



EXECUTIVE OVERVIEW

**Federal Government
Professional Services Market
1985-1990**

INPUT[®]

To Our Clients:

This summary is an excerpt from a full research report, Federal Government Professional Services Market, 1985-1990 issued as part of INPUT's Federal Information Systems and Services Program (FISSP). A complete description of the program is provided at the end of this Executive Overview.

If you have questions or comments about this report, please call INPUT at (415) 960-3990 and ask for the Client Hotline.

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REPORT ABSTRACT

INPUT believes that the federal market demand for professional services will continue to sustain a 19% average annual growth rate in the 1985-1990 forecast period. This market is now expected to increase from \$2.8 billion in 1985 to \$6.8 billion by 1990.

The federal professional services market has become increasingly competitive in the past few years, with substantial pressure from small business and minority-owned firms as well as aerospace firms. In addition, the market continues to be highly price sensitive, with progressively narrower margins and more tightly controlled overhead. The professional services portions of the report analyzes agency plans for the future use of professional services. The report also discusses vendor status, future market plans, and selection criteria; vendor performance characteristics; contracting policy and preference; and major contract opportunities in this period.

The revised report now includes INPUT's analysis of the federal software and related services market, which is expected to sustain a 20% average annual growth rate in the forecast period. The combination of programming and analysis and software products should increase from \$1.4 billion in 1985 to \$3.4 billion in 1990. The federal agencies expect the demand for mission-oriented software to grow faster than general purpose software. Both civil and defense agencies believe that contract software maintenance will increase for both custom and packaged software products.

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A. OVERVIEW

- The federal government professional services market prospects for the remainder of the 1980s continue to be strong. The need for the government to steadily improve both the quality and quantity of ADP-supported services presents a unique opportunity for growth.
 - The federal workforce is heavily committed to maintaining existing software systems and inadequately staffed to develop new systems.
 - Pressure to reduce the federal budget deficit makes efficiency and innovation a key factor.
 - Executive directives require federal agencies to utilize contractors, rather than perform the work in-house, if this is proven to be cost-effective. An example is OMB-A-76.
 - Technology, particularly in the area of microprocessor hardware and software, is advancing at a rate that requires the importation of expertise to solve problems.



**STRONG PROFESSIONAL SERVICES
MARKET PROSPECTS**

- **Federal Commitment to Maintain Existing Software**
 - **Pressure to Increase Efficiency**
 - **Directives to Use Contractors**
 - **New Solutions Through Technology**
-

the 1990s, the number of people who have been employed in the public sector has increased in all countries, but the increase has been particularly large in the United States and the United Kingdom.

There are a number of reasons for this. One is that the public sector has become a more important part of the economy in many countries. Another is that the public sector has become a more attractive place to work. A third is that the public sector has become a more important part of the social safety net in many countries. A fourth is that the public sector has become a more important part of the infrastructure in many countries.

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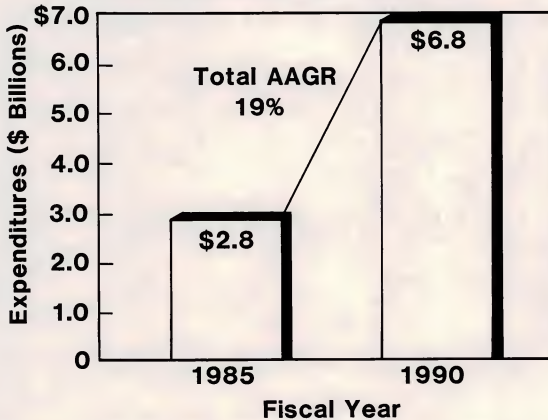
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B. MARKET FORECAST: PROFESSIONAL SERVICES

- INPUT estimates that the federal government professional services market will increase from \$2.8 billion in 1985 to \$6.8 billion by 1990, at an average annual growth rate of 19%.
 - The growth rate will be fairly constant throughout each of the years.
 - Reductions in maintenance costs resulting from the upgrade of existing ADPE inventory and standardization of higher level languages will probably not have a significant impact during the forecast period.
- The fastest growing category is that of education and training for both professional staff (such as programmers and analysts) and user staff. Many users are being exposed for the first time to computer systems (personal computers, departmental computers, and information centers) that allow them to develop their own applications. Users are in need of a great deal of training in the startup and continuing operation phases.



