

A Piece of the Pie: Get a government contract

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In the 13 years that Ambreco has been in business, owner Robert Dominguez has called many commercial businesses his clients. But ask this general contractor today to name his favorite client, and he'll likely tell you that it's Uncle Sam.

Dominguez is among the hundreds of thousands of small-business owners who have entered the federal marketplace, bidding on and winning contracts to produce goods and services for the federal government.

"The opportunity is huge: The government buys literally millions of items each year," says John DiGiacomo, director of the Procurement Technical Assistance Center at Rock Valley College in Rockford, Ill., and co-author of *Win Government Contracts for Your Small Business*. "Last year alone the government wrote 10.9 million contracts."

Of the \$235 billion awarded in federal contracts in 2002, almost one-fourth went to small businesses; in terms of actual number of contracts, small businesses scored half of them.

"The simple fact is any business, from a one-person operation to a business with 100 employees, can get a government contract," DiGiacomo says. "There are contracts out there worth several hundred dollars and there are those worth billions."

But there's a catch: It isn't easy. "Some small-business owners are not willing to do what it takes to get a government contract," DiGiacomo says. "They're looking for shortcuts, the magic pill or the silver bullet, but they don't exist."

For Dominguez and the other small-business owners in this story, success came from good old-fashioned trial and error.

Think Like Uncle Sam

Dominguez waited six years before Belton, Texas-based Ambreco (<http://www.ambreco.com>) entered the federal marketplace, making sure his company was ready for the transition.

"Doing business with Wal-Mart and doing business with the U.S. Air Force are two different animals altogether, especially if you're a small business," says Dominguez, who now calls the U.S. Department of Agriculture, the U.S. Army Corps of Engineers and the U.S. Navy his clients. "We started slowly because we knew making the transition from private to federal was a tremendous leap."

Now 100 percent of Dominguez's general contracting business is government contracts. With an average of 15 contracts at any given time, each ranging from \$7 million to \$10 million, Ambreco is no doubt a success story, but Dominguez faced his fair share of challenges to get there.

“The hardest thing was familiarizing ourselves with how the government operates,” Dominguez says. “This encompasses almost every phase of operation, from payroll reporting to means and methods of construction to warranties. Understanding the methods of operation and understanding that the private sector is a different operation altogether is the largest obstacle to becoming successful.”

After Dominguez became more involved in the government marketplace, he quickly realized that just because you’ve completed one contract, it doesn’t mean the next one will be exactly the same.

“Each agency in the federal government operates from its own set of guidelines that are slightly similar in nature but uniquely emphasized by each agency to meet their own focus,” he says. “The Air Force has a totally different take on essential elements than NASA does.”

Barry Fromm, owner of the Columbus, Ohio-based Value Recovery Group (<http://www.valuerecovery.com>) calls doing business with the government an art form. His small business specializes in recovering overdue assets and claims for government clients, including the FDIC, the U.S. Department of Housing and Urban Development and the Export-Import Bank of the United States. Working as a government contractor for the past 12 years, Fromm says small-business owners must master a balance of skills to ensure success.

“We’re challenged with two things,” he says. “One is meeting the terms of the contract, which has lots of subsets like compliance and ethics, while at the same time being entrepreneurial.” In other words, serving the agency and serving your business’ bottom line are sometimes competing interests.

“We have to think like they think,” Fromm says. “Their interest is to protect the agency and to protect the public, so we have to be extremely cautious. Government contracting has a different layer to it: government bureaucracy. It’s a different mentality. The government doesn’t have to get a return. They would rather see no financial success than to see the agency written about in a newspaper if a contractor does something wrong or embarrasses the agency.”

Know Your Niche

Like many insurance companies, Austin, Texas-based Infoglide Software (<http://www.infoglide.com>) suffered a big blow after Sept. 11, 2001. The provider of transactional business intelligence software lost some of its biggest clients, which were insurance companies that used Infoglide’s software for risk assessment. But instead of calling it quits, Infoglide looked for other areas its software could be used. The answer was clear: After Sept. 11, the federal government was more interested in better assessing the risks that threatened homeland security.

“We knew our software could solve the government’s risk-assessment problems, so right after Sept. 11, we did a lot of business development—knocking on doors and making the government aware of our products and how we could help solve some of their problems,” says Gail Taylor-Russell, Infoglide’s vice president of government markets. “We had an edge over larger

companies, too, because our software had already been developed.”

And the government was definitely interested in Infoglide’s product. The company, which then had 25 employees, beat bigger competitors like IBM and Lockheed Martin for a Department of Homeland Security contract. Infoglide has doubled its workforce in recent years and now derives 75 percent of its revenue from government contracts with groups such as the Department of Homeland Security, the U.S. Department of Transportation and the Transportation Safety Administration.

Pick Your Partners Wisely

So how does a small business of Infoglide’s size manage to be a successful government contractor? Strategic partnerships are a great way for small businesses to manage their own growth while still being able to fulfill the terms of the government contract.

