Industry/Defense

Challenges and Issues
from a Small Business Perspective
**Mission:** Become a large premier technical services firm that supports National Security

- Two metrics to support mission statement
  - CMMI Level III/ISO 9000
  - Achieved sustained growth of over 20% a year
    - Ranked as the 31st fastest growing company in MD
    - Rated in the top 500 fastest growing companies in 2005
- Nominated and received the Small Business Administrator’s Award for Excellence
Current Lay of the Land:

- Imbalance in the Defense Sector between the size of Small Businesses and Large Businesses
  
- Small Businesses are competing with large billion dollar corporations that have grown through organic and inorganic (acquisitions/mergers) growth
  
  - Fewer Small/Mid-Tier companies ($60M-$200M)

- OCI issues - Government is still trying to sort through technical conflicts

- Sarbanes Oxley - Creates a cost barrier to going public until the company has revenues of $300M-$400M
Acquisition Process from a Small Business/Set Aside Perspective

• **Challenge:**
  – The lack of qualified/trained Contract Professionals has had a negative impact on the Acquisition Process

• **Recommendation:**
  – Invest in developing strong Contract Professionals, facilitate communication with the technical people they support, and the contractor community
    • Develop strong mentoring relationships
    • Facilitate constructive dialogue through informal “informative” meetings with the technical people
    • Facilitate meetings with contractors (large, small, and Set-Aside) to understand the challenges we face
    • Base performance evals on the effectiveness of these communications as well as results

• **Result:**
  – RFPs/Contracts with clear guidelines and aligned with the technical requirements
  – Clearer understanding of NAICS codes and Set-Aside programs
  – Timely award of contracts
  – Strategies that achieve balanced competition and provide incentives for innovation
    • Instead of three unrestricted procurements, make one a Small Business or Set-Aside
    • Creative procurement strategies, for example, providing incentives for prime contractors to leverage/insert new technologies offered by Small Business or technology companies
    • Understanding of basic defense contracting business
Acquisition Process from a Small Business/Set Aside Perspective

- **Challenge:**
  - NAICS/Size Standards, established by the Navy to classify work, does not reflect the defense industry consolidation and the Navy has not adjusted

- **Recommendation:**
  - Raise/change the NAICS codes to reflect reality
  - Air Force, MDA, and Army currently assign larger NAICS codes that are associated with people
  - Contracting Officers have the authority to assign NAICS codes

- **Result:**
  - Provides a more balanced procurement environment for the Navy
  - Allows Small Businesses to become larger and develop a stronger base
    - More marketing resources
    - Larger pool of bid and proposal dollars
    - Larger reachback to compete on large contracts
Interaction between Industry and “Competimates” from a Small Business/Set Aside perspective

- **Challenge:**
  - Becoming a strong, viable large business in a field that is inundated by billion dollar publicly traded companies
    - When large companies subcontract to SB they tend to “muscle” SB in terms of Scope of Work and number of people
    - The technical people you are dealing with may not understand the SB or Set-Aside rules
    - Large companies pay slowly

- **Recommendation:**
  - Do not be afraid to prime
  - If you have to subcontract understand the procurement contracting rules as they relate to SB or Set-Asides and negotiate - strongly
  - Outline everything in the teaming agreement and make sure the clauses roll into the subcontract agreement
    - Negotiate payment terms
  - Develop strong relationships with a few large companies (realizing you will team today and compete tomorrow)
  - Maintain the entrepreneurial/innovative side of being a SB
  - Develop a very strong expertise
  - Understand what motivates a large business
  - Look for “flip-flop” opportunities

- **Result:** Solid sustainable growth