

Strategies for Minority Business Enterprises to Capture Federal Contracts and Expand Their Business

A Conversation with Business Leaders

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Executive Summary

The federal government's demand for contracted goods and services has created a multi-billion dollar market for vendors of all industries located throughout the United States, but particularly on the East and West Coasts.

This paper is intended to guide and encourage Minority Business Enterprises (MBEs) who are looking to enter or increase their success in the federal contract market. It highlights proven strategies and best practices for overcoming common mistakes and barriers to success.

In today's market, the most common barriers to entry for new and previously unsuccessful contractors are the following:

- A lack of knowledge and understanding of the federal procurement process;
- Access to a developed network, both with contracting agencies and other firms;
- Inadequate financial and physical resources; and
- An absence of previous federal contracting experience.

MBEs should consider these high growth strategies to further their success and expand their business in the federal arena and beyond.

- Understand thoroughly the workings of your industry, business and the federal procurement system.
- Be selective about the agencies you market your goods and services to—choose depth over breadth.
- Learn from your previous bid and other successful federal vendors.
- Build a strong network with your agency of choice and other relevant businesses/leaders.
- Understand your business's capacity and capabilities and know how to strengthen them when necessary.
- Build strategic alliances to increase capacity and competitiveness.
- Consider applying for an 8(a) certification from the U.S. Small Business Administration.
- Consider acquiring other businesses that offer complementary services to increase your portfolio of services and capacity.
- Reevaluate your position in the value chain, in doing so, consider vertical integration or outsourcing.

- Consider prime and sub-prime contract ventures, especially to establish past performance with the federal government.
- Consider competing for multiple vendor contracts (i.e. IDIQs) to minimize competition and secure long-term sales.

This paper emphasizes the importance of industry and federal market knowledge, strategic management and competitive advantages in capturing federal contracts. It also introduces several high growth strategies used by a diverse group of MBEs with successful federal contracting experience.

Introduction

Let's be honest, breaking into the federal procurement market may be difficult and discouraging at first glance. There are numerous books and articles produced by experts on federal contracting and successful federal contractors we would encourage you to read. But to save you time, we have developed this paper as a quick guide to help you navigate the federal contracting process with proven strategies from successful MBEs.

This industry paper will explore different methods and best practices Minority Business Enterprises (MBEs) and experts have used to capture federal contracts. It will also address common pitfalls that have prevented MBEs from winning contracts, and highlight techniques that MBEs can use to further their growth and success.

Generally speaking, while the federal government has a purchasing history found throughout all industries, it relies on some more than others. If your business is in information technology, construction, health care, or transportation industries, to name a few, the federal government is an attractive client for expanding your business. It is also important to note that the vast majority of federal acquisitions (by number) are less than \$150,000. So start small, develop expertise and a track record, then expand and grow from there.

Overview of Federal Contracting

It is no surprise that the federal government is the largest purchasing client in the nation. The amount of federal spending reflects the government's likelihood to outsource goods and services to commercial companies.¹ Historically, the federal government has contracted everything, from office supplies to transportation services, and information technology to maintenance.

Federal contract spending increased between FY 2005 and FY 2010 by 37% from \$391 billion to \$536 billion, according to an analysis of data from USASpending.gov.² During this period spending on federal contracts reached its highest level — \$541 billion in 2008.³ Some of this increase was spurred by the American Recovery and Reinvestment Act and, as such, does not necessarily represent an on-going spend level of the government. In fact, the current budget deficit is driving agencies to maximize their return on spend and are actually spending less money today.

The U.S. Department of Defense ranks highest for contract spending, followed by the U.S. Department of Energy and the U.S. Department of Health and Human Services. Table 1 highlights the relationship between federal government agencies and contracted expenditures in FY 2010 as provided by USASpending.gov.⁴

1 Richard White, *Rolling the Dice in DC: How the Federal Sales Game is Really Played* (Bethesda, MD: Wood River Technologies Inc. and Fedmarket.com, 2006), 7.

2 "Prime Award Spending Data," U.S. Office of Budget and Management, accessed on February 23, 2011, http://www.usaspending.gov/explore?fromfiscal=yes&fiscal_year=2005&fiscal_year=2008&tab=By+Agency&fromfiscal=yes&carryfilters=on&Submit=Go.

3 Ibid.

4 "Agency Summary for FY 2010," U.S. Office of Budget and Management, accessed on March 1, 2011, http://www.usaspending.gov/agencytabular?&carryfilters=on&fromfiscal=yes&tab=By%20Agency&fiscal_year=2010&tabletype=agencybar#.

