

# HOLLAND & KNIGHT CONSULTING

**H & K Strategic Business Solutions**

Transcript of  
Breakfast Seminar

*Breaking through  
the "Small Business" Barrier*

A Service of  
H&K Strategic Business Solutions

Ritz-Carlton Tysons  
July 11, 2002

H&K Strategic Business Solutions  
1600 Tysons Boulevard, Suite 700  
McLean, Virginia 22102  
(703) 720-8605  
[www.hkconsulting.com](http://www.hkconsulting.com)

HOLLAND & KNIGHT CONSULTING  
H&K STRATEGIC BUSINESS SOLUTIONS SEMINAR

“Breaking Through The Small Business Barrier”  
Ritz-Carlton  
McLean, Virginia  
Thursday, July 11, 2002  
8:00 – 10:00 a.m.

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## Biographies of Speakers

### **Rodney P. Hunt, President & CEO of RS Information Systems, Inc.**

Rodney P. Hunt is majority owner and co-founder of RS Information Systems, Inc., a mission-oriented business focused on information technology, engineering, and scientific services and solutions. Named 2002 Black Engineer of the Year, Mr. Hunt was selected by the U.S. Small Business Administration (SBA) as the 1999 "Small Business Person of the Year" for the District of Columbia and the Mid-Atlantic Region (Region 3 of the SBA). He also received the 1998 Ernst & Young Entrepreneur of the Year award for emerging high-technology companies and was a finalist for the KPMG high-technology award. In 2001, he received *New Vision* Magazine's first annual Technology Award, the award as Technology Entrepreneur of the Year from Minorities and Women in Business, and was named one of the 50 most important African Americans in Technology.

Since co-founding RSIS in 1992, Mr. Hunt has led the company through a period of uninterrupted growth, with a professional staff that now numbers 1200 and annual revenues that reached \$140 million in 2001. Last year, for the first time, RSIS was listed (62nd) among the largest 100 federal prime contractors for information technology services. The company is regularly ranked among the *Inc. 500* fast-growth technology companies nationally, and is counted annually as well as one of the largest and fastest-growing companies owned by an African American.

Mr. Hunt holds a dual bachelor of science degree in operations research and industrial engineering (ORIE) from Cornell and George Washington universities. He has 20 years of experience in systems engineering, information management and business development, including three years as marketing director of another small and disadvantaged information technology firm. He also was a senior associate for Booz, Allen Hamilton, where he led the Technical and Engineering Systems Group in support of government and commercial clients. As President and CEO, Mr. Hunt's primary focus and responsibilities are in the areas of business development, contracts, finance and administration. Under his guidance, RSIS has developed a culture of contributing time and money nationally to communities in which RSIS employees live and work.

### **James Kane, President and CEO of Federal Sources, Inc. (FSI).**

As CEO Jim is responsible for the overall direction of growth of FSI's business, and also works directly with clients to provide market analyses and insights for the growth of their businesses. Prior to joining FSI/Federal Sources in 2000, Jim served in a variety of management and marketing positions at GTE. He was Vice President - Business Solutions at GTE Information Systems where he was responsible for providing contemporary networking and web-based solutions to government and corporate clients. Earlier in his GTE career he served as Director of Government Marketing for GTE Spacenet, GTE's satellite communications.

Jim is a veteran of the Internet. During the 1980s, Jim held management, marketing and consulting positions at the Internet pioneer Bolt Beranek and Newman Inc (BBN), in Cambridge, Massachusetts. At BBN, Jim focused on wide-area data networks, distributed simulation networks, and consulting in the areas of communications, technology and public policy. Jim also has served as Assistant Secretary of Economic Affairs for the Commonwealth of Massachusetts, and Assistant Professor of Economics at the University of Massachusetts/Amherst. He holds his Ph.D. from the University of Pittsburgh, and his B.S. from LeMoyne College, Syracuse, NY.

### **Mary Dridi, Chief Financial Officer, Executive Vice President and Treasurer of webMethods.**

Mary Dridi joined webMethods in 1998 as the company's chief financial officer and serves as treasurer on the board of directors. Ms. Dridi is responsible for overseeing all of the company's finances. It was under Ms. Dridi's leadership in February 2000, that webMethods became a publicly traded company, with one of the most successful IPOs in high-tech history. Since taking the company public, Ms. Dridi has been at the forefront of transforming webMethods into a respected market leader of business integration software. Through Ms. Dridi's leadership, the company posted annual revenues for fiscal year 2002 of approximately \$200 million.

Prior to joining webMethods, Ms. Dridi was vice president of finance for SRA International, Inc., where she managed the company's growth from \$49 million to more than \$200 million during her seven-year tenure. Previously, at KPMG, Ms. Dridi provided audit and other business services to companies in a variety of industries and also consulted on several IPO initiatives and advised companies on the private placement of equity. Ms. Dridi is active in many local charities and organizations including her service on the selection committee for the March of Dimes' inaugural event "Heroines in Technology," co-sponsored by Women in Technology. Ms. Dridi holds a B.A. in Commerce and Accounting from the University of Virginia's McIntyre School of Commerce and is a Certified Public Accountant (CPA).

### **Linda Allan, Executive Vice President Strategic Programs of NCI, Inc.**

In this executive role, Ms. Allan is responsible for executing both internal and external activities focused on corporate business growth and corporate risk mitigation. Ms. Allan has been an Executive Vice President at NCI since 1991. She has been instrumental in leading NCI's rapid growth; her responsibilities included business operations management (P&L), business development and strategic planning, and the capture of business involving information technology and related management services.

Ms. Allan has more than 26 years of operational and senior corporate management performance ranging from research and development environments to engineering and information management environments for both public and private sector clients. Prior to joining NCI, Ms. Allan served with Automated Sciences Group, Inc. in the positions of Vice President of Corporate Programs, and Vice President and Senior Director of the Energy and Environment Group. Previous employer positions include senior management roles with the MAXIMA Corporation, Litton Bionetics, and the Microbiological Associates subsidiary of the Whittaker Corporation. Ms. Allan earned a B.S. in Biology and an M.S. in Biomedical Sciences, both from Hood College, Frederick, MD. Additional studies were at Georgetown University.

**MR. SCHELL:** It was very kind of everyone to come today. We are going to do the very best to make the best use of your time, including starting on time. We'll also be serving during the discussion and the speeches, so we want to make the best use of the effort and time as well for them.

We welcome you here today. Holland & Knight Consulting has sponsored this, its third in a series of breakfast seminars in the past year addressing the business problems of businesses. That is, the business problems of government contractors --not winning contracts and not performing contracts--but how to build value while you're having fun.

We have two sponsors with us here today, Beers & Cutler and Provident Bank. Dale Peck. Dale, are you sitting down? There's Dale Peck from Beers & Cutler. And Burwell Gunn of Provident Bank. I'd like to recognize and thank Burwell and Dale.

(Applause.)

**MR. SCHELL:** Holland & Knight Consulting, as I indicated, works on management solutions. We have a couple of our business and government contract team consultants here today, in addition to Jack Hughes.

I'd like to introduce—you don't have to clap for us. I'd like to introduce Bob Sturm. Bob, are you in the audience? Bob works with business development for government contractors. Doug Rodgers. Doug is in the back. Doug is in financial and operations. Is Chris Bennett here? Jim Ungerleider, Jim, I think you're here. There we are. We have a team of people all of which both have the schooling but also the experience to work with you and your companies.

This is, as I've indicated, our third seminar. At the first one we looked at building value. The second one looked at teaming and how to build your company and your business through teaming. Today we're looking at the drivers and the keys to building a company through the barrier to being a big company from an entrepreneurial company.

As part of our service today, on your seat—and our focus on substance and on what it takes to break that barrier, you found a self checkup. You're certainly welcome to do this in the privacy of your own home, but we invite you to fill it out and share it with us on a confidential basis.

The reason for that is we may be able to give you some recommendations. In fact, Jack and Bob and some of us have agreed, and it's an offer open here today, that if you would like to spend an hour with a group of our consultants going over your self-help questionnaire, please get in touch with Jack. His contact information is on the bottom. We will do it at your convenience. We think it's important to look at the whole range of issues that make businesses successful. If you fill it out while you're still there, or even return it later, we're going to have a drawing from those that respond for a—free-month service to Fed Sources, Inc. That will be the prize for filling out and turning in the questionnaire.

We urge you to give us any comments or reflections you have at the end of the day. And thank you very much for coming.

With that, I'd like to turn it over to our Government Contracts Team Leader and our new Principal Financial Consultant who will conduct today's program Jack Hughes. Jack?