FEDERAL GOVERNMENT PROFESSIONAL SERVICES MARKET GFY 1985-1990



The first part of the document discusses the importance of maintaining accurate records of all transactions. It emphasizes that every entry, no matter how small, should be recorded to ensure the integrity of the financial data. This includes not only sales and purchases but also expenses and income. The text suggests that a systematic approach to record-keeping is essential for identifying trends and making informed decisions.

In the second section, the author addresses the challenges of managing cash flow. It is noted that many businesses struggle with timing their payments and receipts. The text provides several strategies to improve cash flow, such as offering discounts for early payment and negotiating longer terms with suppliers. It also stresses the importance of regularly reviewing the cash flow statement to stay on top of the company's financial health.

The third part of the document focuses on budgeting and financial forecasting. It explains how a well-defined budget can help a business allocate resources effectively and avoid overspending. The text also discusses the use of financial ratios and trends to forecast future performance. It encourages businesses to be flexible and adjust their budgets as needed in response to changing market conditions.

Finally, the document concludes with a section on tax compliance. It highlights the importance of staying up-to-date on the latest tax laws and regulations. The text suggests consulting with a tax professional to ensure that the business is taking full advantage of all available deductions and credits. It also emphasizes the need to maintain accurate records to support any tax claims.

Category	Item	Amount	Date
Sales	Product A	1500	2023-10-01
	Product B	2000	2023-10-05
	Product C	1800	2023-10-10
Expenses	Office Supplies	500	2023-10-03
	Utilities	750	2023-10-08
Income	Interest	100	2023-10-15
Payments	Supplier X	1200	2023-10-12
Payments	Supplier Y	900	2023-10-18

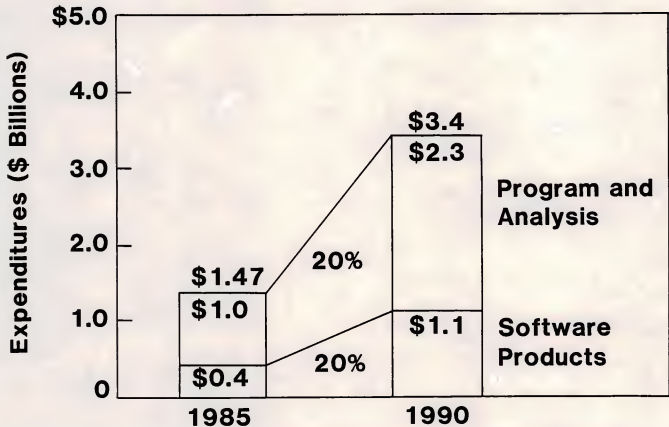
C. MARKET FORECAST: SOFTWARE AND RELATED SERVICES

- Of the \$8.4 billion in contracted information technology services listed in the proposed GFY 1986 budget, INPUT estimates that \$1.4 billion will be expended for software and related services. By 1990 these expenditures will have grown to \$3.4 billion, an average annual growth rate of 20%.
- Approximately 70% of the 1985 expenditures will be for contract programming. The remainder will be for "off-the-shelf" software products.
- Forty-four percent of the expenditures will be for applications software, with the remainder for systems software (27%) or contract maintenance (29%).



