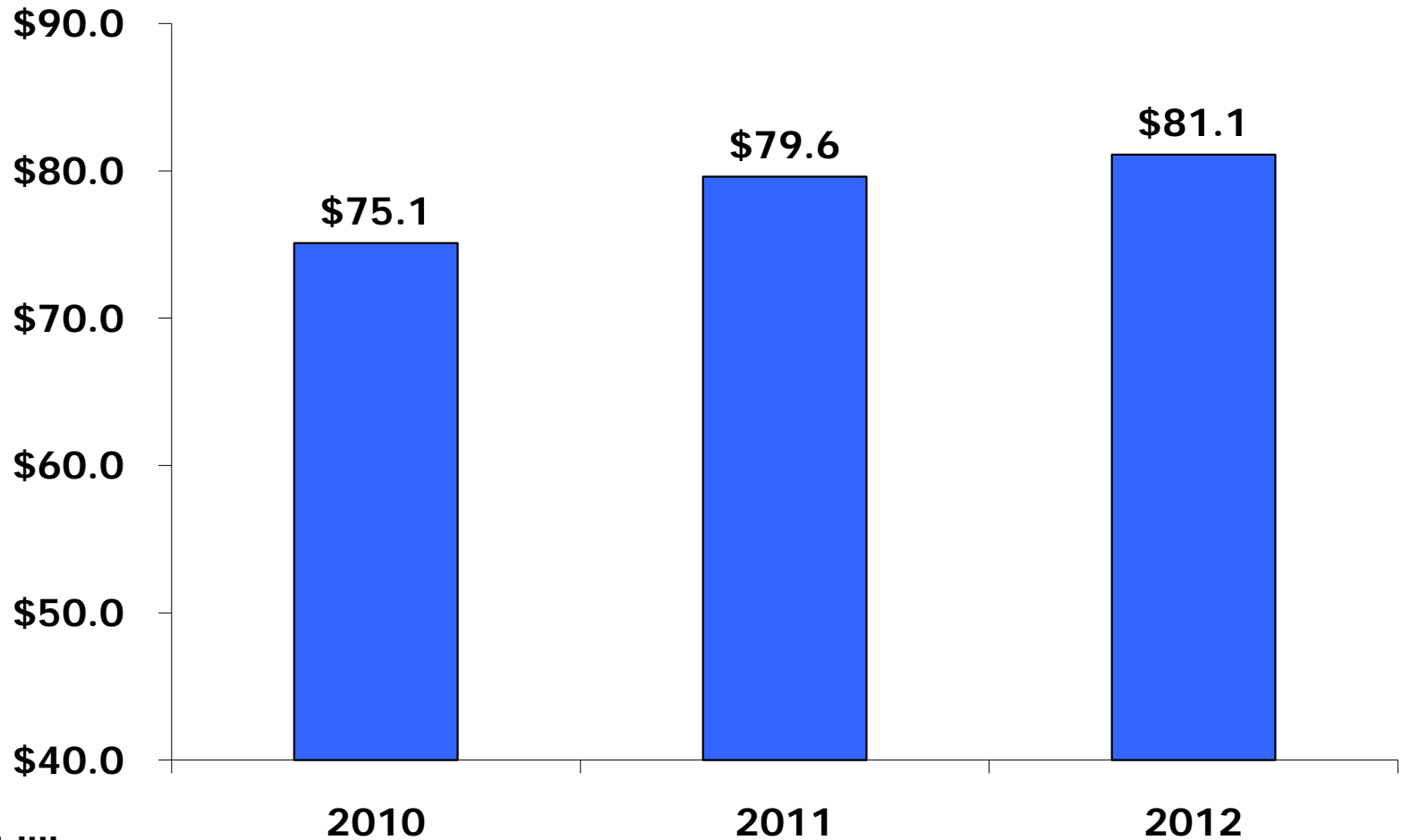
Customer Outreach

- Call center operations
- Multichannel interaction
- Provides immediate benefits of scale and multiple touchpoints

Emerging Horizontal

- Spurred by shared services
- Capitalize on enterprise oriented initiatives
- Possible movement into popular commercial BPO areas

