



## Getting Started in Government Contracting

I'm frequently asked, "what is the best way to get into government contracting?". That's a question with a different answer for every person asking it. But there are some basic things you need to do when starting a government contracting business. I'm not going to discuss the details of who to establish a business or get a CAGE code. All those processes are easy to find on the internet and vary slightly from state to state.

My goal is to give a basic guide for those small businesses wanting to get into government contracting. It's not possible for me to give you a step-by-step guide that will guarantee you win a government contract. What I can do is give you information about the government market and suggestions on some things to consider when entering the government market.

The first thing to understand is government contracting is not like the movie War Dogs. I finally watched it recently because people frequently asked if doing government contracting like they do in War Dogs is possible. Possible, maybe. Legal, absolutely not. Every transaction they showed in that movie violated contract requirements and federal law. Government contracting is not like the movie War Dogs.

### Getting Started

Government contracting can be a profitable industry but it comes with a lot of risk. When making the decision to bid a government contract be sure you understand all the requirements you're agreeing to. It is your responsibility to understand what you are bidding. It is not the government's responsibility to make sure you understand and accommodate your mistakes.

What you must do is decide what you are going to bid for the government. When you don't have a background in government contracting this can be difficult, but there are many options. The best suggestion is to find something you have some level of expertise in. If you want to be a parts broker, it would be good to have some knowledge of logistics management or business management. If you get into a market you know nothing about you will learn a lot of lessons the "hard way". Let's look at some markets to start with. These are not the only options they are just the ones I thought about.

### Broker

Being a middleman selling products to the government is a possible market for a small business to get into. It is an extremely competitive market. In my opinion, this is probably the most difficult market to get into, but the one most people talk about. When I discuss ways to enter this market these are my suggestions and not the only method to being a successful broker. I'm just describing how I would approach it.

First let's define exactly what a "broker" does. A broker is someone who purchases products from a supplier and resells them to the government, usually through DLA. The government purchases everything you can think of from dogfood to bullets. Now you must figure out what you can supply to the government. This is where you can get into a lot of research and it can take a lot of time.

Register with DLA Dibbs website. [Dibbs.bsm.dla.mil/](http://Dibbs.bsm.dla.mil/). This is where you can find a lot of information on what is being ordered, what has been ordered and what the government plans to order. Learn to use this website.



Now you must decide what products you're going to supply. I suggest looking around your local area to see what is manufactured locally. Find out if the companies in your area are already selling to the government. If not, see if the government purchases what they are selling. The Dibbs website will help with that. If the government buys it, you will probably be able to look at the purchase history to see what the government has been paying for the product and how much they order. This gives you a starting point to negotiate a deal with the supplier. Remember, the bids are competitive so you need a price that's low enough for you to add a markup and still be the lowest bidder. Being cost competitive will be your biggest challenge. Many of these bids come down to who is willing to bid the lowest markup. So, if you can negotiate a discounted price from your supplier, it gives you more room to add markup and still be cost competitive.

One important thing to remember about the products you're selling. If you are getting into firearms or ammunition or another controlled product, you must follow all licensing laws. This has gotten a lot of companies and people in trouble over the years. Many times, it was because they just didn't know.

### [Advisory & Assistance Services \(A&AS\)](#)

This is a market for a small business to enter government contract, especially if you are 8(a) certified by the SBA. A&AS contracts are common referred to "butts in seats" contracts and are typically four to five years in duration. The government contracts you to provide a workforce to be part of their team at their location. It sounds easy enough, but there are some things to consider.

Location can play a major role in these contracts. If the contract wants you to provide a workforce in a less than ideal location you may find it very difficult to attract employees. This is a common problem for A&AS companies. Especially when trying to fill positions which are in high demand across all industries, such as engineers.

Depending on the type of contract ie. Firm Fixed Price (FFP), Time & Material (T&M) or Cost Plus Fixed Fee (CPFF) you may have to comply with the Fair Labor Standards Act which establishes required labor rates for your area by functional title. For example, it will provide what is considered a fair hourly rate for a junior software engineer. These labor rates will have a major impact on your pricing, so be sure you follow all contract requirements.

You typically have 30-60 days to have your workforce in place when awarded an A&AS contract. It can be difficult to meet that timeline. If there is an incumbent contractor you can frequently "re-badge" many of their employees since they are being laid off anyway. There is also a requirement that they get first right of refusal for a position they already fill. However, there is not requirement to pay them at the same rate. I have also seen a company win an A&AS contract, but they bid so low nobody would work for them. The entire incumbent workforce refused to work for the salary rates and benefits package they were offering. So, you must be able to attract qualified employees. In the case where the company bid to low, they had to default on the contract and it was given to the next lowest bidder.