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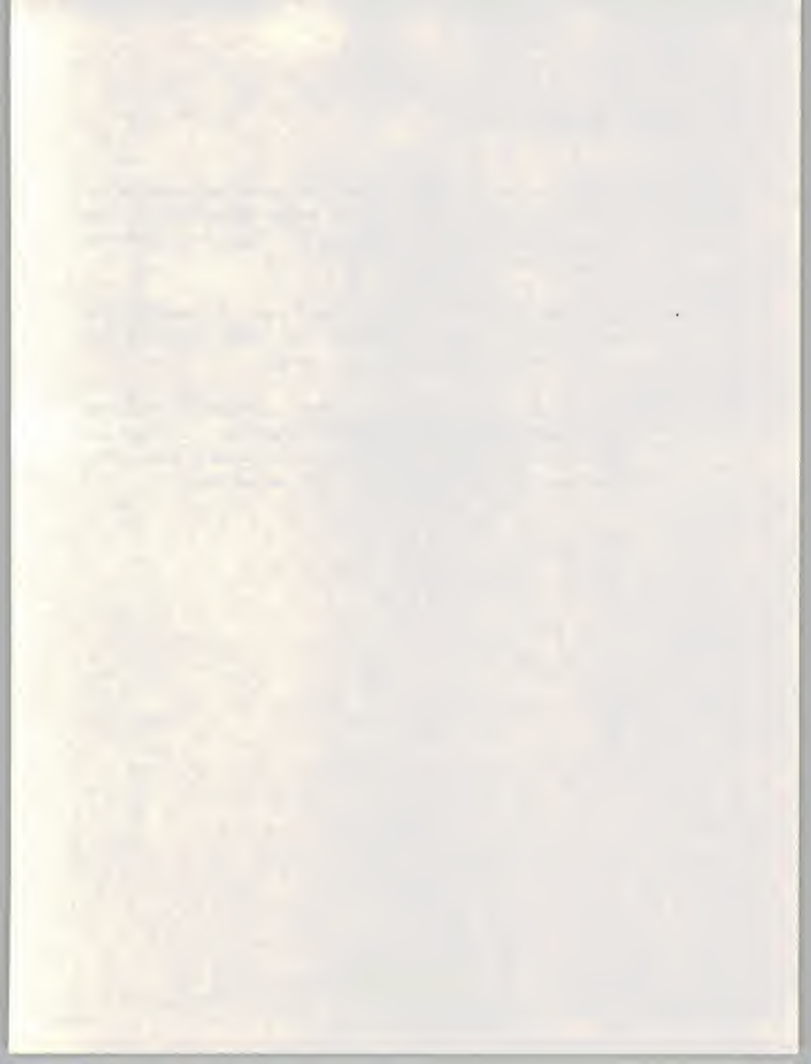
FEDERAL GOVERNMENT MARKET SOFTWARE AND RELATED SERVICES





D. COMPETITIVE FORCES

- The federal government professional services market has become increasingly competitive in the past few years, with substantial pressure from small business and minority-owned firms as well as aerospace firms like Martin Marrietta, Boeing, McDonnell Douglas, and Lockheed.
- The professional services market has become highly price sensitive. The winners are working with progressively narrower margins, more tightly controlled overhead, and reduced management structures.
- Bid selection reviews now require in-depth presolicitation intelligence gathering and earlier executive management involvement. Companies that have failed to accurately assess their prospects for winning have found themselves wasting proposal budgets on increasing numbers of failures.



COMPETITIVE FORCES

- **New Competitors**
 - **Small Businesses**
 - **Minority-Owned Firms**
 - **Aerospace Companies**
 - **Price Sensitivity**
 - **Presolicitation Intelligence**
-

the 1990s, the number of people who have been employed in the public sector has increased in all countries. The increase has been particularly large in the United States, where the public sector has grown from 10.5% of the total workforce in 1970 to 17.5% in 1995.

The increase in the public sector has been driven by a number of factors. One major factor is the growth of the welfare state. In many countries, the welfare state has expanded significantly since the 1970s, leading to a large increase in the number of public employees. Another factor is the growth of the service sector, which has led to a large increase in the number of public employees in the health care, education, and social services sectors.

The increase in the public sector has also been driven by the growth of the public sector in the private sector. In many countries, the public sector has grown significantly since the 1970s, leading to a large increase in the number of public employees. Another factor is the growth of the service sector, which has led to a large increase in the number of public employees in the health care, education, and social services sectors.