Table 1- Federal Contract Expenditures by Agency for FY 2010

Federal Agency	FY 2010	Federal Agency	FY 2010
Department of Agriculture	\$6.1B	Department of Transportation	\$5.6B
Department of Commerce	\$3.9B	Department of Veterans Affairs	\$16.1B
Department of Defense	\$367.1B	Environmental Protection Agency	\$1.7B
Department of Education	\$1.8B	General Services Administration	\$17.5B
Department of Energy	\$25.7B	National Aeronautics and Space Administration	\$16.0B
Department of Health and Human Services	\$19.0B	National Science Foundation	\$428.3M
Department of Homeland Security	\$13.6B	Nuclear Regulatory Commission	\$201.0M
Department of Housing and Urban Development	\$1.6B	Office of Personnel Management	\$1.1B
Department of Justice	\$6.5B	Small Business Administration	\$143.0M
Department of Labor	\$2.2B	Social Security Administration	\$1.4B
Department of State	\$8.1B	United States Agency for International Development	\$6.5B
Department of the Interior	\$6.1B	All other agencies	\$2.2B
Department of the Treasury	\$6.0B		

A considerable portion of these contracts was awarded to businesses in and around the Washington, D.C. Beltway area, which includes the District of Columbia, Virginia and Maryland. Businesses in Virginia secured the highest amount of federal dollars, approximately \$57.8 billion in fiscal year 2010, followed by firms in California and Texas, according to data from USASpending.gov.

Table 2⁵ - Federal Contract Expenditures by State				
Geographic Area	FY 2008	FY 2009	FY 2010	FY 2011
				YTD
Texas	\$60.5B	\$31.2B	\$31.3B	\$10.3B
California	\$51.2B	\$55.6B	\$55.6B	\$7.8B
Virginia	\$54.7B	\$54.8B	\$57.8B	\$6.5B
Pennsylvania	\$17.7B	\$18B	\$18.5B	\$4.3B
District of Columbia	\$17.2B	\$20.4B	\$20.8B	\$4B
Massachusetts	\$13.1B	\$16.2B	\$15.5B	\$3.9B
Maryland	\$26.1B	\$27.2B	\$25.8B	\$3.3B
Georgia	\$11.0B	\$10.9B	\$12.0B	\$2.4B
Florida	\$16.2B	\$16.8B	\$17.0B	\$2.4B
New Mexico	\$7.0B	\$7.6B	\$7.4B	\$2.0B
Washington	\$10.2B	\$11.4B	\$9.7B	\$1.8B
Arizona	\$13.8B	\$13.8B	\$12.6B	\$1.8B
Colorado	\$7.5B	\$9.0B	\$9.9B	\$1.8B
Illinois	\$12.7B	\$10.5B	\$10.8B	\$1.8B
Tennessee	\$7.8B	\$8.4B	\$8.1B	\$1.7B
Missouri	\$14.3B	\$12.6B	\$12.6B	\$1.6B
New York	\$12.7B	\$12.8B	\$12.7B	\$1.5B
South Carolina	\$7.5B	\$10.2B	\$7.8B	\$1.3B
Alabama	\$10.0B	\$11.1B	\$9.9B	\$1.3B
Mississippi	\$5.5B	\$5.1B	\$2.5B	\$1.2B
New Jersey	\$8.7B	\$9.6B	\$9.6B	\$1.1B
North Carolina	\$5.2B	\$5.5B	\$5.4B	\$795.7M
Louisiana	\$6.2B	\$8.1B	\$7.0B	\$567.0M

Notably, neither Table 1 nor Table 2 includes the industries which received the greatest monetary amount of federal contracts. Currently the largest held contracts are in the industries of defense technology, aerospace technology, and information technology.⁶ However, there are ample contracting opportunities in various other industries and in the near future we can expect to see a rise in contracting opportunities for social media, construction and medical supplies and services, according to Beverly Kuykendall, CEO of Federal and Commercial Contracts Inc., whose expertise for the past 20-plus years has been in business-to-business relations in federal and commercial markets.⁷

⁵ "Federal Contract and Assistance Awards by State," U.S. Office of Budget and Management, accessed on March 1, 2011, http://www.usaspending.gov/trends?trendreport=bystate&&carryfilters=on&trendreport=bystate&Go_x=Go&contracts=Y&&tab=List+View&viewreport=yes&Go_x=21.

⁶ "Federal Procurement Data System," General Service Administration, accessed February 4, 2011, https://www.fpds.gov/fpdsng_cms/.

⁷ Beverly Kuykendall. [CEO, Federal and Commercial Contracts, Inc.] Interview, February 2011.