Federal Government Total IT Spend, 2010-2012



In U.S.\$ billions

Source: Gartner Dataquest

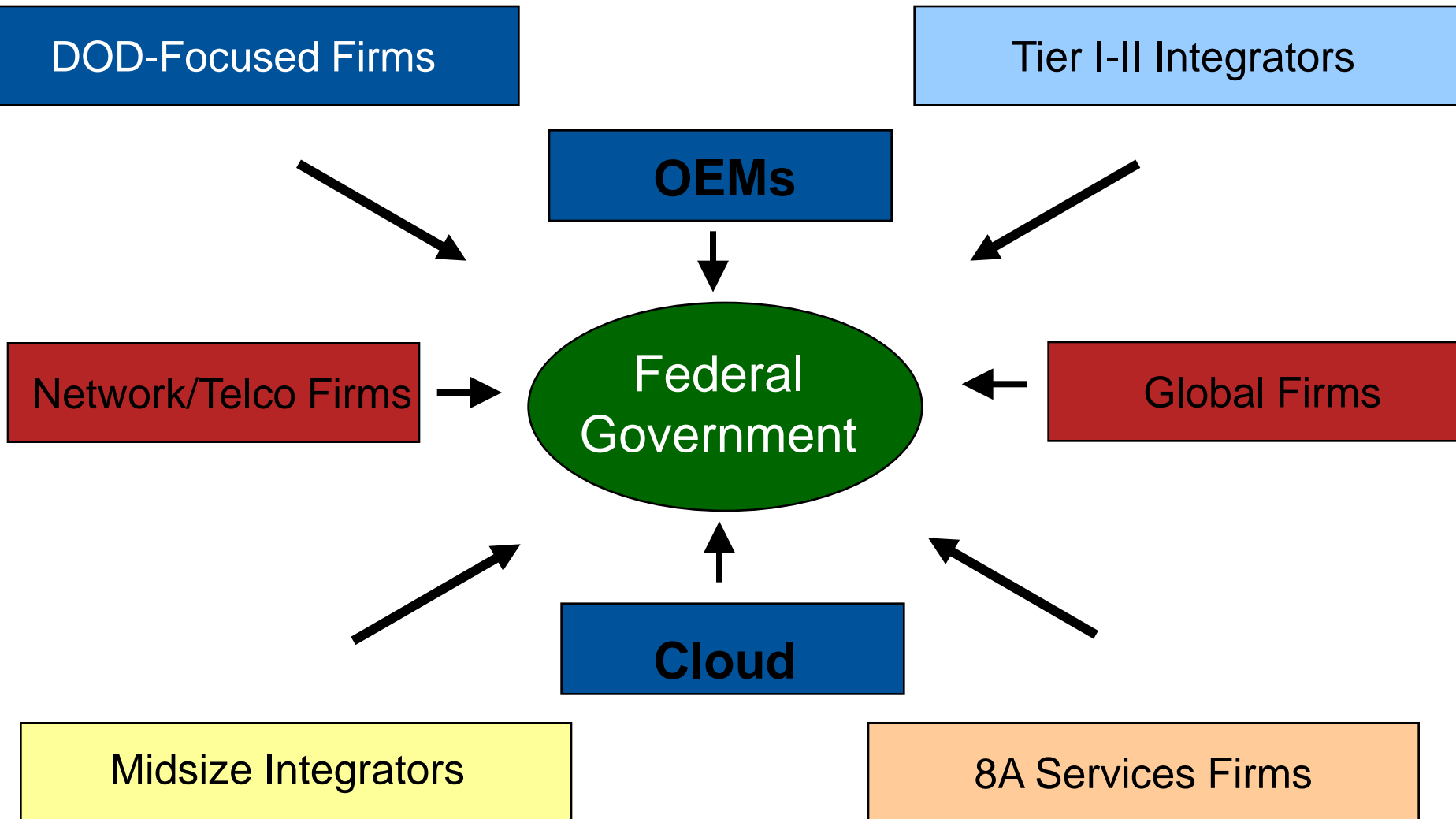
New Gartner Forecast Database

- ✓ Vertical Market Forecasts segmented across all major verticals and countries
 - Vertical Industries: Government, Banking, Manufacturing, Transportation, Retail, Communications, Insurance, Healthcare, Utilities, Education
 - Countries: 43 country level forecasts

