



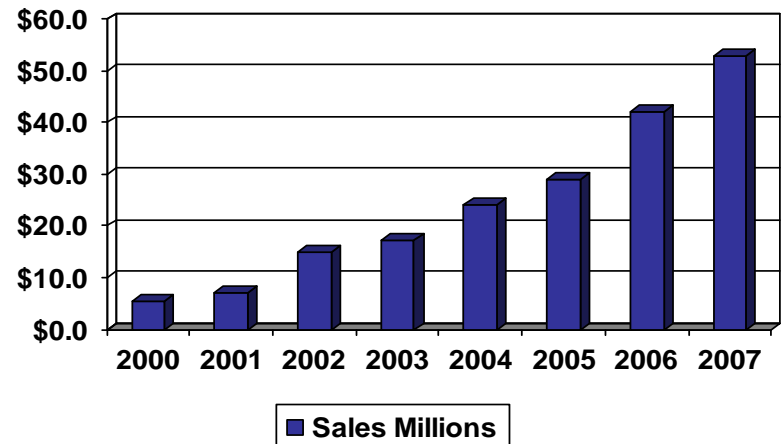
Industry/Defense

*Challenges and Issues
from a Small Business Perspective*



Gryphon Technologies

- **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





Industry/Defense Establishment From a SB/Set-Aside Perspective

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**