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E. AGENCY AND VENDOR RANKINGS OF SELECTION CRITERIA DIFFER

- INPUT recommends that vendors assist potential agency customers with their missions, functions, and problems. Vendors should not modify the problem to meet an available solution.

- INPUT recommends that vendors improve their pre-bid and proposal strategic planning to increase award prospects. They must become more aware of what the federal government is seeking in a professional services vendor and adapt strategies to match.
 - There are significant differences of opinion as to the relative importance of vendor characteristics.

 - Government agencies consider support a very important characteristic. Vendors considered it the least important.

 - There are other significant differences shown in the table. These differences should be examined in more detail by each vendor. For example, hardware experience is much more important for DoD agencies than it is for vendors.



**RELATIVE IMPORTANCE OF PROFESSIONAL
SERVICES VENDOR CHARACTERISTICS**

Comparative Rankings		
Civil Agencies	DOD Agencies	Vendors
Staff Experience	Price	Applications Experience

the authors' interpretation, it is not clear how the authors justify their choice of the two variables.

The authors use the random walk hypothesis to test the market efficiency hypothesis. They use a random walk model, which is an uninformative process, to test the market efficiency hypothesis, which is an information process. The authors argue that the random walk hypothesis is a null hypothesis, and the market efficiency hypothesis is an alternative hypothesis. However, this is not the standard way of testing the market efficiency hypothesis. The standard way is to test the market efficiency hypothesis directly, rather than testing the random walk hypothesis. The authors' approach is similar to the approach of the authors of the book *Market Efficiency and the Information Hypothesis*, who also use a random walk model to test the market efficiency hypothesis. However, the authors of that book argue that the random walk model is a poor choice for testing the market efficiency hypothesis, and that the market efficiency hypothesis should be tested directly.

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F. MARKET OPPORTUNITIES

- Several trends in federal government acquisition and application of information services are apparent and supported by the present administration. End-user computing, employing a range of personal computers and small business minicomputers, will experience strong growth.
- The education and training area presents a substantial opportunity to qualified vendors. However, this is a highly specialized, price-competitive area and should only be entered if the vendor has a good understanding of the vagaries of producing quality educational courseware.
- The leading software application prospects are graphics and office automation, both packaged and customized, with potential for continued growth throughout the remainder of the decade.
- The trend away from custom development and away from one-of-a-kind, nontransferable applications has created an opportunity for federal government professional service vendors who can make efficient use of software tools and other means of reducing software costs. Vendors must now make use of state-of-the art development methodologies, such as self-documentation, embedded DBMSs, prototyping, work-benches, etc.
- Software productivity tools and aids represent an area of growing importance in the federal sector. With much attention on cost efficiency, agencies will be looking for software that will make the jobs of developing, integrating, using, and maintaining easier. Vendors must, however, expect to spend a considerable effort in educating agencies on these tools and on their applicability to the agency's ADP objectives.
- INPUT recommends that vendors who have expertise in hardware or software maintenance plan to take advantage of projected increases in these areas. Although maintenance services are omitted from market figures, the research did investigate the hardware maintenance issues.



MARKET OPPORTUNITIES

- **End-User Computing**
 - **Education and Training**
 - **Graphics and Office Automation Software**
 - **Cost Effective Custom Development**
 - **Software Productivity Tools**
-

G. RECOMMENDATIONS

- INPUT recommends that vendors identify the conditions under which they can accept fixed-price contracts since the federal government has a growing preference for fixed-price contracting, a trend that shows no sign of reversal.
- INPUT recommends that vendors guard to protect their reputation when doing business with the federal government. This factor was considered to be extremely important to government agencies, especially the civil agencies, in their evaluation and selection of a vendor. In fiscal 1984, nearly 200 companies were debarred or suspended from doing business with the federal government.
- INPUT recommends that vendors emphasize their marketing in areas that are politically popular. In election years, Congress reacts to programs that gain or hold votes.



RECOMMENDATIONS

- **Know Your Risk Levels**
 - **Protect Your Reputation**
 - **Market the Politically Popular**
-

1. The first part of the document discusses the importance of maintaining accurate records of all transactions and activities related to the business.