The Value of Knowledge

The following tips and strategies are particularly aimed at companies who are new to or have been unsuccessful at entering the federal market place. According to MBE owners⁸ who have experienced success in the federal arena, the greatest barrier to entry is a lack of knowledge of the federal procurement process. From our conversations with successful minority entrepreneurs, we learned that many new contractors, especially small businesses, are unaware of the rules and regulations they must follow prior to their first bid. This can lead to costly errors and potential legal problems.⁹

To better understand the contracting process, minority entrepreneurs who have been successful in winning federal contracts advise that MBEs learn the rules and regulations of federal contracting. MBEs can gain this knowledge from public resources such as websites, books and articles or hire third-party consultants. If you choose to seek information on your own, the bibliography following this paper can serve as a reading list

The Minority Business Development Agency (MBDA), in the U.S. Department of Commerce, is also a valuable resource for information, tools and business strategies. The Agency, along with its network of business centers, provides business matchmaking services and expert business development advice. MBEs can visit the MBDA website (www.mbda.gov) to register your business and explore the tools and resources available through MBDA. You will also want to check out the section on “BizDev Tools” which can be found by visiting the Business Workspace. There you will find contract opportunities, business plan development tools, resource locators and much more.

You can also obtain direct business consulting services from a local MBDA Business Center. There are nearly forty of these centers located around the country and recently, MBDA launched a new center in Washington, DC that is focused exclusively on federal contracting. The MBDA Business Center – Federal Procurement is the first center of its kind that is dedicated to making it easier for minority businesses to navigate the federal procurement process. Through this center, MBDA will offer specialized assistance in both identifying and accessing federal procurement opportunities, as well as guidance on how to excel in federal contracts, including prime and sub contracts.

⁸ Carlos Rivera. [CEO, CAMRIS International, Inc.] Interview, February 2011. Stephanie Y. Drake. [CEO, Drake, Incorporated.] Interview, February 2011.

⁹ “Federal Acquisition Regulations,” U.S. Small Business Administration, accessed January 31, 2011, <http://www.business.gov/expand/government-contracting/far.html>.

In addition, the U.S. Small Business Administration’s website — www.sba.gov/category/navigation-structure/contracting — offers information on federal contracting, including business certifications with the federal government, laws and rules governing federal contracting and strategies for business growth.

If you want to do business with the federal government, it is mandatory that you register your business with the Central Contractor Registration (CCR) at <https://www.bpn.gov/ccr/>. But prior to doing that you will need to obtain a DUNS number from Dun and Bradstreet (<http://fedgov.dnb.com/webform/>). You will also need to complete the Online Representations and Certifications Application (ORCA) (<http://orca.bpn.gov/login.aspx>) before submitting your first bid. Your DUNS number application should be updated on an as-needed basis and your CCR and ORCA must be updated annually. You should also keep in mind that there is a time lag in getting all of these completed and finalized in the various systems, so it is best to register well in advance of submitting an offer on a solicitation.

Also note that the federal government, by law, is required to review a minimum of three proposals from various vendors for contracted purchases over \$3,000 (unless a sole source or limited competition has been authorized), and may consider requesting other bids for a contract up to \$3,000 unless the federal contractor finds the pricing to be reasonable. Purchases which exceed \$25,000 are, by regulation, generally subjected to a public bidding process or offered as multiple vendor contracts and can be found on Fedbizopps.gov.¹⁰ This helps to ensure that the vendor who is selected represents the best value in comparison to the other competitors. These rules and regulations allow for multiple contracts, as well as single awards, to be granted under a single solicitation.

¹⁰ U.S. Department of Commerce’s Office of Small and Disadvantaged Business Utilization, *Building Effective Acquisition Strategies: Small Business Program Resource Guide* (2010), 15.

Narrowing the Federal Market Segment

Carlos Rivera, a Puerto Rican native, is the CEO of CAMRIS International — a federal contractor in the global health industry that provides services in over fifty countries through 150-plus employees. Rivera suggests MBEs concentrate their business development efforts within a few agencies, perhaps one to three. This method of penetration allows you to become very familiar with the agency and its contract profile. Ultimately, “it prevents you from chasing every contract and helps you stick with what you know and who you know.”¹¹ It also gives you the opportunity to learn the broad process all agencies follow, as well as the individual processes that each agency has implemented (e.g., GSA requires the completion of certain forms that other agencies do not use).

Stephanie Y. Drake, the president and CEO of Drake, Incorporated, a federal contractor and an African-American, woman-owned firm in the construction industry, remarked that “one of Drake’s initial challenges was trying to distinguish the company as the ‘best-value’ and matching our strengths to the right agencies.” The FedBizOpps.Gov website is a good source that can help you identify which agencies are currently seeking the type of goods or services your firm provides.

