



General Dynamics prepares for leadership change

Transition to new CEO not expected to slow company's growth

- By [William Welsh](#)
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General Dynamics Corp. will undergo a change at the top July 1, when Jay Johnson takes over as chief executive officer from Nicholas Chabraja, who will retire from the position but remain chairman of the company.

Since the change at the helm of one of the country's top defense and information technology contractors was announced a year ago, the company has gone to great lengths to ensure a smooth transition and alleviate any concerns from government customers, analysts and shareholders.

"We have a very experienced person coming in," said Gerard DeMuro, executive vice president of General Dynamics' Information Systems and Technology (IS&T) group. Johnson "has been aggressively preparing for his new responsibilities, [and] I believe he is as prepared as anyone could be when he assumes this new role."

That belief is echoed outside the company, too. General Dynamics' leaders have crafted "a very methodical approach to the transition," said Kevin DeSanto, a director at investment banking firm KippsDeSanto and Co.

"It seems like they have put into place a real strategic and thoughtful transition strategy, and that should create a low-risk perception from investors watching" the company, he said.

Johnson joined General Dynamics in September 2008 and has served as a board member for the past six years. He is a former CEO of Dominion Virginia Power and a retired Navy admiral.

DeMuro said the IS&T group, which comprises four large units, has weathered the global economic storm without trouble and is expected to grow at a rate of nearly 8 percent this year. The group's bedrock business capability is IT and network infrastructure management and support services, and it continues to win contracts in that area from civilian and defense customers.

For example, the FBI awarded the company a five-year, \$83 million contract in May 2008 to provide IT management services at its headquarters and field offices. The group also landed a five-year, \$62 million contract from the Homeland Security Department to

build and maintain a next-generation network to enhance information sharing and collaboration with its domestic and international counterparts.

In addition, General Dynamics was one of 59 companies chosen to compete for \$50 billion worth of IT services task orders in the coming decade through the Alliant governmentwide acquisition contract.

Although the competitive field is large, DeMuro said he believes the company will be a strong competitor because of the experience it gained from working on the GWACs that preceded Alliant.

The company also has a big stake in a number of weapons modernization programs under way at the Defense Department, such as the Navy's Littoral Combat Ship, the Navy's DDG 1000 Zumwalt-class destroyer and the Army's Future Combat Systems.

Even if the final fiscal 2010 defense budget passed by Congress fails to provide full funding for some of those next-generation weapons programs, it will not have a serious impact on General Dynamics' business from an earnings standpoint, DeSanto said.

"If the big-ticket items don't go forward, then their existing programs will continue on and have a longer life cycle," he said.

General Dynamics C4 Systems, which is part of the IS&T group, is the prime contractor for the Warfighter Information Network-Tactical (WIN-T) program, which is the Army's next-generation tactical communications network.

It is also the prime contractor on the Handheld, Manpack, Small Form Fit radio portion of the Joint Tactical Radio System. The company is working on the first two increments of WIN-T and hopes to eventually receive approval to begin low-rate initial production, DeMuro said.

Although the company has plenty of federal business, it continues to look for fresh opportunities. It made a key IT services acquisition in June 2008 when it paid \$225 million for ViPS Inc., which specializes in health care technologies.

The company also hopes that its lengthy résumé in infrastructure support services will help it capitalize on federal customers' growing need for cybersecurity support.

"We think we are well-positioned to capitalize on [cybersecurity opportunities] given our long experience in critical infrastructure protection," DeMuro said.

About the Author

William Welsh is deputy editor of Washington Technology.