**MR. HUGHES:** Good morning.

**THE AUDIENCE:** Good morning.

**MR. HUGHES:** Well, that was pretty good. One more time. Good morning.

**THE AUDIENCE:** Good morning.

**MR. HUGHES:** All right. I just wanted to make sure you all are awake this morning. We're going to have a terrific program, and we have just a wonderful group of panelists here with tremendous experience they're going to share with you in the program.

Before we get into the formal program itself, I'd like to do a couple of things. First of all, Catherine, would you ask Abby to step in for just a minute? There are two young women here who have worked tirelessly to pull all this together, Catherine Kaliniak and Abby Crouch, and I want you to recognize them and give them a very warm round of applause here as soon as—here she comes. There they are right there. There are the two that made all this happen.

(Applause.)

**MR. HUGHES:** Thank you both for all your work.

The second thing, as John said, we do have a couple of door prizes to give away this morning, and I want to draw the first one now. It is a free one month's subscription to Fed Sources with some training that goes along with that. And we're going to pull the first one now, and the second one we will pull I think on Friday, tomorrow, based on all of you who turn in your business checkup forms. We'll draw it from that group. So if Jim Kane would join me up here from Fed Sources, we'll draw the first winner. If I could read that, I could tell you who the winner is. Robert Jung, Intrepid Technology right back here.

(Applause.)

**MR. HUGHES:** Catherine, will we be in touch with him to coordinate all that? Great. Thank you very much.

All right. Let me give you a little backdrop on the seminar topic this morning before we start with our panel speakers. In our experience as consultants, we see a lot of companies, small, mid size and large, and we continue to see a repeating phenomenon.

As companies reach a certain level of success—and usually, it's in the \$20 to \$30-million revenue range—management is then confronted at that level with a new set of challenges. Some of the techniques, the methodologies, the things that they used to build the business to that level don't seem to work as well as they try to grow the company beyond that barrier, as we call it, to a \$50, \$100, \$150-million company.

In effect, in our view, they need to then transition at that level from what had been a traditional entrepreneurial kind of organization to a real managed organization, and that requires them to make some changes. It requires them to put in place some more rigorous processes, a stronger infrastructure, hire additional senior management people and begin to really flesh-out the organization so that it can scale and grow beyond that \$20 to \$30-million level.

We're going to talk about this morning, what I wanted to do is just give you some thoughts as we enter into the panel discussions about that barrier, and about what changes are required at that point in time. There are a couple things that come to mind. If I think about process, for example, for a lot of companies in their entrepreneurial stage, the founder does just about everything, including business development and managing the operations, et cetera.

But at a point in time, the processes have to really be instilled into the company and instituted as routine discipline processes. For example, from a business development perspective, do you have a pipeline review process in your company? Do you look at bids that you want to go after? Do you look at what is really a qualified lead that you should be chasing? Is there a disciplined process in place to look at all of that from a business development perspective?

If I think about infrastructure, a lot of companies when they're small use accounting systems like Quick Books. That works up to a certain level. Beyond that, you need to install a real accounting system. Sometimes you need to upgrade your HR system, as well, in order for the business to be able to scale to a \$50, \$75, \$100-million level.

If I think about strategy, do companies sitting at a smaller size have a written strategic plan, a three-year plan that outlines where the organic growth will come from and whether mergers and acquisitions will be part of their growth program and how the technology is changing and how that affects their growth, et cetera, et cetera.

With some of those thoughts in mind, we're going to explore more of those in detail this morning with each of the panel members. We've assembled a great group of people. They have tremendous experience, and they're going to share their insights and experience with you this morning on breaking through the small business barrier.

Our lead off speaker this morning is Jim Kane from Fed Sources, and I'm going to structure this so that each speaker will come up, spend 15 or 20 minutes talking about their area of expertise, and between each speaker, I will read a little bio on them so that you have some background on them, and then we'll do Q and A at the end of this.

So if I can, let me tell you a little bit about Jim, and then we'll get the panel started.

Jim is president and CEO of Fed Sources here in McLean, Virginia. Prior to going into FSI, Jim served in a variety of management and marketing positions at GTE, including vice president business solutions at GTE Information Systems and as director of government in marketing for GTE Spacenet.

During the 1980's, Jim held management, marketing and consulting positions at the internet pioneer Both, Berineck and Neaman where he focused on wide area data networks, distributed simulation networks and consulting. Jim has also served as assistant secretary of economic affairs for the Commonwealth of Massachusetts and assistant professor of economics at the University of Massachusetts, Amherst.

Jim holds his Ph.D from the University of Pittsburg and his BS from Le Moyne College in Syracuse, New York. Please welcome Jim Kane.

(Applause.)

**MR. KANE:** It's good to be here this morning and see so many familiar faces.

What I'm going to do is try to keep this to about 15 minutes is spend some time going through the federal market, but I really want to pick up on the point that Jack made in terms of those skills that you need to sort of grow your company.

So the bulk of the time I really want to spend on the federal business development basics and offer you some specific examples. So bear with me, I'm going to go through some material up front fairly quickly to provide a little bit of a framework but really try to focus most of my remarks in the fourth section.

Looking at Fed Sources, for those of you who don't know it, basically, we provide market intelligence to companies in the public sector information technology space. We do that through three primary ways. One is subscription services where you have access to online databases, secondly, through custom consulting, and third through our events.

Our internet services provide you with much of the sort of background data and core information that you need to support business development, such as Jim says, you know, picking up on the idea of a pipeline.

Well, what are the opportunities? What are the RFPs coming out on? Who just won recent awards at particular agencies? Give me a profile of the agencies. What is the budget at Justice? What are the strategic drivers at Department of Treasury? And we tailor that to provide you with a daily update on any particular agencies or opportunities.

Our consulting communication is we really work with companies in two general ways. Number one is I'm not in this market, and I want to sort of see some opportunity. How do I do that? And secondly, I'm in this market, but I want to compete more effectively. We work with companies in those two general ways.

So the federal IT market, one of the things that we find is that there are a lot of misconceptions about the federal IT market and that small businesses tend to shy away from it because they think this is just too hard to do, I got to sort of almost have a separate organization. That's not true anymore.

And what has happened is that the federal market over the last five years has become increasingly more commercial like in its nature. The reason it's become commercial like is there's been a whole series of legislative changes that started in the mid 1990's, and there's a time line of those changes. And I think the key thing is look at the title of those legislative changes as sort of like improvement, reforming, streamlining.

You know, the government recognized that the federal IT contracting was broken, and so these legislative changes through the 90's, it really laid the foundation where companies can come into the federal market space and operate and are much more commercial like.

Is it a one-to-one commercial mapping to federal? No, but it's only about a 10 to 15 percent difference. If you know that 10 to 15 percent difference of federal versus commercial, you're really well positioned for success.

Turning into what is this market all about, here is a quick overview of the federal IT budget. You see it's going to be increasing from expenditures about \$48 billion this year, up from 52.5 last year. We at Fed Sources estimate that that 52.5, while it's a budgetary estimate, spending will actually probably be

well into 53, probably about 53.5, pushing 54 billion next year.

The other trend you see here is that somewhat of an increase on the relative share of DOD, and this year it's sort of a little bit more weighted toward the civilian. Next year, it will be more favorably weighted toward DOD.

Here is the DOD spending by agency. You see that the four military services—well, three, the military branches together with the Defense Information System Agency. They account for about 80 percent of the IT spending. In the Department of Defense, you sort of see big increases going forward next year in all three services.

And one of the points we're making is that we're really operating on a wartime budget right now. As we look at defense outlays. There's a percentage of total government outlays, we're talking about 17 ½ up to about 19 ½ percent. Now the 2 percent shift in, you know, how we as a society sort of allocate resources, a fairly, fairly significant shift. So we're really turning into a wartime budget here in terms of DOD.

On the civilian side, we sort of see that the distribution is somewhat more uniform across the agencies. The big five agencies still account for about almost 60 percent of the budget, and you sort of see good increases in virtually all the agencies.

One of the case studies I'm going to use is Justice, which shows actually—budgetarily, Justice shows sort of a decrease next year. We don't believe that. One of the things that happens is this is the budget. When Congress does things to that budget when it goes through the incorporation process, we anticipate that we'll see actually increases at Justice next year.

Let's now sort of go into the business basics here. And the point we make is that, you know, the federal IT market is sort of like bonds in your retirement portfolio. It's not real exciting, but, you know, it grows from year to year, and the customer pays every month, and so this is good business to have.

So how we approach business development, okay. Let's start with this framework: The first thing we have to realize is what is it that's going to be driving your business.