Carlos Guzman, an expert on access to federal markets at MBDA, suggests that business leaders also use FedBizOpps.Gov to learn from those who have successfully captured federal contracts by contacting them directly. Establishing these contacts not only helps to understand better the contracting process, but it also builds networks. We will discuss the importance of networking in greater depth later.

There are other sources of information on planned acquisitions that are publicly available prior to their announcement in FedBizOpps. Agencies are required to develop a business opportunities forecast, which will allow you to identify opportunities prior to the release of the solicitation and to begin strategizing or team building as appropriate if it is an acquisition you are interested in pursuing. There is also a lot of information in the Federal Procurement Data System-Next Generation (FPDS-NG) about current contracts. Researching this information can give you advance knowledge of when current contracts are coming to an end and you can reach out to the agency to determine if they will be re-competing the requirement.

¹¹ Carlos Rivera. Interview, February 2011.

Securing Resources/Alliances

Once you have gained a solid foundation of the mechanics of federal contracting and segmented your strategic market, it is vital to secure a source of capital prior to bidding. It is ill-advised for any MBE to pursue contracts and develop proposals unless you absolutely intend to win.¹² Pursuing federal contracts is costly, both in monetary value and potentially missed economic opportunity.

Carlos Rivera warns fellow MBEs about the risks they run if they undertake contracts without a secured flow of financial support ready prior to bidding. He says that on average companies carry 11 weeks of fixed cost, the majority being labor expenses, before they receive any payments. A company that does not lock in a source of financial support prior to beginning the contract can expect to face high interest rates and diminishing returns if they have to turn unexpectedly to banks or alternate lenders for additional capital. Depending on the amount you borrow, working capital can incur a 12% to 20% interest rate which, as an unanticipated expense, can significantly reduce your profit, especially for MBEs operating in industries with low profit margins.

Below are some questions MBE CEOs,¹³ who generously provided advice and best practice suggestions for this paper, believe you should consider while researching potential federal contracts:

- Do I have or can I acquire the necessary physical tools (staffing, raw materials, building supplies, etc.) to complete the contract?
- Do I have the financial resources (cash reserves, lines of credits, etc.) necessary to manage the project? Can I afford to carry the fixed cost for at least three months?
- Will undertaking the contract generate a desirable profit? If not, how will I benefit from undertaking this contract? (Experience, developing past performance record, building strategic relationships, etc.)
- Could the time and money spent developing a proposal and bidding on the contract be better spent pursuing other opportunities (in the private or public sector)?
- Is the job too big? Can my team accomplish the task without over-extending themselves or our resources? Should I consider teaming with another company?

¹² Robert S. Frey, *Successful Proposal Strategies for Small Businesses: Using Knowledge Management to Win Government, Private Sector, and International Contracts* (4th ed. Boston: Artech House, 2005), 3.

¹³ Carlos Rivera. Interview, February 2011. Stephanie Y. Drake. Interview, February 2011. Clarence O'Berry. [CEO and President, Mandaree Enterprise] Interview, February 2011. Michael Agboh. [CEO, Signature Technology, Inc.] Interview, February 2011. Beverly Kuykendall. Interview, February 2011.

- Do I understand the billing process and payment cycles?
- If I enter into the contract and suddenly realize that it is beyond my company's capacity and capabilities, do I have resources, both financial and physical, that I can call on for help?

Several companies that have begun their first search for contracts have acknowledged their lack of experience and knowledge of the federal contracting system. The key to overcoming these two disadvantages is to be humble and to remain motivated. As Carlos Guzman suggested earlier, it is immensely helpful to establish contact with companies who have federal contracting experience. This suggestion might seem a bit unusual, since you would be reaching out to potential competitors, however, more often than not, they can provide you with advice, share their experiences, highlight issues they faced but you may have not considered and suggest further resources. In addition, you will be establishing relationships with firms with the potential for teaming arrangements in the future. It is also suggested that you begin building a relationship with the federal agency(s) that you have an interest in doing business with. Finding out about and understanding its needs will better prepare you to respond when a solicitation is released.

Case-in-point: As the new president and CEO of Mandaree Enterprises, Clarence O'Berry knew that both he and his company were facing an uphill battle. This Native American-owned defense supply and IT company lacked past performance, access to capital and had no contracting expertise. Fortunately though, O'Berry's persistent personality helped him to make contact with other Native American federal contractors and leaders of Fortune 500 companies, such as Northrop Grumman Corporation. After his initial contact, the business leaders of the Native American federal contracting companies proved to be eager and resourceful in advising O'Berry. Through his contact with IBM, he managed to set-up a mentor-protégé relationship which helped Mandaree Enterprises establish a record of past performance.