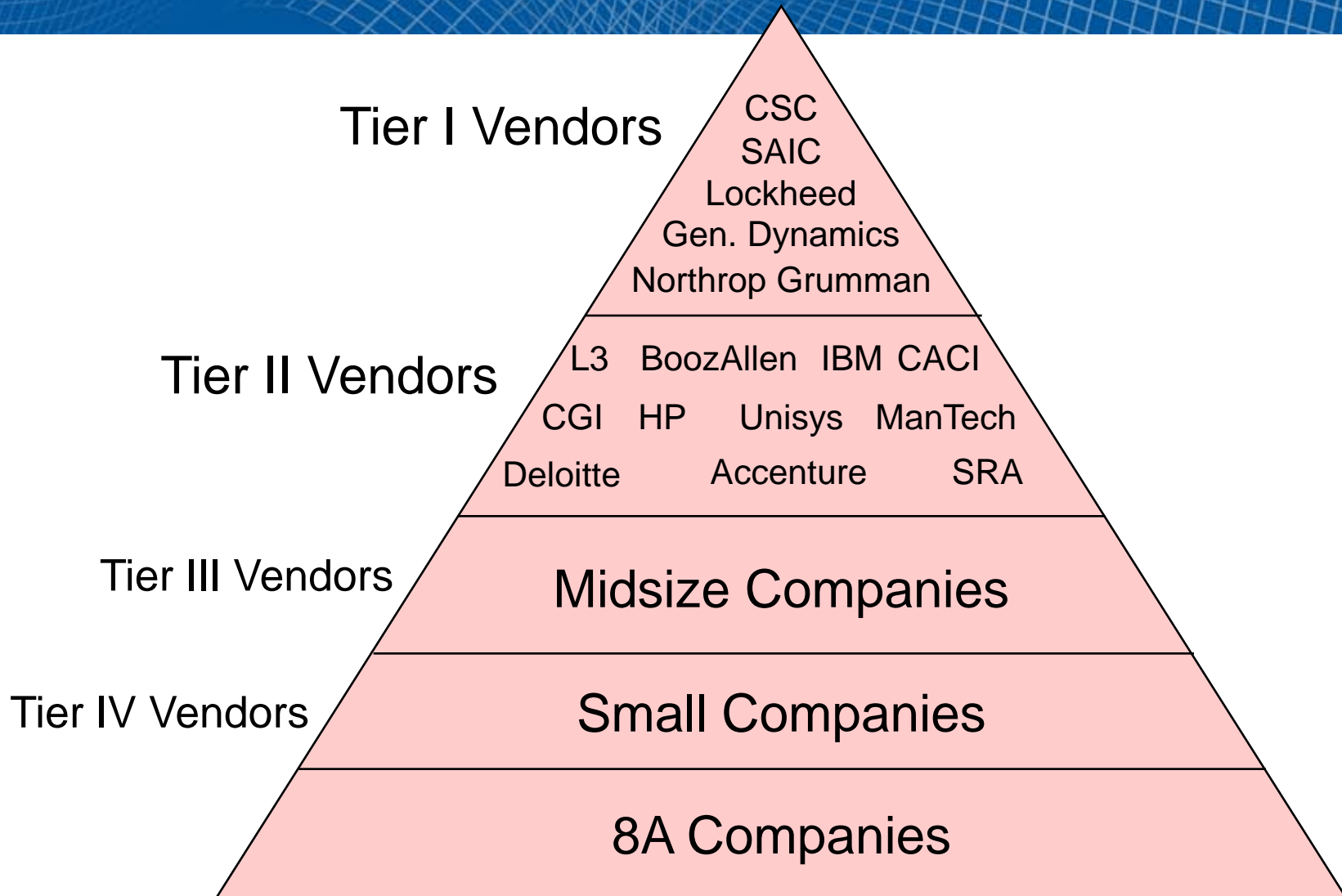
- ✓ Federal Government and State & Local Government forecasts now provide deeper budget component level break-outs:
 - Hardware categories: PC/Desktop, Server, Printer/MFP, Storage
 - Software categories: ERP/CRM/ SCM, Infrastructure, Vertical Specific Software
 - IT Services Categories: Consult, SI, ITO, BPO, HW Support, SW Support
 - Telecomm Categories: Telecomm Equipment and Telecomm Service
 - Internal Services: Government IT Personnel

- ✓ Publication & Refresh Cycles
 - Quarterly Publication (January, April, July, October)
 - Pushed via Forecast Pivot Table