First of all is what are those budget priorities? Where is the spending coming from those federal agencies? Secondly, what are the market drivers? You know, we hear a lot about, you know, homeland defense, information security, enterprise architecture. How significant are those for your business?

And then thirdly, what are the upcoming RFPs that we have? We turn to Jack's point. Where is your pipeline? Once you have that—and that is really sort of putting those external factors together with your internal situation in looking at your company in terms of what are the vertical markets—where is the expertise you've got? What's your current customer base?

We talked about earlier, the earlier breakfast we had in terms of partners. Who are your partners? What are the assets that you've got to work with in terms of your teammates? What are the skill sets of your employees?

And so they're really sort of putting those external factors of upcoming RFPs, market drivers, budget priorities together with your own internal framework, and this sort of provides the framework for the type of strategic plan that Jack has referred to.

The challenge is then to filter that, and the consulting role here is what are the appropriate criteria for you to filter those internal and external factors. What is your company's strategy? What are the competitive threats to you? Where are the markets you're playing in and what are your competitors doing in that market?

And it's really through that type of planning and analysis process that you're really able to target the agencies and the specific opportunities to go forward. So this I will share with you a sort of a general framework to approach both capital business planning as well as the framework to sort of begin to develop the type of three-year strategic plan that Jack referred to.

Now that's the framework. Let me give you an example of types of research and analysis that can support that type of framework.

The first is what's the budget? Well, here's the sort of analysis that we would prepare in terms of the Department of Justice, and you see their IT budget, and you sort of see that supposedly it's going to go down in 2003, but we really don't believe that.

One of the other ways to look at it is also on the upper right-hand side is how much of the agency's budget is going to go toward development modernization and enhancement? How much of it is going to be allocated to sort of stay safe? And you see Justice next year is budgeting about 43 percent of IT spending for development modernization.

On average, civilian agencies spend about 35 percent on development and modernization. So this immediately gives you a clue that Justice is sort of above average in the sense of the types of new initiatives that are going to come out of the Department of Justice.

If you look to the lower left, what part of their budget is going into sort of the infrastructure of the agency, and what part of it is going to very specific missionary areas? And you sort of see here that they're spending a little bit more on average in terms of their infrastructure, but a lot of that is in terms of the network upgrades that Justice is doing.

And then finally, in the lower left, you see the actual spending on some of the missionaries, and you see the biggest area where they're going to be spending on the missionary area is by in terms of immigration and border control.

So that's sort of a budgetary analysis that is available from companies like ourselves that sort of helps you sort of figure out what those budget trends are doing.

You know, in terms of market drivers, it's understanding priorities of that agency. So here is the synthesis. And the point here is, you know, this is going through the Justice strategic plan for 2001 to 2006, the performance report for 2002 and revised performance plan for FY 2003.

What I did yesterday afternoon was simply go to one of our online databases and just draw down, you know, what are we tracking in terms of drivers, and we had like about 16, and I just sort of condensed it here.

But again, the point here is looking at what's important for those agencies and taking that match between what's important to the agency and how that maxed into the capabilities, the customer base of your individual company.

And then finally, you know, Jack talked about a specific pipeline. Well, here is an example in terms of again, I just went to the database and said, you know, give me some of the big opportunities that are coming out of Justice over the next couple years and started from RFPs that are going to be due in August of 2002 up to one that's not going to be released until November of 2004. But you sort of see the types of major opportunities that Justice is coming out with, how it's distributed across INS versus Justice, Main Justice versus FBI.

And so those are three examples of again taking that framework, being able to sort of say where is the budget, where are the upcoming RFPs, and what are the specific policy drivers and technology initiatives that are driving behavior at that agency? And it's how you sort of put those external factors together with your own internal capabilities that really gives you the basis of where to focus your company.

Now I wouldn't be doing my job if I didn't also talk about homeland security, and here's another example. And again, it's been matched perfectly into that idea can you figure out what the drivers are here.

Peculiarity in homeland security is right now a lot of the drivers are political and legislative more than technology, and the budget—you know, the budget is significant, and we'll probably see a little bit more put forth.

Here's an example of the budget, and this is our breakout of what is going to be spent on homeland security just for information technology. In the current year '02, the homeland security budget is approximately \$40 billion. Next year it's going to be about \$38 billion.

But we've broken out all the information technology components of that \$40 and \$38 billion overall homeland security budget, and you sort of see that in Year '02, IT spending is going to be about one-and-a-half billion dollars for IT spending in homeland security. Next year, it's going to go about two-and-a-half. So it's going to be about a billion-dollar increase in IT spending for homeland security.

The significant point here, though, is if you look in between the dark color and the lighter color—since I'm color blind and I think it's red and green, but I get these things screwed up. So the top color, what you see is what is sort of being spent at the federal level versus what of that information technology

is going to be spent at the state level, and you see about a billion dollars is going to be spent. You're going to see about a billion-dollar increase in IT spending for homeland security at the state and local level next year.

We think a lot of that is actually going to flow through the state capitols themselves and get down to the first-line responders. So again, that's an example of how to use publicly available information to sort of figure out where government is going to be spending its money.

This is a major area of growth. We at Fed Sources have put together a homeland security guide where we have organized all this information. It's available at our web site, [fedsources.com](http://fedsources.com), and I think we've actually got a copy of it out in the lobby if you want to take a look at it.

So how do you start to put this all together? Here is a representative checklist. You know, again, picking up on Jack's point that the skills that maybe got you through the last five years may not get you through the next five years.

If your business development team comes to you in your role, what are the sorts of questions that they better be able to answer, and what are the representative questions that you should be asking that team before you allocate some bid proposal money to them? Here is a checklist that I share with you.

You know, what's driving this? Is there some compelling event? You know, 9/11 was a pretty compelling event for a lot of expenditures. Is this a good fit to my business? Is there funding? Can somebody sort of come into that and say I want the Department of Justice budget. Here is the line item of Border and Immigration Control, and this project is going to be funded out of that line item.

You know, what's your competitive position? This may be a great opportunity, but you may find the Department of Justice is—you know, allocates, you know, 90 percent of its money to these particular 10 contractors.

You know, if you've done your research or if your proposal team has done its research to be available to verify that you have sort of a snowball's chance in hell versus the contract awards of that agency.

And do you know who is making the decision? Who are the decision makers? Who are the decision influencers? And finally is with among those influencers and decisions makers is there an internal champion who is favorably disposed to your company, that knows your company?

So I will offer that this is sort of a minimal checklist to sort of free up bid and proposal money to go ahead on a specific opportunity in your company.

Where are the hot opportunities right now? E government, outsourcing and information assurance are really the top three that we're tracking, but we're also sharing with you some of the other areas where through our analysis of our database and the opportunities that we're tracking here are some of the trends.

You sort of see a lot the first three interims of enterprising, knowledge management, content management. A lot of that is originated for the current initiatives, the sharing information. Webbing enablement and portals are sort of coming along, which is nationally driving. Server consolidation, that sort of is playing into a lot of things in terms of data mining and data storage. Continuity of operations again is something that's sort of coming along as a result of 9/11. So there's a quick synthesis of some of the hot areas that we're seeing right now.

Where are the winners here? What we find in working with our clients is many folks sort of look at this federal market. There are lots of new entrants but not necessarily lots of big winners.

But the folks that do it right are the ones that have the patience and perseverance. I underscore the point, one of the themes this morning, is that there is no substitute for sort of doing your homework, doing that analysis, being able to sort of know where budgets are, where technology trends are, where the specific opportunities are.

And I really emphasize this whole point of building relationships, both building relationships with the customer agency itself and also building very strong partner relationships. The nature of procurements right now, if you look at most opportunities, is that there are very few opportunities out there, particularly the larger ones that any single company can do. And so the partnerships here in this industry are increasingly important.

The folks that we see fail in this market are the ones that are unwilling to invest, and they're really

just sort of out there peddling their technology. They really don't understand what that customer wants.

It's the idea that—I marvel that what seems to be sort of like first principal. I hear back from our government friends that, you know, Jim, somebody came into my office, and they just sort of talked about what they had to sell, and they never understood what my problem was. And you sort of think that that's just so basic, but I can't tell you in the nature of our conversations we've had with FSI sources how many times that comes through.

And the other point is having presence near the customer is not necessarily here in Washington, but wherever that end-user customer is, whether it's, you know, an Army base or a regional office of some federal civilian agencies.

Elements of success, research, market penetration, and then once you're on the job, communicate, communicate, communicate and just build and strengthen that partnership.

So thank you for your time, and I'd be happy to answer your questions.

(Applause.)