A mentor can "accelerate the learning process, be a sounding board for ideas and give the protégé access to [their] network."¹⁴ Realistically, no person or company can offer you a flawless blueprint to federal contracting, but as a result of an initial point of contact, you can begin to build a relationship and establish a reputation with other companies. Mentors open the door to future opportunities.

¹⁴ Leonard Greenhalgh, *Increasing MBE Competitiveness through Strategic Alliances* (Washington, DC: Minority Business Development Agency, 2008), 23.

Minority businesses frequently wait far too long to establish alliances and as a result miss out on opportunities. Try to avoid this trend—START EARLY! Use these companies to seek out sub-contracting opportunities, joint venture endeavors or to pursue larger multi-vendor contracts. Do not instantly rule out other federal contractors in your industry as business partners. You will be surprised at how much you can help each other. In fact, many MBEs receive their first federal contracting experience as a sub-contractor.

For MBEs in the start-up stage, sub-contracting may be the best strategy to build a record of previous performance because it allows you to demonstrate your capabilities within the umbrella of a larger, more reputable company. However, not all MBEs will view sub-contracting as an advantage. There are some MBEs that prefer not to participate in sub-contracting because they see the relationship as being contingent on short-term benefits and strictly encouraged as a result of one company's "preferred" status (i.e. 8(a), SDB certification, women-owned business, etc.). We will return to these "preferred" advantages soon.

After an Unsuccessful Attempt

For those who have been unsuccessful at breaking into the federal arena, this is what you should do:¹⁵ request a debriefing. It is free, and the government will meet with you to discuss the strengths and weaknesses of your proposal.¹⁶ Debriefings are not always conducted in person—they are sometimes done in writing or over the phone – but a face-to-face discussion is always better if you can arrange it. While it will not provide you with an answer as to why another company won the contract over your own, it will give you an opportunity to ask specific questions about your proposal, to understand your mistakes, and receive suggestions for improvement from government officials, as Guzman said in our interview. Use this to your advantage in your next contract bid. Also, because there are no perfect proposals, you might want to request a debriefing even if you won the award — gaining information on what you could have done better will only help with the next solicitation.

The key to a successful debriefing is to remain professional and once again, humble. Nothing you say during the debriefing will overturn the agency’s decision to choose another contractor. However, if you can swallow your pride, be critical but not argumentative, and remain professional during the debriefing, you will be better positioned for your next bid.¹⁷ Remember “the real reason for requesting a debriefing is future sales,”¹⁸ so be sure to inquire about upcoming contracts.

¹⁵ White, *Rolling the Dice in DC*, 82.

¹⁶ Ibid.

¹⁷ Carlos Guzman. [Senior Business Development Specialist, Minority Business Development Agency, U.S. Department of Commerce] Interview, February 2011. Michael Agboh. Interview, February 2011. White, *Rolling the Dice in DC*, 82.

¹⁸ White, *Rolling the Dice in DC*, 82.

Comparative Advantages

Finding a niche in the market is the single most important way you can take the edge off your competition. Returning to “preferred” advantages, an 8(a) certification has often served as the niche for many MBEs. The 8(a) Business Development Program was created to help small and disadvantaged businesses become more competitive. Managed by the U.S. Small Business Administration, the 8(a) program is focused on providing business support which includes “mentoring, procurement assistance, business counseling, training, financial assistance, surety bonding and other management and technical assistance.”¹⁹

The 8(a) business certification is a nine-year program split into one four-year phase, which emphasizes business development, and a second five-year phase, which focuses on transitioning the business into successfully winning federal and private sector contracts independent of the 8(a) program.²⁰ The goal of the 8(a) program is to facilitate the development of firms so they can win contracts in a competitive environment.

One of the benefits of being 8(a) certified is that your company can receive sole source contracts (on requirements valued at less than \$6.5 million), eliminating competition while you are in the program. (See the process model for capturing federal contracting opportunities through sole source method for more information i.) Acquisitions set aside for the 8(a) program which exceed \$6.5 million will be open to competition among 8(a) certified businesses. However, it is important to learn the federal contracting process, build a network and develop marketing techniques while in the 8(a) program to maximize your business’s competitiveness.

Many MBE’s become dependent on the certification and after they graduate from the 8(a) program are unable to sustain their businesses because they never learned the elements necessary to be successful in federal contract bidding outside of the 8(a) program. “The 8(a) status does not give you the opportunity to win every contract you bid for, it only gives you the opportunity to submit your proposal; you still need to market toward your client,” said Michael Agboh, the founder of Signature Technology Inc., a successful 8(a) firm in the IT industry.

