

How do Small Businesses Navigate the Large Federal Market?

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Summary: More than \$93B dollars were contracted to small businesses in 2008. The companies earning these contracts competitively positioned themselves as pre-approved vendors within in the Federal marketplace, which effectively reduced their competition in the area immensely. Now with Federal spending on a steep increase, many are striving to crack this market. Savvy companies are beginning by utilizing all the resources available in their local community to determine their route to success. After researching the opportunity, many are deciding to pursue their own niche in this expanding market.

In FY 2008 the Department of Defense spent over \$93 billion with small businesses, or nearly 20% of all of their spending. The top five agencies that contracted with companies classified as small or disadvantaged in 2008 were the Department of Defense (\$61B), Department of Energy (\$24B), NASA (\$14B), Department of Veterans Affairs (\$14B) and the Department of Homeland Security (\$13B). More and more contracts are going to these entities as a result of the many programs that promote spending with such firms.

The General Services Administration (GSA), the largest acquisition arm of the federal government, spends more than 25% of all Federal dollars annually through Federal buyers who work with pre approved vendors with GSA fixed price contracts. Utilizing a small business set-aside (SBSA) program GSA requires certain contracts be awarded to a qualified small business over another qualified large business. Any contract of less than \$100,000 must also be awarded to a qualified small company, if one is available. Additionally, certain areas within the GSA Schedule are designated as set-aside contracts, requiring contracting officers to award these contracts to such companies. These regulations increase the chances for smaller firms to compete.

What is a Small Business? To determine if you are considered small, the Small Business Administration (SBA) has outlined classifications for different industries. Using the North American Industry Classification System (NAICS) the SBA designates a size or dollar amount which, when surpassed, defines when a firm would be considered large. Beyond being designated a small business, there are additional classifications that identify firms with additional socio-economic factors. To learn more about size standards and classifications, visit:

<http://www.sba.gov/contractingopportunities/officials/size/index.html>.

What does this mean? The government wide small business goal for prime contracts is 23% of total qualified contracting dollars with an additional 5% for woman owned, 5% for small disadvantaged, 3% for service disabled and veteran owned businesses and 5% for HUBZone. In a continued effort to reach these goals, the SBA and the Commerce Department have scheduled hundreds of events to educate small and disadvantaged

businesses. Savvy companies are taking advantage of these programs in an area where traditional large businesses have ruled. These programs are designed to promote business development, which is integral to our country's economic growth through the creation of jobs and income. This is important, because 98% of all businesses that file tax returns have less than 10 employees. These companies in the US employ more than 50% of the workforce and generate more than half of the GDP, creating the most new jobs in the country.

Why do Federal buyers buy from these firms?

- Contracting agencies are rated on meeting these goals through the SBA Small Business Procurement Scorecard
- Contracting officers are personally evaluated on meeting these goals
- Only 13 agencies met these goals in 2008
- Stimulate the economy

What tools are available to small businesses? Many companies are learning about Federal opportunities and applying to become a vendor to the government. Resources readily available in your community include the:

- Small Business Administration (SBA) offices; SBA offices are present to help direct small businesses towards programs and goals that can help them grow. These resources are typically provided free of charge and are available to everyone.
- Procurement Technical Assistance Center (PTAC) are also provided by the SBA; these centers specialize in directing small businesses about ways they can enter the Federal market.
- Small Business Development Centers (SBDC) are also sponsored by the SBA; and they provide classes and resources to small businesses in the area.

The SBA and GSA are actively recruiting qualified firms because enough do not currently exist within the system. These resources are a great place to start. After meeting with the SBA resources in your community, the task to enter the Federal market may still appear daunting.

What to do next? Due to the long and intense process required to compete for a GSA schedule, many small businesses turn to an outside business consultant with expertise in the Federal programs to guide them along the process. Government Development Business Consultants can provide business owners with peace of mind that they are pursuing the complicated Federal market while not ignoring their primary goals: running their business. Good government consultants can provide the guidance and hours needed to prepare the proposal without risking your business. One word of caution: In choosing a Government Development Business Consultant, ensure their skills align with the goals of your company.

What if obtaining your own GSA schedule is not feasible? There are other options if obtaining a GSA schedule of their own is not feasible at the current time. Business owners have many options including:

- Partnering with large contractors in their area as part of their required small business sub-contracting plan. Any contract being awarded that exceeds \$500,000, the company being awarded must submit and gain approval on a sub-contracting plan. This requirement provides incentives to larger companies to work with, and mentor, small companies in their area. Partnering with these firms can provide experience selling to Federal buyers and test out the marketplace.
- Utilizing the GSA schedule of their parent company.
- Developing a performance track record by breaking into local and state spending.

Being small can be a competitive advantage but there are millions of small companies vying for government contracts. Obtaining a fixed price contract/GSA is the only way you can effectively compete unless you are so unique, you can offer products/services sole source. Continue to differentiate yourself and have the right contracting tools in place so you make it easy to do business with you. Approaching this market correctly can assuredly lead to steady long-term revenue and growth.

**Leslie Hulser earned her MBA from Florida International University and specializes in business to government consulting. She brings extensive experience in project management and business planning to companies that are interested in working with the Federal government. To learn more, visit her website at www.courtneyconsultingsolutions.com*