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Correction to This Article

A Feb. 20 Business article misstated Savvis Inc.'s 2004 revenue. The St. Louis-based company's sales totaled \$616.8 million.

Federal Contracting From Scratch

By Ellen McCarthy

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In its eight years of existence, St. Louis-based Savvis Inc. has patched together a global network of 25 data centers and taken on the information technology work of major companies including Reuters and Microsoft Corp. But as it made a plan for breaking into federal contracting, the company decided, for now, to avoid the government itself.

Direct contracts might mean more revenue but would also mean government inspectors, government auditors and government rules. It would mean drafting affirmative-action plans, drug-free-workplace plans and small-business set-aside plans, and meeting a host of other requirements of the Federal Acquisition Regulation – work that would preoccupy the company's new six-person federal division with little prospect of immediate return.

So the company started from the outside, marketing its technology services to small and medium-size contractors, particularly those on the 8(a) schedule of disadvantaged businesses that Savvis officials judged to be on the verge of winning new federal business. It's a way, Savvis Federal Systems Inc. Vice President Donald Teague said last week, of tapping federal dollars without immediately investing the time and money needed to do business with the government face to face.



"There are some places in the federal government we can't go yet, because as a company we're not ready," said Teague, a veteran of the government contracting world from his days at AT&T Corp, who was hired to launch SAVVIS' federal business 13 months ago.

St. Louis-based IT firm SAVVIS brought Donald Teague on board to build its federal contracting unit. He's starting slowly, by seeking subcontracts.

(By Tracy A. Woodward – The Washington Post)

Washington area firms earned an estimated \$52.6 billion from federal contracts in 2004 – a figure that has prompted the formation of countless small start-ups and lured many commercial companies to try to win federal contracts. But selling to the government is neither cost- nor trouble-free, and even experienced companies can be surprised by a market that operates with its own language and rules, where business is done more by committee than by handshake.

"It's not a market for the faint of heart. If they're looking for a quick hit, it's not going to happen," said David M. Nadler, a government contracting lawyer with Dickstein Shapiro Morin & Oshinsky LLP. The government "moves slowly, is risk averse, it's financially restrained, and there are watchdog groups watching the watchdogs."

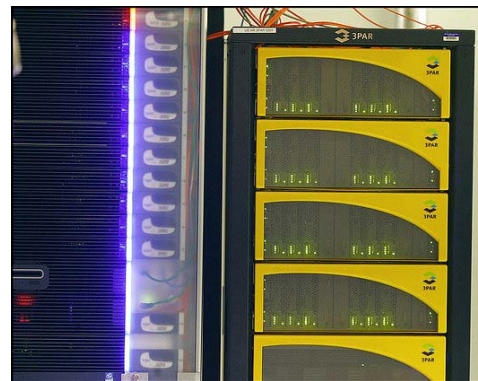
While established companies such as Canada's Nortel Networks Corp. can buy their way in – the company's purchase of Fairfax-based PEC Solutions Inc. last year brought it ongoing contracts and hundreds of employees with security clearances – firms that try to start a federal business from scratch can find it difficult.

Ray Bjorklund, vice president of Federal Sources Inc., a McLean market research firm, said he has seen executives "dancing in the streets" after what they perceived as a successful meeting, only to realize that a dinner conversation with a federal official is a far cry from closing a deal with the government, however important such encounters may be in the private sector. There is often "a certain level of naivete," Bjorklund said.

Robert C. Whetsel, an Army reservist who thought his Frederick consulting company could win business advising the government on how to use open-source software, gave up after two failed bids, countless dead-end calls and a realization that the bureaucracy can be daunting.

"I have to go through somebody who goes through somebody who goes through somebody who says, 'Yeah, you can do that government contract,' " Whetsel said. "It got to the point where I don't even want to waste my time."

Savvis sells standard technology services, such as network monitoring, Web hosting and videoconferencing. But a main thrust of its business is to sell companies on the idea of "virtual IT," an arrangement in which Savvis owns and maintains banks of computer servers and provides space on them as a client needs. Much as an electric utility boosts supply to account for periods of peak demand, Savvis lets clients purchase service "by the drink" – allowing them to expand and contract how much computing power they use without investing in new equipment or being left with idle hardware when business slows.