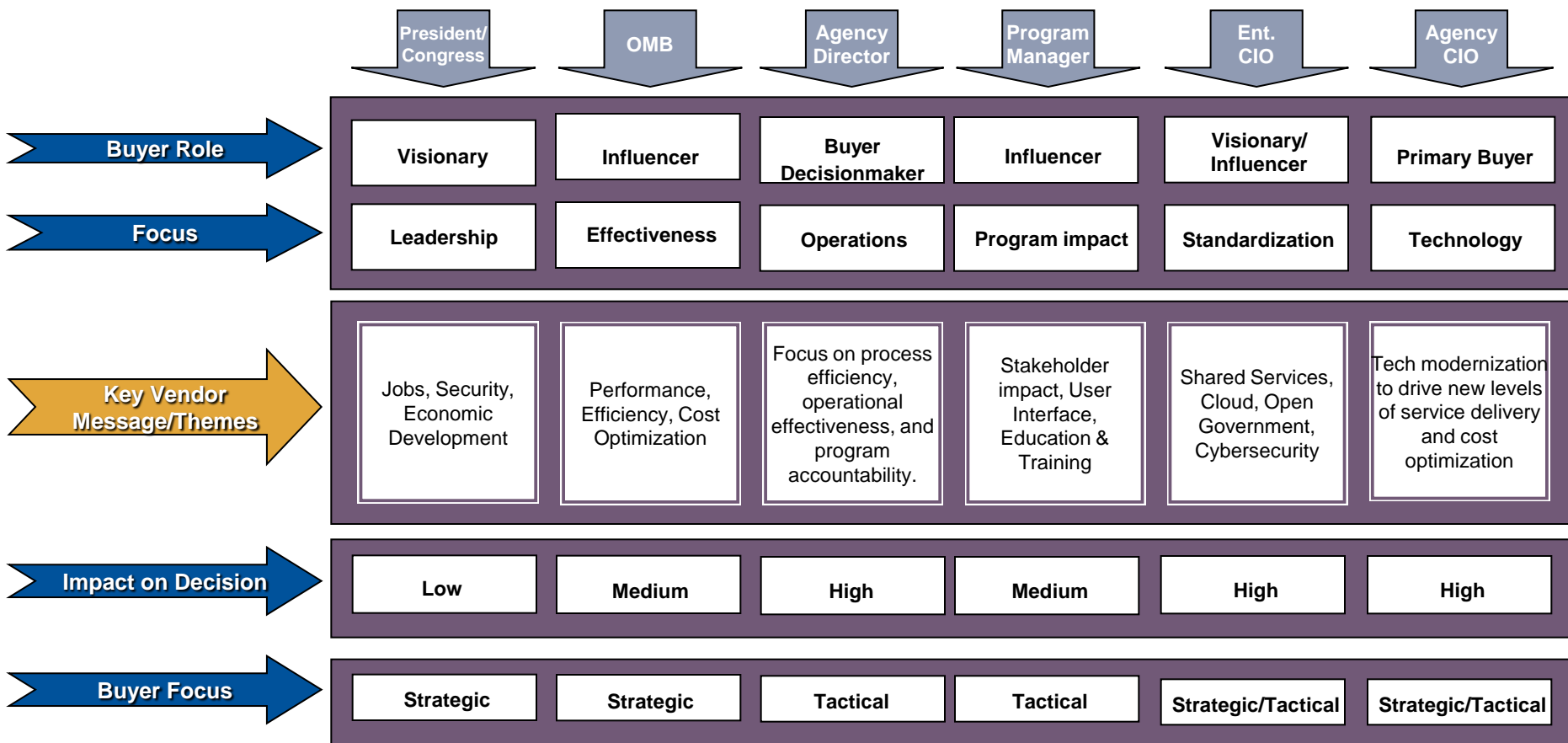
Federal: Traditional Vendor Landscape



Federal: Professional Services Landscape*



Federal: CXO Messaging



**Goal of messaging varies according to the role of the buyer.
Vendors must tailor messaging to the buyer's area of coverage and motivation.**

Federal: Key Influencers Map

University/FFRDC Research

Harvard-Kennedy School
 Brown University
 University of Michigan
 Carnegie Mellon (SEI)
 Aerospace Corporation
 Homeland Security Institute
 Mitre
 National Defence Research Inst.

Technology Reforms

Government Performance & Results Act
 Federal Acquisition Streamlining Act
 Clinger-Cohen (ITMRA)
 Federal Activities Inventory Reform Act
 Federal Acquisition Reform Act
 A-76

Govt. Organizations

Office of Management & Budget
 General Services Administration
 General Accounting Office
 CIO Technology Councils
 Acquisition Officer Councils
 Agency University Programs (eg DAU)

Government Decision Makers

Publications

Federal Business Opportunities
 Federal Computer Week
 Governing
 Government Executive
 Government Computer News
 Washington Technology

Industry Conferences

FOSE
 Gartner Symposium
 Innovation Nation

Research/Sourcing Firms

FSI/Deltek
 Forrester
 Gartner
 IDC Corp.
 Input
 Equaterra
 Gartner
 TPI

DHS: Representative Scorecard

DHS	IT Spending	Modernization Activity	Focus on Analytics	Company Match
DHS-Enterprise				
ICE				
CBP				
FEMA				
CIS				
OIG				
Secret Service				
TSA				
Coast Guard				
Other				

Source: Gartner Dataquest

Federal: Impact on Major Vendors

Now (<3 months)

- Leverage existing program opportunities
- Plan for budgetary pathways for clients in CR environment
- Focus on agency analytics

Short Term (<2 years)

- Accelerate focus on IT cost optimization initiatives
- Target Fraud/Waste/Abuse opportunities
- Pinpoint targeted agencies

Mid Term (>2 years)

- Focus on modular upgrades
- Align growing cloud utilization
- Reconsider partnerships as priorities, procurement, and tech models change



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