¹⁹ “8(a) Business Development,” U.S. Small Business Administration, accessed on March 14, 2011, <http://www.sba.gov/content/8a-business-development>.

²⁰ “8(a) Business Development,” U.S. Small Business Administration, accessed on March 14, 2011, <http://www.sba.gov/content/8a-business-development-0>.

If your business is interested in or is already an 8(a) firm, spend some time reviewing the 8(a) contracting method at the end of this paper. Eligibility criteria to be certified as an 8(a) business can be found on the SBA website at www.sba.gov. In addition to firm size and other considerations, the firm must demonstrate it is owned by a socially or economically disadvantaged individual or tribal government (i.e. Native Americans, Native Hawaiians, African Americans, Hispanics, Alaska Native Corporations, and others).

The ultimate purpose of a comparative advantage is to allow you to distinguish yourself from other companies that may offer the same goods or services.²¹ Comparative advantages do not necessarily have to be certifications; they can also be a management team with unique marketing skills or an extensive list of past performance with federal and/or commercial companies.

Don Chapman, former senior advisor to the Secretary of the U.S. Department of Commerce and an expert on Alaskan Native and American Indian businesses, tells a story of 10 tribally-owned companies that came together to create a non-profit alliance similar in profile to an Alaska Native Corporation. Under the alliance, this intertribal group pursued federal contracts in the IT industry and was able to secure contracts through a congressional appropriation. The appropriations bill allowed the group to win \$80 million in contracts over eight years for services for the U.S. Department of Defense.

However, since the company received the contracts primarily on a sole source basis, the group never experienced a competitive contract bid. Once they graduated from the 8(a) program, they worried about their ability to continue to capture contracts in a competitive environment. This company was underestimating the value of its past performance and considering dissolving the firm and Chapman was asked to provide advice. Chapman advised them that in the competitive arena, firms struggle to get federal contracts because they have no past experience, but their firm had past experience and knew the federal contracting process—two very big assets and advantages. In short, they utilized their past experience and knowledge, kept the company in operation and continued their success in winning federal contracts even after graduating 8(a).²²

²¹ Carlos Guzman. Interview, February 2011. Beverly Kuykendall. Interview, February 2011.

²² Donald Chapman. [Senior Advisor on Native American Affairs, U.S. Department of Commerce] Interview, February 2011.

Strategic Management

Strategic management is the sweet spot of every company. The management team controls strategic planning and execution, so whether you are attempting your first bid or have an extensive track record of federal contracts, this is for you.

Strategic planning can produce distinct opportunities or constraints to any business.²³ Federal contract bidding requires a significant amount of marketing, which is why it is vital to value depth over breadth when marketing to your client. As mentioned earlier, try to penetrate a small number of agencies, typically one to three, instead of multiple agencies.²⁴

Every management team should put an emphasis on sales calls and attending agency events. Both will be critical in establishing a relationship with contracting officers at federal agencies with whom you may plan to engage in business in the future. It is also advised that you build strong relationships with other personnel and decision makers in the agency who would be likely to know of upcoming opportunities. Project or building managers have proven to be great resources too.²⁵ “Remember,” says Drake, “by focusing on specific agencies and becoming intimately familiar with their mission, needs, culture, and regulations, you can develop a specific niche that can be successfully marketed and leveraged, particularly in a competitive, best-value bid situation.” This marketing strategy will allow you to solicit your business and build a reputation prior to partaking in a bidding process.

Sales calls and face-to-face meetings allow your management team to demonstrate their understanding of the industry and familiarize themselves with the agency. To make sales calls and face-to-face meetings as beneficial as possible, you will need to listen very carefully to the issues or problems the agency is facing. This will help your management team to analyze how the goods or services your MBE offers could be the best possible solution for that specific agency. The ability to demonstrate your competency will prove to be a huge benefit because it reassures the contracting officer that you understand the needs of the agency and what your company can provide. It is also possible that a face-to-face meeting can present a chance to secure a sole source contract if you are an 8(a) firm.²⁶

²³ Frey, *Successful Proposal Strategies for Small Businesses*, 22.

²⁴ Carlos Rivera. Interview, February 2011. Stephanie Y. Drake. Interview, February 2011.

²⁵ Stephanie Y. Drake. Interview, February 2011.

²⁶ Carlos Rivera. Interview, February 2011.

According to Carlos Rivera, many MBEs make the mistake of marketing their services to agencies without having a thorough understanding of the agency's needs. "They go in trying to force their services or product on a potential client," remarks Rivera. This often leads MBEs to overestimate their abilities. Today, with the increased bundling and multi-vendor contracts, this mistake could be extremely costly depending on your industry's profit margin. If your industry has a large profit margin, you have more leverage on contract bid pricing, but if your industry has a low profit margin your flexibility decreases.

