



10 Questions to ask yourself before entering the government contracting market

It takes the average company 24-36 months to lay the foundation for success in government contracting. You have to learn a new language, immerse in a new culture, and build new relationships. Most business owners don't have the luxury of investing that kind of time and resources. Before you begin, you must ask yourself these hard questions:

1) Do you have mobilization capital to fund (cash flow) the project when you win a contract?

For example, let's say you win a \$1 million project, it may require \$200,000 of your own money to mobilize and begin the project. You'll get paid after you invoice the government, usually 30-45 days.

2) Do you have a HR plan to assemble a team (W-2 or 1099 staff) to execute the successful completion of the project?

Let's assume you are a construction company with \$2 million annual revenue. You just won a \$10 million project. You have the infrastructure to manage \$2 million but not \$10 million. Now, you need to find subcontractors, hire new project managers and assemble staffing plan within 15 days of award notice. How do you plan to execute this?

3) Do you have past performances?

I would say that one of the biggest obstacles for most small businesses in the government market is the lack of past performances. So, what are past performances? Past performances are relevant experiences similar or identical to the project being pursued in terms of revenue size and scope of work. Typically, three past performances is the norm. The average government contract is \$160,000.

4) Do you have bonding capacity and the proper insurance?

Bonding is a requirement for some industries (construction, janitorial, etc). This can be an added cost you must account for and put in place prior to pursuing a contract. Insurance is a requirement for all industries. Some industries require additional types of insurance. Here is a list for consideration: general liability, workers comp, unemployment, E & O, auto insurance, hazmats, etc.

5) Do you have a quality assurance program and safety program?

Often times, government agencies will require that you have QA or safety program. Some projects require that you have both, depending on your industry.

6) Do you or can you qualify for set-aside programs?

Set-aside programs can be a great tool to gain a competitive advantage in the government market. Certifications such as: SDVOSB, 8a, ED/WOSB, HUBZone, SDB, WBE, SBE, FBE, MBE, DBE, etc. can be a great door opener into agencies.

7) Do you have industry certifications?

Many contracts require that you have specific industry certifications. Certifications such as: CMMI, ISO 9001, LEED, LEAN, PPM, CFCM and CPFC may be required as part of the contract award.

8) Are you in this for the long haul?

Government contracting is not quick money, but it can be very lucrative in the long haul. Contract sizes are larger in revenue and can be for multi-year. The average government contract value is \$160,000 for all industries. Specific industries, such as, IT services or construction are usually higher. If you are a new business, start as a subcontractor to large primes first. You can shift later as you gain more experience. The learning curve in the government market is very long, on average it takes 36 months.

9) Are you willing to commit the time to learn a new way of doing business?

The government market utilizes a different language, called "governese". It is laden with gov speak jargons and acronyms. It also has a different culture which if not followed, can land you in jail.

10) Are you willing to get out of your comfort zone?

As mentioned earlier, the government market is very different from the commercial market. You have to call on agencies. They don't often respond to your marketing emails or phone calls. Building relationships has to be done differently. You can't offer gifts, go out on golf outings, or attend sporting events; which can all be construed as influence or bribery.

Summary

These 10 questions are among some of the tough questions you must ask yourself before you begin your journey into the government market. If your answer is "YES" to these questions, then you are ready to begin. If there are a few NO's, then you may want to reconsider your decision about entering the government market.

If you're not sure where to start, contact a local PTAC, SBA or our association: www.GovContractors.net