**MR. HUGHES:** If you would, hold your questions until the end, and we'll address them to the entire panel.

Jim, thank you very much. That was exactly what we were looking for in terms of the market, and the current landscape and what tools are available for you to use to help you with your business development.

With the backdrop that Jim has laid out, our next speaker is a veteran in business development. Linda Allan is our next guest speaker from NCI. Let me tell you a little bit about her and then ask her to come up and drill down into this a bit and give you her perspective from the business development side as to how you break the small business barrier.

As executive vice president in strategic programs at NCI, Inc., Linda is responsible for executive both internal and external activities focussed on corporate business growth and corporate risk mitigation.

Linda has been an executive vice president at NCI since 1991. She has been instrumental in leading NCI's rapid growth. Her responsibilities include business operations management and business development and strategic planning and a capture of business involving information Pecknology and related management services.

Linda has more than 26 years of operational and senior corporate management performance for both public and private sector clients. Prior to joining NCI, Linda served with Automated Sciences Group, Inc. in positions of Vice President of Corporate Programs and Vice President and Senior Director of the Energy and Environment Group.

Previous employer organizations include a senior management role with the Maxima Corporation, Litten Bioethics and a microbiological associates subsidiary of the Witter Corporation. That's a mouthful.

Linda earned a BS in biology and a MS in biomedical sciences both from Cooke College. Her additional studies were at Georgetown University.

Please welcome Linda Allan.

(Applause.)

**MS. ALLAN:** Good morning. I'd like to make this section of the panel a little bit more personal.

As an entrepreneur, you start a company with a vision, with drive, focus, and you tend to maintain a lot of control and a firm grip on all of the operations. One of the barriers to success and breaking through the small business is learning how to change your grip. And grip for me stands for growth, reinvestment, institutionalization and people.

As we start out with a vision, trying to pursue the growth in the elements that we're trying to achieve in the marketplace, we tend to hire people who are hunters. Everyone is a hunter because you need to develop the business. You need the revenue generation to fuel the corporation.

At a certain stage in the development process—and I would say \$20 to \$25 million is a good break point. Some of you in this room may be facing that today. What you find out is that you as the

entrepreneur cannot be in all places at all times. You can't exercise the kind of control when people aren't doing things quite the way that you would do them yourselves.

So to grow now at a 30 percent growth rate is a little bit difficult. It's a lot harder. When you're a small business, you get rewarded for growth, and everyone looks at your growth numbers. When you're a large, large business, people look at revenue and profitability. So how do you make that switch?

The entrepreneur needs to step back to start to look at how they're going to achieve that growth. You need to employ tools such as Jim spoke of, but more importantly, you need to have people around you that know how to utilize those tools.

You yourself can no longer be in all places at all times. So to make it really personal to all of the entrepreneurs in the audience, and I've made it personal to myself, we ourselves can be the barrier to success.

You surround yourself with professionals who have been there and who have done it before, and those people will know how to employ the tools and will know how to reach out and get the additional resources that you need to feel that growth.

The money you get from the growth is a temptation to put it all back into new business, marketing, and sales. That's a mistake. You certainly take a portion of your growth dollars and put them back into marketing and sales, but you need to look at the next point of reinvestment, and that's reinvestment in infrastructure.

Jack spoke about accounting systems, a systems for human resources, systems for recruiting. And then quite frankly, if you're in the professional services business and you're not paying attention to putting in resources for recruiting, you will end up not generating the revenue because you'll have a lot of open positions that you can't fill. So that reinvestment is the next step.

The institutionalization, the entrepreneur knows where they want to go. They know how to get there if they could do it all by themselves, but that's not the case.

What you have to do is to take the knowledge that you have and then institutionalize it so that as the company starts to grow rapidly, you're not revisiting ground over and over and over again.

So first of all, you take the money. You invest it in your growth strategies. Secondly, you put money into your infrastructure. You hire services so that you can have the research. You hire people that can do the research.

And then the next set of infrastructure you need has to go to your HR and your financial groups. In the financial groups, you better not think just general accountant. You better think of competitive assessment. People who know numbers but who know numbers from a different point of view, people who can do competitive pricing who know what your competitors are bidding on jobs, who can create pricing models that allow you to know what your true investment is going to be, that is a key.

The last element is people, but it is by no means the least important. If we assume that what we all have to bring to any engagement is our own work experience and our own exposure, and if each entrepreneur in the room takes a really hard look at their own backgrounds and experience and does a gap analysis against what they need to be successful and what they have to bring to the party, then the need to reach out and surround yourself with people who have experience, exposure and expertise that you yourself do not have becomes critical.

As a small business, you'll face a challenge on attracting those people because you're going to be competing with the larger businesses. But if you don't get them, you can have all of the best processes in the world. You can spend the money for research services, which you definitely need, but you won't be able to execute those.

So I'm making this very, very personal to all of the entrepreneurs in the room having been through it on more than one occasion.

I think the critical break points are at the \$25 million level. Going from \$25 million to \$50 million creates a different way of looking at things.

I think we've all seen puppies and we've seen big paws and say okay, the dog is going to be so large because it's going to grow into its size. But when working with an organization, relying on my biology background here for an analogy, it's more like a larva transforming itself into a butterfly, and that is the

type of dramatic change that you need to keep in front of you and keep in your mind as you go forward.

You cannot do things—you cannot execute the same way you used to execute. You need to learn and take from the large corporations their models, and I'll give you a couple of quick examples.

We spoke about a pipeline. We spoke about people coming to you asking for you for BNP. Well, you're not going to have the time to be involved in all of those engagements. Because if you were, you would not be doing the other things that you need to be doing as a CEO. So what you need is an infrastructure. A typical business development infrastructure would have sales and marketing, front end, would have a capture component, would have a proposal component, and pricing people are aligned usually from the finance group to that pricing through that proposal component.

It's the sales and marketing people who are out front using the information that the market research group has gathered using the tools like Federal Sources to develop a pipeline. Okay. That pipeline gets scrubbed. It gets scrubbed by your sales and marketing people. They should not even bring anything to you for consideration until they've answered a whole series of questions that you have institutionalized, okay, institutionalized based on your focus, your goals for revenue growth, your goals for positioning in the marketplace.

Through a series of reviews, you will very quickly add discipline to the process. Everyone will know that they just can't come and get money to bid on any opportunity without really going through a rigorous scrub. Once that occurs, you'll find that the people in the process will step up and will get the information that you need to make critical BNP resource decisions.

But do you really want to be dependent on one data point? Do you really want to spend \$350,000 or \$400,000 on a bid with a single data point? I don't think so.

So if you have a capture process, and you align a different group of people with the sales and marketing people that at some point get inserted it into the capture of the target program, you have another set of eyes, another set of ears, usually very senior eyes and ears, to be able to validate and verify that everything that you're being told and being presented is true.

It's not that you're trying to catch someone doing something wrong. What you're trying to do is to gather the best information possible. Because it's my experience that people with the most information and the best information usually end up winning the contract.

And then you have to have a proposal department that can take the technical solutions that you're proposing and translate it into something that can be understood by the government senior or government people who are reading these proposals, and that in itself is an art form, and again, I'll go back to something that Jim said.

Responding to an RFP without knowing the customer, without really knowing the account, and when you get large enough to have an account focus, you'll dedicate resources so that you've got two or three people who do nothing but follow one account like Justice.

Without knowing that customer and without them knowing you personally, you may believe you can bid on something, but if the customer doesn't know you before you submit that proposal and if you haven't engaged them in dialogue and if you haven't tried your solutions on them, then quite frankly, you're spending a lot of money, and you're most likely going to end up not winning the contract. Okay.

Processes can't do that for you, but the process can help get you there, but again, it's the people who execute that and the knowledge that they bring and the relationships that they establish in the marketplace that creates the presence for you as a company bidding into that market.

So I think that all of us try to grow in the way that we normally are used to growing and you run harder. You run faster, but there just aren't enough hours in the day for you to do that. So you have to specialize.

So if you're starting out as a general practitioner and you're starting a medical practice, pretty soon you're going to have people who are internists, people who are cardiologists. You need to think about this business in the same way.

The other thing that can be barrier for an entrepreneur in this environment, especially in the business development area, is delegation. There's tendency not to delegate, and it's very critical that you pick your go-to people and that you delegate both the responsibility and the authority to those people to execute in

the marketplace.

Now how much of a pipeline do you have to have to realistically fuel growth? Well, if you have a billion dollars in your pipeline and 20 percent of it shifts to the right into another fiscal year, you really can't provide bookings in your current fiscal year. That's gone. But another 20 percent gets canceled or for some reason there's an additional delay, that may be gone.