Here is an example. In the IT industry most companies are service based; they provide data entry, webpage design, computer security and other services. Some offer tangible products, such as technology infrastructure which requires wiring buildings and laying cables. Nonetheless, most IT companies sell a particular intellectual talent (e.g. computer programming) which allows them to minimize or, in some cases, eliminate a major portion of fixed costs like office space rental and raw material expenses. But if we look at the construction industry, their fixed costs typically involve many more factors. They have to be ready to pay for rental equipment, office space, concrete, metal and more. The IT company has more flexibility in estimating the bid price because a larger portion of the bid price is profit.²⁷ If they happen to underestimate their price for executing the contract, the excess will be taken off their expected profit. On the other hand, the construction company, with a larger portion of fixed costs, does not have as much flexibility in estimating a bid price because if the bid is underestimated, the expected profit will diminish quicker. Rest assured that this doesn't mean all businesses should compete in high profit margin industries. Basic economic laws tell us that high profit margins attract more businesses which ultimately drive down profits.

Contracting officers are legally responsible for the contract. They act on behalf of their agency and their primary tasks are to ensure adherence to contracting regulations, evaluate contract proposals and select the offeror that they have determined represents the best value for the government and will be the most successful and efficient. Each contracting officer makes the ultimate decision on a proposal, although there is an entire team which provides input to and advises the contracting officer. The factors that are considered during the decision-making process include the cost/price for the purchase or service and the evaluation factors stated in the solicitation for that specific acquisition.

²⁷ Carlos Guzman. Interview, February 2011.

Contrary to popular belief, risk minimization is a higher priority than pricing to the contracting officer. Federal contracts are not necessarily awarded to the lowest bidder. The contracting officer buys from companies that demonstrate they offer the best value. The best value determination is made based on a combination of factors which will include approach, personnel, organizational experience (what you have done), past performance (how well you've done the work), and cost/price. The time you spend familiarizing the contracting officer and the program officer with your capabilities prior to a solicitation will be time well spent in establishing a level of assurance and familiarity.

High Growth Strategies

An excellent way to further your success is through joint ventures which will help your company take on larger contracts. Joint ventures, as outlined in the study entitled, *Increasing MBE Competitiveness through Strategic Alliances*,²⁸ allow a company to contract with two or more subsidiary entities to supply services or goods. These contracts could be intertwined into the main federal contract which will involve outlining the duties of both the prime and sub-contractors during the initial proposal. Or they can each be contracted separately by the prime contractor. The latter of the two allows the prime contractor “to insulate its business from possible relationship problems between the two suppliers.”²⁹

In 2008 CAMRIS utilized a teaming strategy to win a significantly large contract. Here is how it worked: CAMRIS International pursued the contract as the Prime and teamed with a partner firm that was established with the customer but was not eligible to bid on an upcoming request for proposal. Partnering, rather than going at it alone, allowed CAMRIS International to win the bid, increase their capabilities and resources and position themselves as a stronger competitor in the global health marketplace.

Another area your business can explore for growth opportunities is multiple vendor contracts. The General Service Administration (GSA) Schedules program allows the government to purchase goods and services directly from a vendor through long-term contracts.³⁰ The benefits of GSA Schedules for MBEs is that, generally, businesses of any size are qualified (some schedules are set-aside for small or 8(a) firms), contract terms are five or more years, vendor proposals are accepted at any time and there is no limit on the number of vendors who can be accepted.³¹ Additionally, agencies can establish Blanket Purchase Agreements under these schedules for commodities or services for which the agency has a repetitive need, which reduces the administrative burden for both the agency and the vendor.

In all cases, the GSA Schedule allows for vendors to be “pre-approved” to provide a large set number of goods/services for an agency, which in turn eliminates the timely public bidding process and allows the order to be filled in a fraction of the time. It should be understood, however, that even with the schedules there is a competitive solicitation/award process that needs to be undertaken before a schedule award can be

²⁸ Greenhalgh, *Increasing MBE Competitiveness through Strategic Alliances*.

²⁹ *Ibid.* 22.

³⁰ “GSA Schedules,” U.S. General Services Administration, accessed January 17, 2011, <http://www.gsa.gov/portal/content/197989>.

³¹ White, *Rolling the Dice in DC*, 34.

made. MBEs also need to understand that having a schedule contract awarded to you DOES NOT mean you will ever actually get any awards against that schedule.