“At the time of our first government contract, we had only 25 employees. The government wasn’t going to give a big contract to us,” says Taylor-Russell. “We found the best thing to do was to form strategic partnerships with other businesses to help us implement our system.”

With the government on its side, Infoglide faced no problems getting partners to buy into the project. “In 2001 no partner would have been interested in us without the government being interested in us,” she says. “The idea is to create demand within the government and use that to entice a potential partner to come on board.”

For the Homeland Security contract, Infoglide hired Lockheed Martin as a subcontracted systems integrator. Realizing her business couldn’t perform every piece of the contract on its own was one of Taylor-Russell’s smartest moves, according to DiGiacomo. “It’s important to answer the questions, ‘What can I do, and what can I do well?’ before bidding on a contract,” DiGiacomo says. “It’s easy to get in over your head and think that what a contract is asking for is something you can deliver on your own.”

Partnerships, or joint ventures, can also make your bid more attractive to the agency, says DiGiacomo. “The federal government is risk-averse,” he says. “If one company goes down the tubes, they still have a supplier if they’ve hired the joint venture.” Partnerships are a good thing in the government’s eyes—as long as nothing gets in the way of fulfilling the contract. That’s something Dominguez of Ambreco learned the hard way.

“We cut our teeth on our own mistakes,” Dominguez says of a subcontractor Ambreco hired for one of its first government contracts. Instead of helping, the large out-of-state subcontractor turned out to be Dominguez’s worst nightmare.

“There were lots of learning curves, and I lost a good bit of money. It was enough to teach me a real lesson. You’ve got to be careful about who you partner with,” he says. “If you’re a small business and you partner with a large company, it’s like the tail wagging the dog. By virtue of their size, they run the contract.”

Gail Taylor-Russell of Infoglide agrees that working with a large partner isn’t easy. “Working

with a large partner is always challenging for a small technology company,” she says. “Cultures often clash.” Still, the success of Infoglide’s partnership with Lockheed Martin resulted in more than \$10 million in revenue over two years and became an excellent addition to Infoglide’s government resume.

Despite the risk of partnering with another business, Barry Fromm of Value Recovery Group never underestimates the leg up a partnership can give a new small-business contractor.

Other small-business owners shouldn’t get discouraged if they lack experience in the government marketplace, he says. After all, you have to start somewhere. “You can’t wake up with government experience,” Fromm says. “Subcontracting and teaming up with someone who has experience and demonstrating to that person that you add value can be a great entry point into the federal marketplace.”

*With the recent Federal Prison Industries victory, life got a little more fair for small businesses. NFIB supported a bill signed by the president that enables small businesses to compete for federal contracts that were once automatically awarded to convicts. Learn more at <http://www.NFIB.com/govcontracts> .

Web Extras: Learn more about working with Uncle Sam in the “Web Extras” section of <http://www.NFIB.com/toolsandtips> .

Are You Uncle Sam Savvy?

As this story shows, no small-business owner is born ready to be a government contractor. Before you place your first bid, make sure you’ve answered the following questions:

Do I know what the government wants? The U.S. government is one of the most complex and sophisticated markets in the world. Knowing how the agency you want to work with operates and what it expects from contractors can make your entry into the federal marketplace much easier.

What can I feasibly do? Define exactly what you can do for the government and figure out your costs. Bidding too low or too broadly just to get the contract could put your business in the red.

Who do I want to work with? If you lack experience in the government marketplace or if the contract is too big, partnerships and subcontracting are a great way to go. Before you go that route, though, do your homework on the prospective partner and sign a contract explicitly detailing the terms of the agreement before the contract begins.

You’ve Got a Friend

Whether you’re a contracting newbie or a bidding veteran, you don’t have to go at it alone. Big businesses may have government contracting experts on staff, but they can’t top the friend that small businesses have in the U.S. Small Business Administration.

“We are advocates for small business,” said Emily Murphy, SBA senior adviser for government contracting and business development. “We get involved in the acquisition planning stage to

make sure the agencies offering contracts are being friendly to small businesses.”

And that’s just the tip of the iceberg. The SBA also negotiates small-business contracting goals for federal agencies (the current goal for all agencies is 23 percent), offers training on a variety of topics through online courses, provides matchmaking opportunities for small-business owners to meet with agency buyers, and also narrows the competition even more for minority-owned and disadvantaged businesses.

Still, just because you have the SBA on your side doesn’t mean you’re a shoe-in for a contract. “Although the SBA is a tremendous tool, business owners do not need to use the agency as a crutch,” said Robert Dominguez, owner of Ambreco, an SBA 8(a) certified minority business in Belton, Texas. “The small-business owner, not the SBA, is ultimately responsible for success or failure in federal contracting.”

For more information on SBA’s government contracting programs, visit <http://www.SBA.gov/businessop> .



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