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## Lawrence Prior's move to BAE signals changes for defense contractors

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The announcement that Lawrence B. Prior III, president of Fairfax-based contractor ManTech, would take over [BAE Systems'](#) services business could be viewed as a straightforward personnel move.

But the hire reflects broader changes within major defense contractors such as BAE that are increasingly looking beyond combat vehicles and aircraft and redoubling their efforts in anticipation of a shrinking defense budget.

Many defense analysts say that the first victims of constrained spending will be large, expensive equipment better suited for traditional war and that services such as securing online networks and analyzing intelligence data will continue to grow.

Linda Hudson, who leads BAE Systems' Arlington County-based U.S. operations, said Prior will be given the task of expanding the company's services business -- which is divided into a unit that handles repair and modernization for equipment such as ships and trucks and one that specializes in areas such as cybersecurity and intelligence analysis. The sector will grow organically and through acquisitions, she said.

"If you look back over the last decade, it was all about hardware," Hudson said. "While along the way we had actually developed some pretty interesting services businesses, they were not the highest priority."

Before joining ManTech about a year ago, Prior, a former Marine Corps intelligence officer, oversaw [Science Applications International Corp.](#)'s intelligence, security and technology group.

He said BAE's advantage -- compared with companies that focus only on services -- is that it both builds systems and is capable of maintaining them.

"I've been at two companies in a row where I've done service work around MRAPs," Prior said, referring to the blast-resistant trucks used in Iraq and Afghanistan. "They invented them here."

Hudson acknowledged that BAE faces a competitive field. In cybersecurity, in particular, companies large and small are seeking to position themselves for new work. Boeing, for instance, made one of the most recent buys, announcing that it would purchase

cybersecurity firm Narus.

"This is still an extremely fragmented market," Hudson said. "While it may be crowded, there is no leading consolidator, if you will, in the [marketplace]. . . . We've got every bit as good a chance as anybody else to do it."

BAE's announcement comes as Congress and industry increasingly focus on defense spending. Last week alone, two congressional committees convened panels on how to manage the defense budget in a difficult fiscal environment.

The Pentagon is calling for increased efficiency and reduced overhead on the part of contractors, but some analysts say those small cuts won't be enough to spare larger systems.

"The move into services . . . is definitely a wise move for big platform makers," said Bob Kipps of McLean-based investment firm KippsDeSanto. "There is no question that the procurement budget is going to be under material pressure for the foreseeable future."

In recent months, many large defense contractors have reshaped their businesses. McLean-based SAIC said Thursday that it would consolidate its four operating groups into three. In a statement, the company said the new structure would focus its resources in high-growth areas such as cybersecurity and energy.

Additionally, Bethesda-based Lockheed Martin has announced that it is forming a new business unit by combining two information-systems units with a simulation and training unit, and Northrop Grumman said this month it would close one of its seven shipbuilding yards and may sell or spin off its entire naval business.

"I think there's a lot of concern in the industry if they don't adapt . . . they might get left behind," said Todd Harrison, a defense analyst with the Center for Strategic and Budgetary Assessments.