The dollars that you have entering the top of your funnel have to be of such a magnitude that if you are good enough to compete in the marketplace with the 30 percent win rate across the board on everything that you bid, you'll be lucky. You'll be lucky if you achieve \$300,000 or \$300 million out of that billion-dollar pipeline.

So the growth factor here has to be on the size of the procurements that you're pursuing. If you continue to pursue procurements that are \$10 or \$20 million, just imagine the resources it chews up to go after that many procurements if you really need to book in any fiscal year a \$300 million number.

And I use that number. It may seem very large to you, but if you're going to survive and compete in the IT arena and the federal arena, those are the kinds of target numbers you need to be looking at. And it's okay to fall a little short, but if you never set the target high and you never strive to reach that target, then that's a limiting factor to your growth.

My sense is that your companies are filled with people who will follow your lead, and those people will follow your lead better if you invest in them and give them the authority and the responsibility to execute. And that is difficult for the typical entrepreneur to do because you're used to keeping a very tight control and a very tight grip.

Now how do you bring all of these factors together? You bring these factors together in what Jack mentioned very early on, and that's a strategic plan.

If you as the leader of the corporation know where you want to go and you're using the best counsel of your key people and you spend the money for the research tools, then what you do is you create your strategic plan and vision, and you commit it to paper.

And I'm not talking about a plan or a vision that takes up, you know, hundreds of pages that sits on a shelf. I'm talking about a 10-page document that basically lays out in a three-year window where you want to go, what your targets are.

Because the larger the target—and you saw some of the programs that Jim had up here. They were hundreds of millions of dollars, and you have to position for those as a small and a medium-sized company the same way as the large corporations have to position for them, which means time way out in front, 18 months easily for these programs.

So the situation becomes one of what can you afford to do, one of focus, and if you don't have a plan and you don't keep that plan constantly in front of yourselves and your key people, it's very easy to get tempted to pursue side tracks and smaller bids, and when you do that, you lose your focus if you don't achieve your growth goals.

So grip is very important. You've got to think of it differently. Growth, growth is good. Growth gives you the revenue to fuel the reinvestment of the corporation. Reinvestment has to be an infrastructure because if you have the growth and you don't build the infrastructure, the house will collapse.

Institutionalization, institutionalization is your key business processes, and if you can do that early on, it's easier than retrofitting it later. And if you're lucky enough to do it early on and you actually get everyone operating to this, you'll find out that you'll have a large increase in efficiency in your internal operations, and you'll actually have more money to spend in that front-end marketing, which is so critical.

And the people issue, again, there's a culture. You've established a culture for your companies. You don't have to change that. Okay. It's how you execute within that culture whatever values you've established. For us at NCI, it's total commitment to our customers' success, and we've never waived from that. How we do that, how we achieve that may be different.

One last thing I want to speak to you on. I have seen many companies go back and forth between centralized business development and decentralized business development. Both models can work.

Okay. But when you're a certain size, I would say the centralized model from a small company up through I'd say maybe 200, 250 million is probably the best way to go to capitalize on your resources.

When you start to have operational groups, which are about \$100 million, \$75 to \$80, and you start to think about them as the owner as a little company and you know that the leadership of those little companies are quite capable of handling the authority and responsibility that you've delegated to them, then you can start to think about delegating some additional resources to them to foster what we call organic growth.

So it is a daunting challenge and don't let anyone tell you it isn't. And the reason why you have to focus on grip but you have to have people within your organization really execute rather than you execute is because you have to keep your eye outside of the company because that's where the marketplace is and that marketplace can change very quickly.

So if you focus yourself totally internally, you won't be known in the marketplace as the owner and the CEO, which will impact your ability to team, which you will need to do, and you won't know what's going on in the marketplace, which will impact your ability as the leader of the company to insert what you believe the future is based on what you see in the marketplace and what your strengths and skills of your corporation, what that is. And there's no way you can develop a strategic plan if you don't know where the marketplace is going.

I commend all of you for stepping out on a limb and being entrepreneurs, and with the right tools and right discipline, you too can become a CSC and an EDS. Just don't try to use these creative financial accounting practices. Thank you very much.

(Applause.)

**MR. HUGHES:** I have one word, wow. Yeah. Did you hear the wisdom in her years of experience? Did you hear it? It was outstanding. Thank you, Linda, and we're just getting rolling.

Our next special guest speaker is Mary Dridi. Mary is going to talk to us about breaking the small business barrier from a financial perspective as well as from a general business perspective. Let me tell you a little bit about Mary's background.

Mary joined Web Methods in 1998 as the company's chief financial officer and serves today as the executive vice president and treasurer. Mary is responsible for overseeing all of the company's finances.

It was under Mary's leadership in February of 2000 that Web Methods became a publicly traded company with one of the most successful IPOs in high-tech history.

Since taking the company public, Mary has been at the forefront of transforming Web Methods into a respected market leader of business integration software. Through Mary's leadership, the company posted annual revenues for fiscal year 2002 of approximately \$200 million.

Prior to joining Web Methods, Mary was vice president of finance for SRA International where she managed the company's growth from \$49 million to more than \$200 million over seven years.

Previously at KPMG, Mary provided audit and other business services to companies in a variety of industries. Mary holds a BA in commerce and accounting from the University of Virginia's McIntyre School of Commerce and is a certified public accountant. And by the way, she's also the Greater Washington CFO of the year. Please welcome Mary Dridi.

(Applause.)

**MS. DRIDI:** NOT AVAILABLE

(Applause.)

**MR. HUGHES:** We are clearly building to a crescendo here. Mary, thank you so much for that insight. That was absolutely terrific.

Our next speaker and keynote speaker for this morning is Rodney Hunt, and clearly, Rodney, the pressure is on. I know you're up to it.

Let me tell you a little bit about Rodney's background. Rodney is the founder, president and CEO of RS Information Systems, a high technology information and engineering systems company based in McLean, Virginia.

He has more than 18 years of experience in systems engineering, information management and business development. Rodney has led the development of RSIS over the last eight years from two employees to more than 1,200 professionals supporting more than 80 customers at its headquarters and 25 customer site locations.

The revenues have grown from approximately \$60,000 in 1992 to more than \$140 million in 2000, and they have a funded backlog in excess of 450 million over the next 10 years.

His prior work experience includes five years with Booze-Allen & Hamilton. Rodney attended Cornell and George Washington Universities and holds a dual bachelor of science degree in operations research and industrial engineering. Rodney is also very active in our local community.

Both Rodney himself and the company have won a number of prestigious awards, including being ranked as number 326 in the DeLoitte & Touche Technology fast 500 program, being ranked by Washington Technology as 9<sup>th</sup> on their top 50 ratings for 2000, and RSIS is now recognized as the number one African American owned technology company in the Greater Metropolitan area.

Rodney has been recognized as the small business person of the year for 1999 by SBA, and in the coming months, he will also receive the black engineer of the year award in the entrepreneur category and accept the American Business Ethics Award from the Society of Financial Service Professionals on behalf of RSIS.

These accomplishments are truly remarkable when you consider the fact that the company has only been in business eight years. Please welcome Rodney Hunt.

(Applause.)

**MR. HUNT:** Thank you. Well, I want to thank you, Jack, for that nice introduction. It's actually very humbling but inspiring to be here in front of all of you all.

I want to first give some accolades to Holland & Knight for putting together these seminars. By the mere fact that you all are here tells me that you're interested in going to the next level.

By virtue of the fact that you are all entrepreneurs or involved in entrepreneurial endeavors tells me that you understand risk, and one of the things that I'd like to share with you all is the importance of business success and the fundamental things that I believe are necessary to help you break through those barriers.

Let me first tell you a little bit more about RSIS, and then I'll launch right in. The company—when we started the company back in '92, we had a plan. My plan was really I think very, very simple. I saw kind of a void in the marketplace, and that void in the marketplace was just finding that there were a lot of good small businesses 8A companies, minority and women owned business that were playing the name that tune game.

I'm the customer and you want to get your work done, I can do that job for you in 10 notes, and those 10 notes meant 10 bodies. Well, we want 12 more. Okay. That's great, we'll give you 12 more, but we're not really interested in your mission or the advancement of your mission.

Then there were the large companies, the big consulting firms, one of which I worked for, that would do outstanding consulting work and give you great studies and then leave you a big paperweight that said good luck implementing it.

So when we started RSIS, we said let's find a way to infuse Information Technology, science and engineering into the government space to make organizations more effective and more efficient with the idea of being results oriented, performance based and ensuring that we provided sustainable results and advantage to advance the mission of our customers. Not that difficult, not really innovative but refreshing to our customers.

