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Smart government starts here



Randy Ridley, MetaCarta Inc.

DOT-COM SURVIVORS

Tales of trials and changes from small firms that sought refuge in the federal market

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RANDY RIDLEY, METACARTA INC.

MetaCarta maps a new path

The founder of MetaCarta Inc. turned to the government market before getting established in the commercial world, which took his company in an unexpected direction.

John Frank developed the underlying technology and founded the company in 1999 while a graduate student at the Massachusetts Institute of Technology. MetaCarta uses maps and geographic information to search and analyze unstructured data.

For example, if an intelligence agency has documents that include the word "media," MetaCarta's search engine can analyze the context of surrounding words to determine if it is a reference to a city named Media and, if so, provide latitude and longitude coordinates for the city.

Frank, who serves as president and chief technology officer, put together an advisory board and then met with the Defense Advanced Research Projects Agency. DARPA officials offered the company \$500,000 to continue developing the technology, and Frank abandoned his plans to build a Web-based business for commercial users. Instead, he hired Navy veteran Randy Ridley as vice president and general manager and set to work repackaging the software to run on secure networks.

"That transition was extremely fast," Frank said. "We had been trying to figure out how to connect [the tool] to somebody like Yahoo."

Hiring Ridley, who understood the federal procurement process, was the key to success, Frank said. But officials still had to spend sev-

eral months transforming the company from one focused on the commercial market to one targeted toward government users.

Now, the 21-person company counts the Army, Navy and several intelligence agencies as customers. And company officials are trying to build a market with civilian agencies as well, Ridley said.

Had DARPA not taken an interest, Frank said, MetaCarta would be struggling. "We would have found another vertical [market] and probably would have had to work harder to get there," he said. "The unique thing about this part of the government is they really do want to find the new tools. It might have been hard to find another vertical [market] this good."

— Michael Hardy

DOT-COM SURVIVORS

Tales of trials, change from small tech firms that found refuge in fed market

BY MICHAEL HARDY

Many small technology businesses failed when commercial markets weakened in the late 1990s, and each failure dashed the ambitions of its founders.

Some company leaders found a solution to survive when others failed. They turned their companies away from commercial markets and toward the government — and succeeded.

The transition eluded those who found the government's procurement rules too puzzling or the lengthy buying cycle untenable. But with a combination of a little luck and a lot of foresight, some made it.

There's no way to know how many companies made the transition, said Erik Pages, president of EntreWorks Consulting, which advises state and local governments on economic development. There's little objective information available.

"The anecdotal evidence is pretty strong," he said. "I look at networking groups in Northern Virginia. I'm surprised at how many of the topics are government programs and policies. That's where [small businesses] have positioned themselves, the ones that have survived."

"There are some dead bodies on the field, and there are some survivors doing very, very well," said Sandy Levine, president and chief executive officer of Advice Unlimited LLC. "Hopefully, the new wave will learn from those that came before them."

Levine has guided companies across the divide and knows what it takes to make the switch: a product the government needs, someone who knows how to sell it and the endurance to accept a buying cycle that can take more than a year to bear fruit.

Companies resistant to change won't make it. She said one of her most memorable cautionary tales involves a company that had what she considered a great product but no flexibility in its sales pitch.

"They didn't seem to make the connection that government doesn't buy based on profits; they buy based on productivity," she said. "They kept going in and saying, 'We're going to save you this much money and increase your profit.' Right away, that makes it clear you don't understand your customer."

Textbook example

One company that made it, Windwalker Corp., was founded by

entrepreneurs who had ample federal contracting experience but initially chose to forgo the government market. The company develops e-learning products and was successful with commercial clients such as Xerox Corp., until the downturn.

The slide started in 2000 and accelerated after the Sept. 11, 2001, terrorist attacks, said co-founder and president Barbara Waite. The company had done 90 percent of its business in the commercial sector but recognized that corporate clients were limiting their hiring, which cut the demand for Windwalker's training and educational materials.

"It gave us a chance to say 'What do we do now?'" Waite said. "Being in Washington, [D.C.], the obvious choice was the government market. We saw the private sector pulling back, and we knew there was that long procurement cycle" in the government, so company leaders lost no time in starting to make the transition.

She and co-founder Hallie Shilling hired another government veteran, Joan King, to serve as director of business development and cultivate the government market.

"The commercial sector is relationship driven, loyalty driven," Waite said. "On the government side, every procurement is a new procurement. Even though you have a good relationship, your company is sound, your product is sound, they still have to re-compete your contract. You can't win a contract and expect that you're going to be there" perpetually.

Michael Sade, director of the Commerce Department's Office of Acquisition Management, confirmed Waite's assessment. "In the commercial world, a lot of business is based on who you know," he said. "It's not that way in the federal space. You still have to compete. A lot of [companies] don't seem to understand that it takes a different marketing focus."

At Windwalker, company leaders also took an important but subtle step: They changed the staff. The two market sectors have different values, Waite explained. Private-sector firms value time and quality, while the federal sector puts more emphasis on cost and quality. Windwalker had an older, experienced staff that could do high-quality work fast but not cheaply.

Company executives had to lay off some of the senior staff and bring in younger employees who cost less to employ, Waite said. Although the number of workers remained about the same, some lost jobs.

Because of their work for commercial firms, the company's staff was able to design solutions for government agencies that were more technologically sophisticated than the federal agencies could have

Survival tips

If you're the head of a small business and you want to move from the commercial market to the government, here are some ways to avoid getting voted off the island in the process.