Similarly, Indefinite Delivery, Indefinite Quantity (IDIQ) contracts are also used when the federal government has repetitive needs but cannot predetermine the precise quantity of goods or services required or when delivery will be required. IDIQ contracts are usually very large in dollar size and provide for an indefinite quantity of products and/or services during a fixed period of time.³² It is important to note there are three types of IDIQ contracts. In the first, the Government has a known quantity but cannot specify when deliveries will be required. The second, the most commonly used, identifies a minimum and maximum quantity of product/service that can be ordered under the contract. The Contractor will receive payment for the minimum quantity regardless of whether there is an actual order to deliver. The quantity delivered cannot exceed the specified maximum.

The third type, a Requirements contract, guarantees no actual work. The contract establishes a commitment to the Contractor to acquire from the Contractor any quantity the agency requires of the specific product or service during the life of the contract. There is no minimum or maximum under the contract, but there is an estimated quantity. In general, an agency will not exceed the estimated quantity under a Requirements contract by more than 20%. Unlike the Requirements-type IDIQ, a straight IDIQ allows the agency to use or not use the contract as it sees fit for anything beyond the minimum quantity. The advantage of pursuing an IDIQ strategy is that the competition for the actual task orders to perform the contract is streamlined. When pursuing a strategy to win IDIQs, MBEs should team up with other firms to strengthen their position and ability to be selected for this type of contract. If multiple awards were made, once the Federal agency is ready to issue task or delivery orders under the contract, the agency will conduct mini-competitions in accordance with the “fair opportunity” provisions of the contract and the companies that had won awards for the IDIQ contracts can compete to win the actual performance of the contract task/delivery order.

Reevaluating your position in the value chain is also a good way to locate areas with high potential for growth. With a solid reputation your work can speak for itself; why not let it speak on behalf of a broader range of goods or services by vertically integrating? If your company has the ability to perform roles with good profit margins

³² “Indefinite Delivery, Indefinite Quantity Contracts,” U.S. General Services Administration, accessed January 17, 2011, <http://www.gsa.gov/portal/content/103926>.

that are typically provided by outside sources, consider growing your business by incorporating some of these value chain services within your company.³³

Or you might consider outsourcing as an alternative to offering more services in your value chain. “Usually, the highest profit potential for the MBE occurs when the outsourcing involves...a value-chain role that the corporation cannot perform efficiently or effectively.”³⁴ It will allow you to focus your resources on the portion of your value-chain role which you believe will be most lucrative. Build your empire outwards. Consider also merging or acquiring other companies who can offer complementary services or goods. This could allow you to gain a wider range of expertise faster than building a new production unit within your company and in many cases provide more history and experience to your own business.

³³ Greenhalgh, *Increasing MBE Competitiveness through Strategic Alliances*, 9.

³⁴ *Ibid.* 37.

Conclusion

Entering the federal procurement arena may be complex —we know that and we are here to help. The Minority Business Development Agency hopes that this white paper serves as a navigational tool to minority entrepreneurs who are interested in gaining business from the federal government. For businesses that are new to federal contracting, the best advice we can offer is to reach out to others in your industry or in the agency you wish to do business with, and learn as much as you can about the federal contracting process. To MBEs that have fallen short of securing federal contracts, keep an emphasis on marketing your services and building your network but also retrace your steps and look for areas that can be improved. To MBEs who have been successful thus far, look to increase your success by pursuing larger contracts such as IDIQs, moving up your value chain, and consider expanding your company through mergers or acquisitions.

And lastly, we encourage all MBEs to engage with MBDA through our newly launched MBDA Business Center - Federal Procurement, where you will have access to the full range of services, skills, information and resources that the Department of Commerce and its federal partners has to help you compete for and win more federal contracts.

For more information and resources to growing your business, please visit MBDA's website at www.mbda.gov. Through this portal you can find contact information for MBDA's business centers, which are located throughout the United States, and become an MBDA client, and register to be matched to federal contracting opportunities as well as access financial resources and business opportunities. MBDA is the only federal agency created to help foster the growth and global competitiveness of minority-owned businesses in America.³⁵ MBDA understands that the value of rapport and reputation are priceless throughout the life of your MBE and we would like the opportunity to help you improve the quality of both while growing your business.

³⁵ "Who is MBDA?" Minority Business Development Agency accessed on March 3, 2011, <http://www.mbda.gov/main/who-is-mbda>.

Acknowledgements

"To lead people, walk beside them ... As for the best leaders, the people do not notice their existence. The next best, the people honor and praise... When the best leader's work is done the people say, 'We did it ourselves!'" –Lao Tsu

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APPENDIX: How the Process Works to Capture an Opportunity for Sole Source

Overview of the 8(a) Contracting Method