That led us to what Jack mentioned of two people, myself and Scott Amey, that's what the R and the S stand for, Rodney and Scott. We couldn't think of any great names. So we were on a first name basis with our customers literally, and I think they liked that as well.

But the two of us just put our noses to the grindstone and we decided that we were going to come up with several things that would try to differentiate ourselves from the market.

The company has never strayed from its core competencies, and that's one of the things I think I'd

like to mention first. It's very important, and it's a vision. The vision that we came up with and the vision that we impart and that we push down in our organization is based on being successful, based on performance excellence, based on persistence and reputation and consideration for what it takes to help advance a mission.

And to that end, culture is a big part of vision. From my perspective, you are all visionaries because being an entrepreneur means that you have to be somewhat visionary. It's said that in order to discover new horizons you can't be afraid to leave the shore.

And I think what's critical about that vision is that you've got to look not at today, not at tomorrow but three years from now, five years from now, ten years from now and understand what is important about your competition, the marketplace, the customers that you serve, the capabilities of your staff, the capability and capacity of your company and understand that there are levels and barriers. That takes planning.

In planning, we look at four things at RSIS. We look at strengths, weaknesses, opportunities and threats, and my good friend Ron Trowbridge who is here today is our vice president of—corporate vice president for business development, introduced me to that methodology approach many years ago and it's really worked for us.

Every day we come to work, we tell each of our executives and senior managers to put on their board or on their computer the top ten things that they need to accomplish in the near term, and then they have another list of ten for the midterm and ten for the long term. Every day when you come in, you're focused on what it is that you need to achieve.

In each of those things, we look at what are our strengths, what are those weaknesses. Those strengths are those things that we think set us apart. The weaknesses is where can we improve, where should we strive.

The opportunity at hand is this within our core competency and will this help this company reach the next level and will it lead to some other sustainable business and other vertical markets. The threats of course are what's going to impair us or hinder us in achieving the ultimate goal. So planning is critical.

But back to the core competencies, too many small businesses from my perspective try to reach out and be the be all and end all to everybody. It may not seem that business comes as quickly as you want, but if you focus on your core competencies, there's a reason that you establish those core competencies. Maybe you saw a void in the marketplace. Perhaps that's your expertise. Perhaps you're just supporting an agency that you understand and know.

All of those are acceptable reasons for establishing those core competencies, but don't try to—if you're in science and engineering support, don't try to reach out and say I'm going to get into janitorial services because I'm up and so I'll be able to go out and do some other things. Believe me, your customers will come to you with things outside of your core competency to help you establish that base, so you don't have to search for those things.

Performance is key. In fact, at our company, we say performance is king. And early on before there was performance-based contracting, RS Information Systems looked at performance-based contracts, and we subscribe to that.

We actually have stretched that and extended that to performance-based employment. Every employee at RSIS has a set of matrix, and what we do is we look at our vision, our mission, our customers' needs and we push those things down to the lowest level of the organization. You must have buy in with your senior executives.

It does me no good and it will do you all no good as leaders of the organization to have a vision but you don't have buy in or worse yet understanding from your senior management team. Because when we were a two-person company, it was easy for Scott and I to know our vision. We sat in the same office for two years. So when we got to be 20 people, it became a little more difficult. At 100, 200, 500, it's very difficult to reach out and touch each and every individual.

I know that you heard Linda and Mary talk about the importance of the people, and that truly is important because the thing that makes a successful business, especially in the professional services area, is people. And people are truly—what we sell every day. We don't sell widgets. We don't sell tires. We

don't sell computers. What we sell is the intellectual and the institutional knowledge of the assets that we have, and our fundamental asset is people.

So in looking at the performance side of the house, you must not only establish performance matrix for the individuals to succeed that are rolled into your company's goals and objectives, but it's critical that you evaluate, honestly evaluate those folks and how they're progressing along the way, mentor them to show them how they can get there helping the system, but most importantly, reward them and incentivise them.

Opportunities I think are abundant out here in the space that we're in, government contracting. Billions of dollars are spent each year. We hear all the time that certain agencies don't spend as much money as other agencies like the Air Force, who spends more money for a coffee break than any other agency.

So I will tell you follow the money. It's not that difficult to discern where the opportunities are, but what it's going to take is drive and determination and commitment to look at the opportunities and make an informed and qualified decision on whether or not that is an opportunity for you.

On the face of an opportunity, you think wow, this is a 40-person job that would generate \$20 million over five years from now. Well, that sounds good, but is it within your core competency? Is this going to help you reach the next level from the standpoint of where you're trying to go in business? Is this a customer that you want to deal with?

Customer evaluation is just as key as employee evaluation. We decided that we wanted to be supporting the high-end customers, like science and engineering and IT and management consulting. It doesn't mean that we don't support other customers, but they need to understand our culture, our mission and where we're trying to go, our direction, our strategic direction, and we understand theirs.

And so that's how we're able to sustain, give them substantial results and return on their investment. Because at the end of the day—when you go out and when you hire a painter to paint your house, at the end of the day, you're going to look and you're going to say did he actually give me the color I wanted? Does it really match where I want to go with my crown molding or wallpaper or my tile? And am I happy with the job?

That's pretty basic. That's what our customers do every day. They want to look up and be able to say to their superiors, to Congress or whomever they support, that this is the relationship that we've established and here's the advantage, the benefits, the returns that we've achieved. So opportunities must be not only identified but qualified and qualified again and qualified again before a bid decision can be made.

We have something called a business acquisition council, and we go through each and every opportunity, and it's the marketing person's responsibility to identify that opportunity, bring that to Mr. Trowbridge. He then does his own little qualification check on that opportunity. We find out if it's within the agency we're supporting. We find out if it's within our core competencies. Do we have any leverage points, stress points? Then we have a meeting with our senior executives, including myself, to make a determination is this the right investment to make.

So there are a lot of opportunities, but there's nothing wrong with being selective. In order to find those opportunities, marketing is important. You heard Jim talk about Fed Sources. There are so many tools out there that are available to you to use to find those opportunities, but there's one none better than feet on the street.

Business is based on relationships, and business relationships are established based on the people that you have established a relationship with, and it's based on trust. And mutual trust is only garnered from having discussions with your clients, with your business partners, with your employees to determine if in fact there is a way for the two to come together and form somewhat of a relationship.

Challenges you're always going to have. Challenges come when you least expect it. We started our business in September '92 and went full time in March of '93. Four months after that, my wife was killed by a drunk driver. I mention that today because today is the ninth anniversary of the date that the doctors told me that she was not going to come out of a coma.

But I had a good family, and I had two people that really believed in my vision, and that's Ron

Trowbridge as one, and my partner, Scott Amey is the other, and of course my family.

So it would have been easy to turn the corner and say I've got to get a job, I've got to go out and support my 14 month old son, I can't take a risk on trying to start a business. But if you have that burning desire inside of you to be an entrepreneur and grow to the next level, it's important for you to continue to realize that dream and continue to press forward.

So challenges come. Customers tell you today I have no funding. Yesterday they had plenty of money. Employees tell you today I love RSIS. I love XYZ corporation tomorrow. A headhunter called me and I can get a 20 percent increase. Don't put all your eggs in one basket.

From a marketing perspective, one of the things that we try to subscribe to is spreading the wealth. If you look at our customer base today, as Jack mentioned, we support more than 80 customers in virtually every agency. So the NASA Professional and Computational Engineering Program out at Glenn Research Center and loses some funding. Well, we won't like that, but we won't have all our eggs in the NASA GRC basket.

We support Job Corps. We support the Weather Doppler Radar Program in Northern Oklahoma. Well, one day that program is going to be fielded, and we're going to have to move to the next level, and we did that. We helped identify the data acquisition program.

But it's taking those leverage points that you have and those opportunities and before they mature 100 percent find out how you can leverage them into the next thing.

Let's talk about barriers for a minute. When you're growing a company, there's a few plateaus that I think are very important and I'd like to mention.

Getting your first million in revenue, that's a hard thing to do. Going to \$5 million in revenue, 100 employees, that's pretty tough. Your whole way of doing business changes. Then getting to that \$25 million level, that is probably where many of you are today, and you seem to get there and there's a huge level of achievement, but guess what? You're spinning your wheels. You don't know why because you're operating the same as you did back then.

Whatever it took to get you to \$25 million certainly will help you get to \$50 million or \$100 million in revenue. Well, that's not necessarily the case.

Again, it's all about planning, and it's all about reinvestment. It's all about thinking about the next level that you need to go to. That's what a leader does. That's what a CEO does. That's what a visionary does. It's your responsibility and even senior management.