2. It then outlines the various methods and tools available for tracking and analyzing financial data, including spreadsheets and specialized software.

3. The document also addresses the challenges of data collection and analysis, such as ensuring data accuracy and consistency across different systems.

4. Finally, it provides recommendations for best practices in financial record-keeping, emphasizing the need for regular audits and updates.

5. The document concludes by highlighting the benefits of a robust financial record-keeping system, such as improved decision-making and compliance with regulatory requirements.

6. It also notes that while the initial setup of a system may be costly, the long-term benefits of accurate and accessible financial data far outweigh the costs.

7. The document further discusses the role of technology in modern financial record-keeping, particularly in the use of cloud-based solutions and mobile devices.

8. It also touches upon the importance of data security and privacy, especially in light of increasing regulations and cyber threats.

9. The document provides a detailed overview of the various components of a financial record-keeping system, from data entry to reporting and analysis.

10. It also includes a section on the importance of training and education for staff involved in the financial record-keeping process.

11. The document further explores the integration of financial record-keeping with other business systems, such as CRM and ERP.

12. It also discusses the role of external auditors and the importance of maintaining a clear audit trail.

13. The document provides a comprehensive overview of the financial record-keeping process, from data collection to final reporting and analysis.

14. It also includes a section on the importance of data backup and recovery, ensuring that financial records are protected against loss.

15. The document further discusses the role of financial record-keeping in strategic planning and decision-making.

16. It also includes a section on the importance of transparency and accountability in financial record-keeping.

17. The document concludes by emphasizing the need for a proactive approach to financial record-keeping, ensuring that the system is always up-to-date and accurate.

18. It also provides a final summary of the key points discussed throughout the document.

**FEDERAL GOVERNMENT PROFESSIONAL SERVICES MARKET,
1985-1990**

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**FEDERAL GOVERNMENT PROFESSIONAL SERVICES MARKET,
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The first part of the document discusses the importance of maintaining accurate records of all transactions. It emphasizes that every entry should be supported by a valid receipt or invoice. This ensures transparency and allows for easy verification of the data.

In the second section, the author outlines the various methods used to collect and analyze the data. This includes both primary and secondary data collection techniques. The primary data was gathered through direct observation and interviews, while secondary data was obtained from existing reports and databases.

The third section provides a detailed description of the data analysis process. This involves identifying trends, patterns, and correlations within the data set. Statistical tools were used to quantify these findings and to test the hypotheses that were formulated at the beginning of the study.

Finally, the document concludes with a summary of the key findings and their implications. It highlights the significant impact of certain factors on the overall results and offers practical recommendations based on the research. The author also acknowledges the limitations of the study and suggests areas for future research.

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Billions of dollars will be spent by the federal government on information systems and services during the next few years.

The majority of those dollars will go to vendors who know enough about federal procurement practices to sell effectively in the government marketplace — who can penetrate the incredible maze of different agencies' plans and policies and *make it work for them*.

INPUT's Federal Information Systems and Services Program (FISSP) can help your company penetrate that maze.

The program includes detailed reports, data base access, and guidance from experienced Washington consultants to help you identify and track major procurements from the time they are conceived to their eventual award or cancellation.

With this kind of market research support and objective information on field activities, you avoid the dead-ends in the federal maze. Your sales force is more effective, and you get the best possible return on the money and energy you invest in bidding on government contracts.

Tactical Planning and Sales Support

INPUT's FISSP is the only subscription service that gives you:

- **Contract Intelligence** — INPUT tracks the major contracts for information systems and services (including information on duration, type, options, etc.), and helps you identify your competition.

- **Demand Forecasts** — The program gives you an accurate forecast of information systems and services demand by agency and by type of service.

- **Expenditures Trends** — FISSP includes data on the information systems expenditures of specific agencies, categorized by type of system or service.

In short, INPUT's FISSP is an invaluable tool for those companies serious about selling in the federal marketplace.