First, stock up. You'll need money to weather the first long buying cycle. Beg from investors, borrow from friends, but have enough in the bank to last you one lean year, consultant Sandy Levine said.

Even when you've signed your first contract, the money won't flow in immediately, said Barbara Waite, president of Windwalker Corp. Expect to wait 90 days or more after billing before the first payment arrives.

Understand the government's needs and figure out how your product can meet them. If it can't, try to tweak it until it can. That should be your new sales pitch, said Jeanne O'Kelley, president and chief executive officer of Blueprint Technologies Inc.

"I think we did a combination of things that worked well," she said. "We rebranded the company. I read the President's Management Agenda and mapped our capabilities back to what the government was looking for. And I changed our story from a commercial story to a government story."

"Everything doesn't translate," Levine said. "The

government is largely enterprise oriented. So, the first step needs to be [to ask], 'Are there government organizations that can use my technology?'"

Don't try to serve two masters, O'Kelley and Waite said. Small companies usually lack the resources to meet the needs of commercial and government markets. At one point, Windwalker had a 50/50 balance and, consequently, had almost two separate workforces trying to meet the differing needs.

Be alert for opportunities, said Marsha Malone, vice president for government sales at System Management ARTS Inc. Although still primarily a commercial company, it has seized opportunities in the federal government by being prepared and ready. "When the first opportunity presented itself with the Air Force, they looked at the requirements and said, 'This describes our capabilities perfectly,'" Malone said.

Find some trusted advisers who can demystify the government's complexity, Levine said. "The government is a very complex machine," she said. "It's many different organizations and it's many different levels. It takes time to figure out where to go."

— Michael Hardy

"On the government side, every procurement is a new procurement."

BARBARA WAITE, WINDWALKER CORP.

developed from scratch, Waite said. For example, officials at the Census Bureau and the Education Department are using a training system based on one that Windwalker developed for Xerox.

Waite watched her company's fortunes change, and Windwalker now draws about 80 percent of its revenue from the federal government. "Small businesses grow in spurts," she said. "The plateaus where you're not growing are an opportunity for a business to refocus its profile."

The company has deep roots within agencies, King added. As e-learning has become a top e-government initiative, more doors have opened to Windwalker. "Now we are very relevant to the federal government," she said.

Blueprint for success

As the old saying goes, never say never. Jeanne O'Kelley dismissed the federal government as a market when she and two colleagues from Rational Software Corp. co-founded Blueprint Technologies Inc. in 1997.

The information technology services and software develop-

ment firm launched with a contract from AT&T and O'Kelley's determination to develop a strong commercial market for the fledgling company.

"I had said that we're going to focus on the commercial," said O'Kelley, the company's president and CEO. "I had, in my career, sold for 13 years to the government market and about five years to the commercial market. I had spent years doing government [proposals], going through the protests and the recompetes. When we started the company, the commercial market was hot, it needed what we were providing."

The company quickly developed a roster of commercial clients, accounting for more than 90 percent of the company's business as it grew rapidly.

"It was terrific," she said. "We started 2001 with a very aggressive plan because we had always grown in triple digits, and we had a forecast to do it again. As we entered that year, things started to slip a bit. We lost our first major contract," with United Parcel Service of America Inc., in the first quarter of 2001.

At the time, O'Kelley thought the contract loss was an aberration.



Barbara Waite (left) and Hallie Shilling, Windwalker Corp.

"We had the right message at the right time for the right customer. It just worked."

JEANNE O'KELLEY, BLUEPRINT TECHNOLOGIES



tion. It wasn't until the third quarter of 2001 that comparables realized something had gone wrong.

"I can remember sitting with the Denver sales teams [2001], going over their sales projections," she said. "Within a day period from the July meeting to August, their pipeline evaporated."

Telecommunications companies were among the first to see cancellations, and the company's triple-digit growth slowed to 10 percent in the first half of 2001.

"We considered ourselves to be failures," O'Kelley said. "But we saw the next six months." After Sept. 11, the airlines had made up another significant market for Blueprint, and she landed contracts, along with other travel industry customers.

"We frantically tried to figure out what we could do," she said. "We could go back to old customers, old friends. We tried to pick up small contracts that in the past we had passed over."

By the end of 2001, the company had lost a significant amount of money and most of its contracts. In 2002, Blueprint laid off 50 people from a staff of 70. It was then that they decided to turn to the federal government. The company got listed on the General Services Administration schedule and started marketing to the government.

"I think the government liked what we had been doing for the prior five years in the private market," she said. "After [Sept. 11] architecture became a more important concern, and also the president's Management Agenda mandated enterprise architecture and e-gov. That fit nicely with what we had been doing."

The company started to pick up government customers, including the Food and Drug Administration and then related agencies, including the National Cancer Institute. Soon there were only government commercial customers left and government had become the company's new home.

"I've never seen anything like it before," O'Kelley said. "We had the right message at the right time for the right customer. It just worked."

The company has not yet regained its former stature, she said. Although it grew 200 percent in 2002, that was only because it had been so badly hurt in the months before the market switch. Blueprint is growing about 50 percent a year and has increased its staff to 35, half the number it had at the beginning of 2001.

Although she might re-enter the commercial sector at some point, O'Kelley said she sees no evidence that the market her company serves has returned. "Although we hear the market's recovering, we have not seen a recovery with the kind of clients or the kind of customers, we worked with," she said. "We didn't see a decline with our customers until later in the market cycle, so we're thinking maybe we're a lagging indicator."