Senior management's responsibility is to say here is an opportunity and here is what it takes to get to the next level. Trust your CFO. Trust your corporate vice presidents. Talk to them. Communicate with them. Find out what they might know, what ideas they might have that will help you get there.

Well, the one thing that I think you have to remember is change. Change is ever present and is an absolute must in our business. In running a business, change is just—it's inevitable. It will happen, and how you deal with change and how you deal with change management in your organization will determine whether you can reach that next level going from \$25 million to \$50 million, going from \$50 to \$100, \$100 to \$200 million.

We've been able to effectively deal with change, and I'm not going to tell you, stand here and tell you that we haven't had our challenges because we have. It's tough. It's absolutely tough.

Some of my staff will tell you that Rodney likes to be in control. My grandfather told me a long time ago that you always need to know where every dollar is, where every penny is spent. You need to be able to do the job of all the people around you so that in case they had to leave you wouldn't fall short.

Well, that's impossible to do now with over 1,300 employees and so many contracts and so many diverse functions. What I trust are my instincts, and I trust my ability to try to discern the 8s, 9s that Mary talked about because we're not going to get all the 10s. But it's those 7, 8 and 9s that you reinvest in that will help you reach the next level.

Reinvestment is critical and it helps you deal with risk. Risk is something that I'd just like to just spend a couple of seconds on because I think that it's something that we're all afraid of.

But the greatest risk is not taking one at all. You wouldn't be a risk taker if you didn't start your own business, and running a business is in a sense a form of—it's a gamble. You're risking on the economy.

You're betting on your ability to have the right staff. You're betting on the opportunities.

But we're in no better place than what I call the Potomac region here than to be with the decision makers who determine where the dollars are being spent, how our funds are appropriated, focus on political issues, small businesses and veteran owned and women owned businesses as well as ensuring that contract bundling is not occurring and that the big companies are doing what they need to do to mentor and subcontract as well as giving them opportunities, but you're only going to get there if you reinvest.

Our company, eight years old, has not taken one distribution from our company. We reinvest in our people, in our processes, in our partnerships and our technology. I think that's fundamental, absolutely fundamental to reinvest in those things.

Certainly, partnership is critical. No company will be able to grow without good partners. We do business with NCI. NCI is an outstanding company that really blazed the trail for firms like ours, information systems, when it was really, really tough to look at the reputation of 8A companies. It was difficult at that time because there were a lot of 8A companies that just weren't getting it done, and NCI persevered.

And we have similar cultures, and that's the key to partnering, partnering with a company that has a similar culture, dealing with customers that have similar customers will make business so much easier. It's essential that as part of your planning process you include partnering with companies like yourselves, smaller firms, larger companies.

I'd like to close off with a little bit of discussion on positioning and branding. There are in the Washington area 4,000 companies, 4,000 companies in the small business section 8A program now, not all of them IT, but there's 4,000. That's a lot of businesses. So how do you differentiate yourself from some of those businesses?

Well, performance is one. Planning is another. Business development is another, financial stability, but branding is key, and branding and marketing is very key. Don't be afraid to tell the world about your successes.

We have an outstanding core communications reference Jim Amanna who is here today who when he came on board Ron Trowbridge and I said to him we really would like for you to help us with the branding of RSI so we can reach out across the country and even internationally to ensure that the word of our successes gets out.

And he looked at me and said I've got a pretty easy subject to deal with, so I'll be glad to take this job on. And today I go places where I would never think that RSIS is known, but they are, but that takes some commitment, and it takes some dollar investment on your part.

The whole point of my discussion I think is really to make sure that you've positioned yourselves for the next level and the level beyond. It might require that you need some cash infusement and don't be afraid of that. Would you rather have 100 percent ownership in a \$20 million company or a 75 percent ownership in a \$200 million company? I think you all can do the math.

So looking at those subject matter experts that are out there, it's very important for you to know what your options are. Look at those alternatives and make a decision based on the direction that you want to go.

It's important to make sure that you have good legal counsel. Pam Gillman is here, our general counsel who back in 1992 helped us on the back of an envelope come up with a name and put this company in place. She's still with us today.

But I think that it's important across all spectrums, contracts, financial, legal, and financial is very important but from your internal and external opportunities. Your banking relationships, the outside consulting firms like Holland & Knight, great organizations that have government contracting services.

We might not be able to afford that person who understands the farm and have them on a retainer. We might not be able to afford a general counsel full time. That's just not in our budget. We can't be competitive, but we can go find those subject matter experts and establish relationship so they understand your business so you're not reinventing the wheel each and every time you pick up the phone and you call Jack Hughes and say Jack, I got a problem with understanding and then you explain. Well, he'll

understand your business, your core competencies and find the right individual that can come in and assist you.

There's a lot of help out there. I think that a lot of the success, though, comes from within, and it's important to know that success is really not a destination at all. I played a little baseball back in my younger days, and it's not getting to first base and getting to third is a triple. It's not predetermined or predestined.

But it truly is a journey, and that journey will take you to places you never thought you'd go, inside, internal to you and external to you.

But the commitment and the desire and the determination to break through that next barrier is really what's essential. If you've got that drive, if you've got that commitment and you have that vision and you understand relationships, you'll be just fine.

I want to thank you all for your time and attention. I know you've been here for a while, and I appreciate you indulging me. Thank you again.

(Applause.)

**MR. HUGHES:** Well, it's clear to me, and I certainly hope that it's clear to you, that each of our panel members thought long and hard about our topic this morning. They brought you great wisdom and great insight. I hope that you've gotten a lot out of this. I want you to give them all a big round of applause.

(Applause.)

**MR. HUGHES:** We have a few minutes left for questions from the audience, please.

**AUDIENCE MEMBER:** This is I guess for Rodney. I'm interested personally in the topic of branding, and I'd like to know if you can explain to us how and what you feel your brand is and how it's different from your competition.

**MR. HUNT:** Well, one of the things that we did was we branded the company to be an African American owned, a small professional services company. So we took the idea like the 8A program was really turning away from the African American entrepreneur and that there would be an advantage for meeting those particular goals. That was one.

The other brand was on our really unique capabilities in the area of science and engineering and IT, things like homeland security, things like Weather Doppler Radar Program and Job Corps.

So looking at what I call those mission critical programs and branding the company to be a mission critical support services organization, and then one that believes that in innovation, process improvement and business efforts and integrity.

So we took those three things and came up with the RSIS brand together with performance-based contracting, I think set us apart from our competition.

**MR. HUGHES:** A question over here.

**AUDIENCE MEMBER:** I'm from Buchanan Networks. It seems like all of you are kind of addressing the processes and procedures to be at that next level, but it seems like most of us in our position were in the entrepreneurial stage and really our focus is more of the chain management issue of moving our current processes and procedures to get to that next level.

Are there any I guess key changes that you could identify for us what things you view the most important to manage that change in process?

**MR. HUGHES:** Who wants to take a shot at it? Mary?

**MS. DRIDI:** NOT AVAILABLE

**MS. ALLAN:** I think also to know what changes you need to make. If you're partnering with a large corporation or a medium-sized corporation, someone who is larger than you are, and you feel that you need to make a change in a certain area, take advantage of the partnership that you have with that company. Ask the people who are your points of contact how they do something.

We all hear of the protege program that's established. We entered into in an Army piolet program with Aerospace and Telecommunications as a protege company to us, and they have learned quite big on institutionalizing the processes and procedures in which things they need to pay attention to from that

relationship.

So there are things you can get out of that relationship other than hopefully revenue through a subcontracting relationship. It's important to know what it is you need to address and the priority in which you need to address that, and then absolutely communication of the change through the entire organization so that everyone has an understanding of why the change is being made and how the company will benefit. And you have to get people to focus on the company going forward.

**MR. KANE:** Two points. Number one is getting beyond the fallacy of reorganization. A lot of times when companies think about change, they think about it in terms of reorganization. It's not about reorganization. It is in fact about self perception. How do we perceive ourselves? Do we perceive ourselves as a \$5 million company that's interested in selling bodies? Do we perceive ourselves as a company that's a Pecknical leadership, company XYZ, and that's how we present ourselves to our customers.

So beyond fallacy of reorganization, emphasis on how we perceive ourselves.

**MR. HUNT:** Just to wrap up some specifics on change, first of all, this checklist that Holland & Knight put together is outstanding, absolutely outstanding. It will give you some ideas to kind of rate yourself and how you think your company is doing.

