



Government Contractors: Positioning for Growth in Trying Times

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Businesses throughout the country and government contractors in particular, have good reason to be concerned about the state of the economy and the budget battles in Washington, D.C. With the economy sputtering along, government contractors are understandably concerned about their prospects for growth in 2012. The uncertainty has been reinforced by the recently averted debt crisis, which has focused renewed attention on the limited options available to the government to stimulate the economy. For government contractors, reliant on government spending for their businesses, there is even more cause for concern. With round the clock chatter about budget cuts, contractors understandably question whether they will be a part of a growing economy any time soon.

While such pessimism may appear to be widespread, many successful government contractors, led by farsighted business leaders, view the current situation as an opportunity for growth. The federal government still needs goods and services only the private sector can offer. Nimble contractors that position themselves for the heated competition of our current economic reality are certain to find opportunities for growth at the expense of less innovative and prepared firms.

Knowing their customers' needs and budgets is one of the first steps contractors can take to better understand where opportunities exist. Firms not only have to keep themselves apprised of how the government allocates its resources, but also how its individual agencies apportion their shares, and the particularized requirements said agencies tie to their various programs. Clearly, certain needs remain constant regardless of the economy's ebb and flow. For example, firms that provide defense or security related goods and services are likely to continue finding opportunities with the government. Similarly, firms that provide computer system design, information systems development and IT communications services will continue being in high demand. Undoubtedly, the opportunities in these and other industries will be limited by budget realities; however, even though funds are tight, monies will be available for contractors that are ready, willing and able to offer the government the best value for their goods and services.

Of course, not every contractor has access to information that allows them to target specific contracts or programs in advance of its competitors. Because such information is hard to come by, firms should also take steps to identify potential teaming partners' access to such information, as well as new, unique approaches to satisfy the government's wide ranging needs. Firms should also look to team with companies in fields that differ from those in which they

have traditionally engaged as they may find that their expertise in one area transfers well to opportunities in other new markets.

To further stand out from their competitors, contractors should look to see how they can help agencies satisfy other needs, such as statutory procurement goals. For example, many agencies are hard pressed to meet different small business and socio-economic goals. Whether a requirement is issued on a full and open competitive basis, or set aside under a small business program, procurement officials must give consideration to how the government's goals will be met. And the options are fairly clear cut: either set aside work under one of the small business programs, or engage in full and open competition, under which large businesses must implement small business subcontracting plans. Under any of these options, contractors need to take into account with whom and where -- as a prime contractor, subcontractor, or joint venturer -- they position themselves to pursue the work.

The due diligence associated with pursuing work with the government must also be extended to potential teaming partners. Aside from the specific questions about a firm's technical capabilities, past performance history and experience, firms looking to team with small businesses should confirm their size status. Scrutiny of a firm's eligibility under different programs, such as the Service-Disabled Veteran-Owned Small Business or Women-Owned Small Business programs, is also warranted given the risk of successful protests. Not only should the teaming agreements be carefully drafted but also the underlying governing documents upon which the firm's status is based vetted. (Unbeknownst to many participants in these programs, ordinary business terms or practices often run afoul of the programs' underlying regulations.)

As part of the vetting process of potential teaming partners, every contractor should ask the other about their corporate compliance programs and codes of ethics and business conduct. In today's environment, such programs and codes are essential. They also serve as a telling sign of a company's commitment to responsible conduct. Firms that are willing to invest their resources to implement effective programs are usually run by farsighted Chief Executive Officers who commit to pursue the highest ethical practices. Led by such CEOs, these firms usually follow solid business practices that transfer into their dealings with others, not just the federal government.

While the times are challenging for all businesses, government contractors in particular have reason to be concerned about the continuing debate over the size of the government and deficit. In an economy that struggles daily under the constraints of fiscal austerity, many firms may feel that their opportunities for growth, if not prosperity, are limited. However, federal contracting opportunities are many and varied. Those firms that hone their marketing efforts, target the right client -- be it the government or potential small or large prime contractors -- and engage in due diligence prior to entering into strategic teaming relations should weather our current economic conditions much better than most of their competitors.