**The Best Strategies to Stay Competitive in the Government Market**

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There’s a new buzz word floating around…”Coopetition.” You may or may not have heard of it, but you will. With the new age of globalization, businesses are finding that greater communication is making the world smaller. The global economy is becoming one market place through greater travel capacity, technology and social media such as Facebook, Twitter, and LinkedIn. This shift presents a fascinating opportunity for businesses to become cut-throat rivals or friendly competitors. This friendly cooperation between competitors is called “coopetition” or sometimes called “coopertition.”

Gone are the days when you look at your competitors and treat them as a contender. You have to learn how to cooperate with your competitors to be successful. This is especially true in the government market.

Government agencies have been bundling contracts for many years. They are awarding larger contracts in terms of size and dollar amount. In my opinion, this is happening due to a few factors; expediency, the need for more administrative contracting officers, greater trust in larger firms performing the work and other factors.

**(Figure 1)**

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| **Year** | **Number of Contracts** | **Dollar Value** | **Avg Contract** |
| 2006 | 4,944,331 | $423,434,842,183 | $86,000 |
| 2007 | 4,900,775 | $456,979,190,059 | $93,000 |
| 2008 | 6,019,007 | $528,485,302,893 | $87,000 |
| 2009 | 5,287,105 | $536,856,077,861 | $118,000 |
| 2010 | 3,517,246 | $538,680,618,580 | $153,000 |
| 2011 | 3,348,751 | $537,400,308,143 | $160,000 |
| 2012 | 3,038,605 | $513,793,627,320 | $169,000 |

Source: www.usaspending.gov

Figure one above shows the trend for the last seven years. Notice that the number of contracts peaked in 2008 at 6,019,007 and started to drop. However, there has not been much change in the dollar amount. In 2009, the average contract dollar amount went up and has continued to go up. This means that businesses must partner together to go after the larger projects.

Let’s look at another example from the SBA Small Business Goaling report for 2011. Of the $537 billion dollars awarded, only $91 billion went to small businesses. This amounted to only 17%. The small business goal is 23%. Most of the contracting dollars went to large companies. Small businesses can’t compete under normal procurement practices because when contracts are bundled, they don’t have the mobilization capital and infrastructure to qualify or perform. Imagine that you own a business with $500,000 in revenue. A contract opportunity comes out for competition at $3 million and you anticipate completion in six months. This means that you will have to cash flow 45 days, which is $750,000. Most small business just doesn’t have this kind of money sitting around. As a small business, you can only cash flow $150,000 at one time. Then, what’s the solution? You will have to learn how to compete in a cooperative manner. Based on my experience, I’ve noticed that over a majority of projects require two or more companies working together to fulfill the government projects.

So, what strategies are available for coopetition in the government market? This list indicates a few recognized strategies that businesses can utilize to form alliances in the government market.

1. **Subcontracting:** As larger firms are winning contracts, smaller business should establish great subcontracting relationships.
2. **Teaming:** This strategy involves two companies with different capacities coming together to better pursue one contracting opportunities but as two separate companies. eg: Companies: A, Inc. & B, Inc. pursuing one contract as Company A, Inc. & B, Inc. with a teaming agreement.
3. **Joint Venture (JV):** A JV is similar to the teaming strategy but the two companies form a new company called Company A & B, Inc. This strategy, as well as the teaming strategy is recognized by contracting officers as a way to meet all of the specifications of the solicitation. As a note: any JV with an 8a firm must be approved through the SBA.
4. **Mentor Protégé:** A mentor protégé relationship is when a larger firm as, defined by their NAICS codes, works in a cooperative manner with a smaller firm. There are tremendous advantages both to the large firm and to the small firm.

The large firm may earn tax benefits, especially with DOD contracts. The larger firm also knows that it must sub-contract 35% of the awarded contracts to smaller firms as mandated through regulations. The mentor protégé program allows the larger firm to groom the small firms to be able to become better subcontractors. Also, a larger firm, which allows the smaller firm to lead in pursuing contracts as a prime, can turn around and subcontract from the smaller firm. This allows the larger firm a chance to perform on contracts in the 23% set-asides pool.

The benefits which small firms receive is subcontracting opportunities, quicker access to projects, having a 3000 pound gorilla (large firm) be your support allows for access to larger contracts and greater knowledge & credibility in the contracting arena.

So, if you feel that the world is closing in on you, consider utilizing some of the above coopetition strategies to help you to be more successful in the government market.