Savvis Inc. of St. Louis specializes in what it calls "virtual IT," a flexible system in which a client buys as much server space as it needs. **Photo Credit:** The Washington Post Photo

When Savvis approached Teague about helping it move into government contracting, he said he would take the job only if the company agreed to move cautiously. The virtual-IT concept, he said, would initially be tough to sell to government agencies whose leaders might be uncertain about relying on computers and systems owned by someone else. In addition, winning contracts would require Savvis to best major companies such as Lockheed Martin Corp. and International Business Machines Corp. – while meeting requirements for direct contractors.

So rather than court agencies like the Homeland Security Department – a major source of government technology spending in recent years – Teague assembled a list of smaller companies competing for new contracts and has concentrated on trying to pick likely winners from that group.

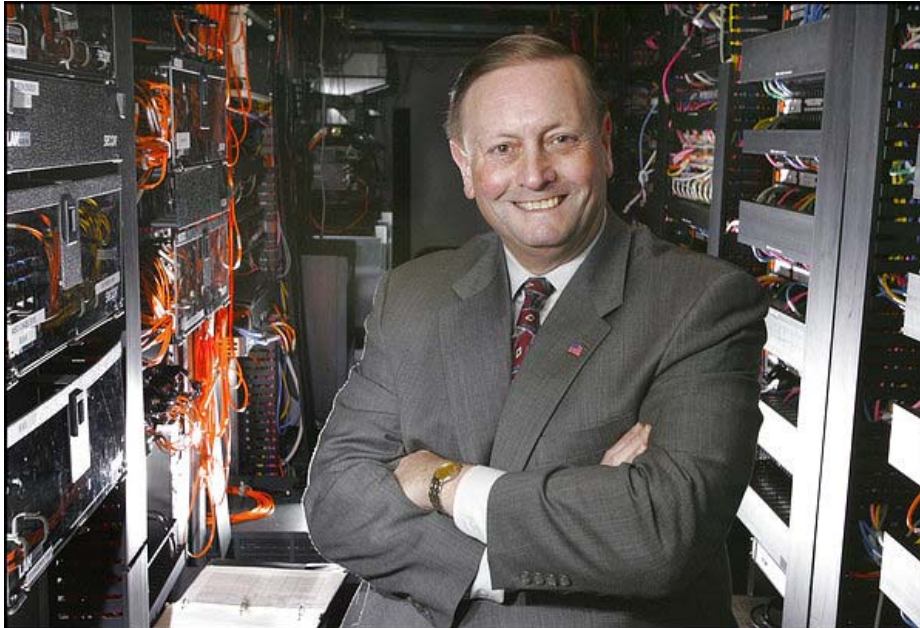
One of the first was MasiMax Resources Inc. of Rockville, a small women-owned firm that, after 13 years, was graduating from the 8(a) schedule and looking for ways to keep costs down as it began competing without the benefit of preferences. The company, which provides communications services for federal agencies, won a \$36 million contract with the U.S. Agency for International Development and hired Savvis to provide the extra computer resources.

The deal will "allow us to grow . . . incrementally," without investing in new hardware, said Marilyn Massey-Ball, chief executive of MasiMax.

The contract is the only one Savvis Federal has made public so far, and the company won't discuss how much revenue it expects to derive from doing business with federal contractors this year. Its parent, which assembled an extensive network for pennies on the dollar from failed firms including Cable & Wireless USA Inc., had 2004 revenue of \$616.82 billion and employs 2,100 people.

Ultimately, Teague said, Savvis will clear the regulatory hurdles needed to bid for government work – and by then will be a familiar player through its work with others.

"I don't know if it'll be next year or the year after that, but I don't want to be too much older before we get there," Teague said. "Being a subcontractor allows me to postpone some of those tough decisions."



Donald Teague said "I don't want to be too much older" before Savvis is competing for its own federal contracts.
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