Procurement Intelligence

The backbone of the program is a series of *Procurement Analysis Reports* that analyze more than 350 major information systems and services acquisition plans of executive agencies over the next five years. These acquisitions include multiple procurements and will account for over \$11 billion this year.

For each procurement plan, the report pinpoints:

- Size and timing of projected awards;
- Competitive environment;
- Background of the acquisition;
- Impacts of related contracts;
- Future demand for software, hardware, telecommunications, training, site preparation/operation, maintenance, and management.

Specific Market Intelligence

The program also provides a series of five reports on specific federal information service mode markets:

- **Systems Integration Report** — Includes both integrated systems and systems integration services.

- **Processing Services Report** — Covers primarily RCS, including that portion under TSP. Also covers user services hardware systems, and forecasts directions of TSP through 1985 and 1986.



Services Program (FISSP)

• **Professional Services Report** — Covers I.V. & V. (independent verification and validation), software and hardware maintenance, and site preparation, as well as programming and analysis, consulting, education/training, and code conversion.

• **Facilities Management Report** — Covers both the prime and major subcontract positions, including TPM, for processing facilities management (COCO: contractor owned, contractor operated) and professional facilities management (GOCO: government owned, contractor operated).

• **Embedded Systems Report** — Includes software and hardware for field-deployable mission-essential systems.

These reports zero in on particular vendor opportunities, and include analyses of: major competitors in each agency; contracting trends; agency selection criteria and preferences; agency plans to replace existing resources; impacts of new technology, and more.

Continuous Research Support

In addition to these publications, INPUT provides four kinds of ongoing research support:

• **Hotline Inquiry Service** — If you have a question related to a procurement in the government marketplace, the Hotline staff will give you rapid and accurate response.

• **Data Base Access** — If you need to see the original information we use in our reports, you can review our data base of agency interviews. Only program subscribers have this privilege.

• **Library Access** — The Washington office of INPUT has an expanding library of information on federal procurement activities that you can use at any time.

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For any given new information system, which software language will be required?

Which Small Business firms have experience in this system's functional area?

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the 1990s, the number of people who have been employed in the public sector has increased in all countries. The increase has been particularly large in the United States, where the public sector has grown from 10.5% of the total workforce in 1970 to 17.5% in 1995.

There are a number of reasons for the increase in public sector employment. One reason is that the public sector has become a more important part of the economy. In many countries, the public sector is now a major employer and a major source of revenue. Another reason is that the public sector has become a more attractive place to work. This is due to a number of factors, including the fact that the public sector is often seen as a more stable and secure place to work than the private sector.

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About INPUT

INPUT provides planning information, analysis, and recommendations to managers and executives in the information processing industries. Through market research, technology forecasting, and competitive analysis, INPUT supports client management in making informed decisions. Continuing services are provided to users and vendors of computers, communications, and office products and services.

The company carries out continuous and in-depth research. Working closely with clients on important issues, INPUT's staff members analyze and interpret the research data, then develop recommendations and innovative ideas to meet clients' needs.

Clients receive reports, presentations, access to data on which analyses are based, and continuous consulting.

Many of INPUT's professional staff members have nearly 20 years' experience in their areas of specialization. Most have held senior management positions in operations, marketing, or planning. This expertise enables INPUT to supply practical solutions to complex business problems.

Formed in 1974, INPUT has become a leading international planning services firm. Clients include over 100 of the world's largest and most technically advanced companies.

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1. The first part of the document discusses the importance of maintaining accurate records of all transactions and activities. It emphasizes that this is essential for ensuring transparency and accountability in the organization's operations.

2. The second part outlines the various methods and tools used to collect and analyze data. This includes the use of surveys, interviews, and focus groups to gather qualitative information, as well as the application of statistical techniques to quantitative data.

3. The third part of the document addresses the challenges and limitations of data collection and analysis. It highlights the need for careful planning and execution to avoid common pitfalls such as bias, incomplete data, and misinterpretation of results.

4. The final part of the document provides a summary of the key findings and conclusions. It stresses the importance of using the collected data to inform decision-making and to identify areas for improvement within the organization.