Contingent offers are a valuable tool when preparing for an A&AS contract. You make potential employees an offer based on winning of the contract. If you have a relationship with the government customer and can identify who they consider key personnel it's a good practice to make them a contingent offer. This lets you start building your workforce before the contract is awarded. Be careful using contingent offers. Anyone who receives a contingent offer and shares the information with a competitor can give them an insight into your pricing strategy.



## IT and Cyber Security

IT and Cyber Security are a huge market right now. If you have expertise in these areas this could be a way to break into government contracting. Especially if you have a small business set aside category such as 8(a).

## Opportunity Development

Opportunity development is a very broad subject. What I will suggest is you define your product or service. You may have more than one product or service and that is fine but be able to define it. You would be surprised at how many companies define their product or service as whatever they can get a government contract to provide. I call this the “outhouse method”. Throw things against the wall until something sticks. Be careful falling into that method of business development.

SAM.gov is where all contracting opportunities are listed. Learn to use all the features of the website. The historical database which used to be FPDS has been merged into SAM.gov. It is an excellent way to research your competitors and see what previous contract have awarded. The site provides a lot of good information its just not as user friendly as I would like it to be.

## Teaming, Subcontracting and Joint Ventures

Teaming and subcontracting with more experienced companies are the best and safest way to get into government contracting. Teaming involves two or more companies working together, combining their capabilities to pursue a common opportunity as a team. Subcontracting is one company working for another company. Joint Ventures (JV) are two or more companies forming a third completely independent company which is staffed by representatives from each member of the JV.

### Teaming

Teaming and subcontracting are technically different arrangements, but in general when it comes to contract execution, they are the same thing. Many people will tell me I’m wrong in that statement and they are correct. However, for a discussion at this level for someone new to government contracting it would be overly complicated to explain the differences in this paper. When an opportunity is first identified companies frequently enter into Teaming Agreements to announce and commit to working together to capture the contract. They agree to division of labor, who will be responsible for what areas of the contract, how they will work together on the proposal and who will be the prime contractor. A contract can only be awarded to one company so the proposal gets submitted under the company’s name who has been selected as the prime. After contract award the prime subcontracts the other companies of the team. That is generally the way it is expected to work, but sometimes the prime company gets greedy and doesn’t give his teammates they subcontract or workload they were expecting. Be careful who you team with.

### Subcontracting

Typically, every company has something they specialize in. Even a parts broker specializes in logistics management. Marketing your company’s capabilities to larger or more established government contracting companies may lead to an opportunity to subcontract and provide your product or service to a more experienced company. It is common for large companies who have very large government contracts to be required to develop Small Business Utilization Plans which outline how they plan to subcontract a portion of the work to small businesses. Subcontract can be a good way to gain past performance and learn how to work within the government contracting industry.



### Joint Ventures

A third option is creating a Joint Venture (JV) with a more experienced company. In a JV two, or more, companies create a third company and share ownership of the new company. The owning companies must establish a management staff that is made up of people from both owning companies. This is a good way for your employees to work directly with more experienced people while the JV company pursues and executes its own contracts. The JV usually has a three-year time limit or ends after a contract has been completed. The employees of the JV go back to their respective companies and share their experiences. There are many ways to establish and operate a JV. If you can be part of a JV with a good government contracting company it can be an excellent way to get started in government contracting.

### Relationship Building

Relationship building is the key to working with other companies. Start getting involved in Defense Industry events and meeting people from other companies. Join the NDIA and attend local events. Find the nearest military installation and contact the Small Business Office to find out if they have any events planned. You need to build relationships with other defense companies. You can learn a lot from them.

### Planning

You must build a strategic plan and follow it. You plan needs to define what your company is and how you plan to grow it in the future. I usually suggest starting with a five-year growth plan. You should include everything from your elevator speech to your full capabilities briefing. It doesn't matter if you're a single individual looking to form a company or an established company looking to expand into government contracting. Planning is one of the most important steps to take.

### Conclusion

"How do I get started as a government contractor?" is a difficult question to answer. There are too many ways to answer that question. I hope this discussion helps you narrow your focus and gives you a starting point for your company planning. Answer the question "what do you want your company to look like five-years from now?". Then define the steps you plan to take to get your company to that point. You can find more discussion at [www.gov-contractor.com](http://www.gov-contractor.com). The defense industry can be a challenging and rewarding industry to be part of. You can get involved in projects that are very unique and fascinating, but it is very competitive and takes a lot of work to be successful.