But from a business development standpoint, maybe you need some automated tools to look at opportunities. From a marketing competition research perspective, perhaps you need to, what Linda talked about, move from a centralized or decentralized market, maybe even more sales focus, and maybe you're looking at G Wac opportunities, contracts and change, reacquisition of strategies for government officials for change. So maybe it's time to get yourself a government line back positions contract vehicle and/or get on a team with somebody who has one so you can sell from that perspective.

From a financial perspective, as you move higher, you might look at some of your internal resources, like your accounting system. Do you need to move to Del Peck because you're dealing with DCAA? Those are the kind of specific things that you need to look at.

Last but not least would be your banking relationships, your lines of credit, looking at those every year and ensuring that maybe it's time to move to a bank that understands a bigger mentality. Maybe it's just looking at moving from a secured line to an unsecured line and maybe leasing your equipment instead of buying your equipment.

A lot of these answers can be given to you by dealing with consulting firms that have been there and done that or big companies who are willing to mentor you.

**MR. HUGHES:** Over here?

**AUDIENCE MEMBER:** This question is for you. The question I had deals specifically with minority owned businesses and women owned firms.

One of the particular problems that those particular businesses face is often lack of venture capital and access to resources, et cetera. And you mentioned there are 4,000 companies in this region that are 8A, et cetera. You're absolutely right.

What answers or what advice would you give to women owned minority businesses on how to market themselves particularly when the resources are so slim? It's not available in a lot of cases. And what do you think is a good method to get out there and compete when there's so much competition?

**MR. HUNT:** For those of you who didn't hear the question is how do women owned and minority owned businesses reach out from a capital standpoint and opportunity standpoint to position themselves to capture some of that business.

I tell people all the time that—look at it from two perspectives. One is from an opportunity perspective. There's a big circle that has billions of dollars, and I call it the procurement pie, and that procurement pie has a little slice that represents about 5 percent of the money, maybe 10 percent for minority and women owned businesses.

What we fail to do as business owners and leaders is to look at the other 90 percent of the pie to see if we can partner, work together with three or four companies. We're talking about virtual, large or mid-sized business, taking our special expertise and putting it together.

Or working with bigger companies like the SES's and the EDS's and others and getting on their teams

to see if they can give us 5 percent of the contracting opportunities, to bid on a job that they might have.

I will tell you that the large and medium sized business are all struggling with meeting their goals. It's going to become much more prevalent in the future from a political perspective of setting aside dollars for small disadvantaged women owned, veteran owned businesses. That is an opportunity that I think that you all should look at today.

So one thing to do is branch yourself and market yourself with first and foremost your capabilities and credentials, and second, what are the advantages of dealing with your firm. Minority owned, women owned businesses are really a rare commodity in our business today.

Technically, from a venture capital perspective, I think that there are a lot of banks out there and there are a lot of investment companies out there that are looking for small businesses to invest in. Because look at our marketplace today, the dot coms have become dot bombs in some ways, and now we're moving to the government contracting, that true, stable, secure space.

Mary mentioned that Web Methods is moving into more government contracting. That's an indication of where the market is going. So if you're in that space today, you're going to get some investment opportunities. So I think for support, there are a lot of different financial institutions and will find out if they've got the right symmetry and culture because they have money, believe me. There's a lot of money right now sitting on the sidelines looking to be invested. Just watch the stock market over the last few days.

**MR. HUGHES:** A question here.

**AUDIENCE MEMBER:** There seems to be a consolidation with G Wac vehicles particularly on many of the government agencies. As a result, it's very difficult for small companies to really get a marketing presence emphasis that are comfortable working with a certain small number of very large companies. Many of them make it very difficult, particularly when you're more of a missionary marketing position, to gain access to the opportunities.

Once you become aware of the opportunity, our people are accelerating too late, and yet you really don't have the opportunity to become aware and develop the opportunity without the presence, the presence being limited in many cases to those larger companies.

Within this particular environment, how would you recommend that developing companies, companies moving into the new markets, conduct themselves in terms of marketing, penetration and getting to know the customer, getting to know the requirements and to anticipate future opportunities?

**MR. HUGHES:** Let me invoke the moderator's privilege here. Mary, you all are just breaking into the government space. Can you give a little insight on that question?

**MS. DRIDI:** NOT AVAILABLE

**MR. HUGHES:** Linda, do you want to make a comment?

**MS. ALLAN:** As all of you have seen, there's a tremendous consolidation in the marketplace, Northrop and TRW, who would have ever thought?

So what type of environment is this creating? It's creating what I call O for the small businesses. Those of us that are in the middle have people after us all the time. They see us as acquisition targets. So if we want to hold fast and hold to our course, we have to do a couple of things.

One, we have to partner with each other, and again, three or four of us together, we can go after the \$400 million job against the Northrop Grumman with the right resources, and with the long lead time and dedicated resources, we can take that job. There's no doubt in our minds that we can do that. So the partnering thing becomes a big issue.

When you're smaller than we are, then what you have to do is depend upon in a way some relationships. If you've targeted an agency and in that agency talking to people and you have a customer that really would like to use you and you know that that customer is going to name you, then it's up to you, the small business, to say okay, what are the contract vehicles of this agency? What is the easiest contractual mechanism for my customer to get to me there?

And then the next step of the relationship building, and that is to go to these companies that hold the most vehicles. I will tell you that most of the big companies will not turn down revenue, especially if they haven't had to spend any resources or costs to generate it.

So if you have a customer that will support you and you know that they really want you and are willing to tell that account rep from company XYZ there's a G Wac out there, most of these companies have small business goals on the G Wac field, and they need to meet them.

And if you bring the opportunity to them with an understanding that that's yours, you get to do it, obviously, they're going to get some material handling charge and profit on that, but it does two things. One, it increases their revenue on the contract. It allows them to make small—count those dollars towards small business goals that they may not be meeting.

Because their account managers, for example, at Department of Justice are looking for work. They're not looking to make small business goals. They're just looking at it for the revenue.

So quite frankly, some of the large corporations are dependent on the small business community to be proactive in their markets and bring the work to them under their vehicles, which helps them make their goals. And normally, if you're talking about a very large deal under a very high visibility area, they're going to want to play in some way, shape or form.

That's more of the situation for RSIS and MCI. But for companies your size, more likely than not, it will be a straight pass through, and then you just have to learn how to operate on their procedures that they've set in place for that contract. They probably won't turn down that revenue or the ability to make a profit on it.

**MR. HUGHES:** We're getting close to 10:00, so let me take one more question if the panelists can hang around. We have a question back here.

**AUDIENCE MEMBER:** If I could, I'd like to ask something from a little bit of a different perspective. My name is Bill. I'm the SBO for AT&T government solutions.

As my responsibilities as SBO among them are obviously to build small business utilization, but I've also been given a directive to try to increase revenue through partnership and teaming with small businesses.

I was wondering if you had any advice that you could give to somebody like me in a large business where I can take it and actually use it to build these partnerships and help my company as well as a partner.

**MR. HUGHES:** I will be down to see you right away. Is that the answer? I'll be right over. There will be a long line at your door.

**MR. HUNT:** I'm going to take off a little bit on what Linda said. There are several large G Wac contracts that are held by a number of companies. Commerce, Hazcomts, ITOP2, NIH, there are Millenia Light. There are many different contracts that have been set up for small business participation, medium and large businesses.

We're going to reach 200 million in revenue this year, but we aren't going to do that by not partnering with companies. PRC, Northrop Grumman, now Northrop Grumman PRC, but other companies, DynCorp has brought a lot of opportunities to us where we worked together in joint marketing.

But I think what's important in the angle that you bring to this is we recognize that as well, that if someone is going to come to us with an opportunity that there are particular procurement slated for small business under this G Wac vehicle, and we say to them that's fine, we think we have a similar culture, let's work together on this, we want a piece of the action, but at the same time, what are the other opportunities that you have in your organization where you might be meeting your small business goal.

My recommendation for you would be to go out and talk to those top 100, top 200 small business companies doing work for the federal government and find out what vehicles are out there and look at the market penetration of where you want to go and bring that AT&T solution.

AT&T to us is a very large opportunity that I can't disclose right now because of source selection. But there's a lot of capabilities within AT&T. So if you take that and the AT&T resources to a small business to help them secure opportunities and in turn will say now we have things that we need a small business on in your capacities, I think you'll be able to accomplish both goals.

**MR. HUGHES:** I'm going to draw it to a close here. Before I release you all, please remember to fill out your business check-up forms and get them back to us, and we will select the second door prize winner from that group.

Thank you, speakers, it was outstanding, and thank you all for coming out this morning. Please give yourselves a round of applause.

(Applause.)