

Is Federal Contracting Right For You?

Government contracts can provide significant revenue. But some think it is too hard to accomplish. Here are some of the biggest myths and the reality:

- Myth:** Doing business with the government is too complicated, involves too much red tape, and it takes forever to get paid.
- Reality:** The government uses many commercial and business-friendly practices, such as buying off-the-shelf items and paying by credit card. Payments are generally received within 30 days after submitting an invoice.
- Myth:** There's no one I can turn to in trying to obtain government contracts.
- Reality:** SBA and its network of resource partners have programs and hands-on assistance for small businesses contemplating selling to the federal marketplace.
- Myth:** I must compete head-to-head against large businesses and multinational corporations to win contracts.
- Reality:** The government has many categories of contract opportunities reserved exclusively for small businesses to level the playing field
- Myth:** All I need to do is register in the Central Contractor Registration (CCR) system and the contracts will come rolling in.
- Reality:** Although CCR is the primary way federal agencies learn about prospective vendors, it's up to you to aggressively market your firm to those agencies that buy your products and services. Remember, agencies don't buy, people do.
- Myth:** The low offer always wins the contract.
- Reality:** While price is always a consideration, the government increasingly awards contracts for goods and services based on "best value," in which both technical and cost factors are weighed in the final assessment.

Even understanding the reality, you will need to determine if government contracting is right for your business. Here are some basic issues you need to consider:

Finances

Are you positive your business can financially support the execution of a government contract that may involve significant start-up costs?

Your company's financial situation is very important in your decision to pursue doing business with the government. Your business must be stable and financially sound, and you cannot have any major cash flow

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issues. If you have minor issues, you will need to speak with your banker to arrange a loan or line of credit. The government will not finance your contract up front, nor will it guarantee your success or bail you out.

If you are just starting out and short on cash, or having problems with payroll and other payments, government contracting is not for you. In fact, a contract might push you over the edge and put you completely out of business if you cannot fulfill its requirements.

Make sure that you can financially support the contract, and don't forget to take into account any start-up costs for the job that may be required.

Marketing

Are you willing to do ongoing, detailed market research to find procurement opportunities and then to take time to prepare and present offers?

Getting registered is just the beginning. Next you will need to do relentless marketing in order to find the procurement opportunities. It involves looking at the CCR (<http://www.ccr.gov>) and VIP (<http://www.vetbiz.gov>) databases regularly and often. It involves networking with everyone. It involves having contacts with the contract managers at the agencies you have targeted to allow them to get to know you. It involves being familiar with the supplier diversity managers and OSDDBU (<http://www.osdbu.gov>) managers in the companies and agencies that you have targeted.

Marketing takes time and persistence, so be prepared to be committed to the process.

Subcontracting and Teaming

Are you willing to be a subcontractor to companies that are prime contractors?

Some small businesses will partner with others to win government contracts or find the prime contractor of a major project and subcontract their services. This allows smaller companies who may lack certain resources to pursue opportunities they otherwise could not do on their own. Partnering can also help spread the workload and ensure that you are not taking on more than you can handle. In addition, experience gained from being a subcontractor can help you become a prime contractor.

Subcontracting opportunities can be found at SUB-Net, SBA's searchable database that prime contractors use to post subcontracting opportunities (<http://www.sba.gov/subnet>).

The website is also used by federal agencies, state and local governments, nonprofit organizations, colleges and universities, and even foreign governments.

Electronic

Are you prepared to learn and follow the rules relating to federal acquisition?

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Chief among the rules is having your business be capable of doing business using some kind of electronic commerce (e-commerce) or electronic procurement (e-procurement). This is a mandate of the Government Paperwork Elimination Act of 1995, requiring the government to use electronic means to issue and award small business contracts, specifically those between \$25,000 and \$100,000. In a continuous effort to streamline the procurement process, government buyers are using new options in making purchases, such as multiple-award schedules, purchase cards, reverse auctions, etc., almost all of them technology-based.

Many small businesses are still coming up to speed with computer technology and online purchasing. E-procurement takes many forms—portals, web-based forms, electronic document management systems and so on—so be ready to do business electronically. This type of requirement is not unique to the government, as almost all major corporations now require this type of system from their vendors and suppliers.

From *Opening Doors: Small Business Opportunities in Federal Government Contracting*, U.S. Small Business Administration, http://mainesbdc.org/bus_docs/ptac/maineptac_Transcript.txt, and <http://www.sba.gov/contractingopportunities/owners/basics/mythsrealities/index.html>