

ARTICLE 3

Can Your US Small Business Survive Success?

Compliance and the Small Business Graduation Process

Just the other day, I was chatting with a retired USG'er who spent considerable time as a reviewer on technical evaluation committees (TEC). He talked about how he and the other TEC members used to pull for the underdogs – prior to any bid being submitted for evaluation, of course.

With each procurement, the TECs were looking forward to (a) being exposed to new ideas and innovations; (b) broadening its pool of implementing partners; and (c) truly achieving 'best value' from newer companies and organizations with lower margins. Unfortunately, when it came time to evaluate the offers, the TECs were given no choice. Non-compliance with solicitation requirements was, and still is, the key obstacle to winning USG contracts or grants.

You may have a revolutionary technical solution, at a competitive price, but if the proposal fails to pass the USG's first stage of the review process – a compliance check – the TEC will never get a chance to read about it. From the TEC's perspective, too, the awarding of a contract to a non-compliant organization is a huge risk. We work in a small, tightly-knit community where there is the real possibility that competing offerors will get wind of this non-compliance, ultimately opening the door for a protest.

Furthermore, if an organization cannot respond to all USG proposal requirements – from the mundane to the critical – why would the USG risk awarding a multimillion dollar contract to that organization for work in another country, for example, that may be experiencing political and/or civil unrest?

Why is all of this important? *The Changing Competitive Landscape*

In the last 18 - 24 months, the USG competitive market has shifted considerably due to the small business (SB) graduation phase where successful SBs move up to the next level of competition – the unrestricted market. This is not an unusual phase, actually it is a cyclical phenomenon, and the impact upon the competitive landscape is felt everywhere.

(1) SB Graduates: The Honeymoon is Over. SBs once considered the innovators, activists, and darlings of the USG procurement market are feeling the impact of their success. Of course, it is an enviable problem...the dilemma of success. Success validates that what your organization has to offer is making a real contribution to USG domestic and foreign policy objectives around the globe.

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On the other hand, moving up to the unrestricted market can be a painful one. You are exchanging one set of priorities for another and the need to ‘up your game’ is critical. New priorities include and are not limited to establishing more formal BD, project, and management systems to maintain your organization’s culture throughout this growth. As an SB graduate, you should also be emotionally- and financially prepared for a drop off in calls from prime contractors. Like those primes, SB graduates will need a SB strategy to create strategic partnerships with a new set of SBs. Unfortunately, if you want to remain active in the markets that drove your success, it will be as a subcontractor or joint venture partner where the financial returns are just not the same as it once was.

How ‘smartly’ you prepare and manage your growth will be the difference between success or backsliding into SB status again, in a few, short years.

It is why there are SBs with ‘no- or low-growth’ BD strategies, opting to remain small because its market just lost its major competitors and the market newcomers will have an initial learning curve to overcome. The USG, particularly USAID, is also increasing the number of opportunities for SBs in areas such as institutional support, country-based monitoring and evaluation, and prime contracts to deliver country-based technical assistance and training programs.

(2) New SBs: Filling the Void. These are both nascent entrepreneurs and established SBs seeking to diversify its USG portfolio in a new market. Collectively, these SBs will be perceived as the market’s future ‘innovators, activists, and darlings.’ Through advancements in technology, research, and learning, these SBs are hungry to quickly fill the void left behind by the recent SB graduates. The faster the new SBs can minimize its learning curves, as noted above, the greater chance for early success. And who does not want that?

Key focus areas to help minimize this learning curve and increase your competitiveness include:

- Gaining an immediate, in-depth understanding of the client;
- Tapping into established partner networks to form strategic relationships; and
- Securing well-respected, high-performing Key Personnel that, all on their own, can make or break a chance to win the award.

(3) The ‘Established’: Here we Come! As with any competitive industry, you are only as good as today. With new entrants into the market, existing mid- and large-size firms will search for ways to stay ahead of its competitors. Do you change your organizational structure (*e.g., geographically and/or technically*)? Will you have a centralized BD unit or will you embed writers, proposal managers, and recruiters into the geographic or technical units? Will recruitment be under human resources or BD? Or sometimes, the best policy is no policy, and your organization chooses to rely upon its current management and operational systems.

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So, regardless of which cohort above best describes your organization, the most fundamental rule to succeeding in the USG market is that ‘Compliance is King/Queen.’ Take it from organizations that have received loss letters citing non-compliance as a key issue. Ask any one of them what it felt like to spend tens, if not hundreds of thousands of dollars, on an opportunity that was lost, because they did not read and follow the instructions in a USG solicitation.

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