

Top 8 Tasks for Executives of Transitioning Small Businesses

1. **Understand that the people who got you to your current state may not be the ones to get you over the next growth hurdle**
2. **Focus on strong performance and exceptional CPARs to ensure a stable foundation for future growth**
3. **Remember the importance of long-term capture to increase p(win) on game-changing programs, even if there is limited short-term ROI**
4. **Proactively upgrade to the tools, processes, certifications, and resources bigger competitors have**
5. **Establish regular program performance reviews and BD pipeline updates**
6. **Be deliberate and strategic about expanding into new agencies and capabilities while approaching graduation**
7. **Be willing to no-bid opportunities, even if you have invested considerable resources**
8. **Find a mentor who has led a company through graduation as an unbiased source of feedback and guidance**

Small Business Salad Days

- Small businesses cannot afford to chase the fad money; rather they must concentrate on strategic capabilities and customer footprint
- Making the turn to unrestricted awards requires small business owners to be all-in; they must reinvest several years of profits to do so
- Outsourcing is a necessary means to an end for small businesses that need top talent but cannot afford to “own” it outright
- Think beyond prime wins – subcontracting strategies can extend runway and lower the barrier to breaking into new target agencies
- Corporate and individual certifications are requirements that can improve scorecard evaluations and improve delivery performance
- Very little small business work transitions, so till it under and leverage past performances to fertilize future full and open pursuits

Know What To Grow

As we enter the heart of the growing season – Q4 of the government fiscal year – small businesses navigating graduation and transition into the full and open landscape must prepare for increased competition against foes with bountiful resources. Transitioning small businesses cannot compete for every program in every agency across every capability. Rather, small businesses have to concentrate resources in a few strategic areas, such as strengthening a niche capability or fostering customer intimacy in a target program to yield better harvests for years to come. While pursuing opportunistic contracts is acceptable, small business leaders must focus their energy on fewer strategic opportunities, similar to grape growers who drop clusters to concentrate the plant’s energy, ensuring the remaining grapes produce the best flavor.

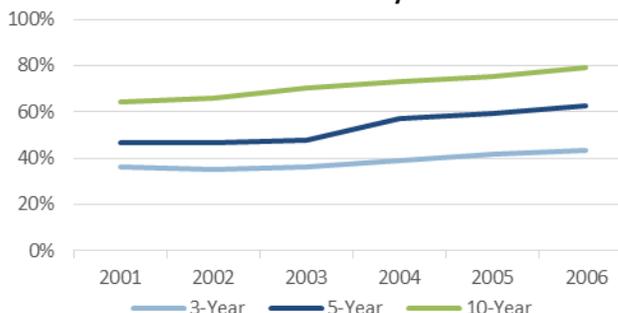
Do Not Eat Your Seed Corn

Small business founders sometimes treat their companies as private piggy banks and are reluctant to make sizable investments, seeing them as risky bets that diminish the cash flows they could otherwise take out as a profit distribution. This mentality is tantamount to eating your seed corn. As small businesses pursue full and open procurements, they must mount serious, multi-year capture campaigns, including solutioning, competitive assessments, strategic hires, development of innovative approaches and operating models, and substantive customer outreach. Even with liberal re-investment of profits, small businesses will likely have to “lease” outside experts instead of “owning” W2 hires to stretch scarce resources. The investment required to be capable and credible on full and open opportunities is significant, but the only path to a successful harvest.

Certify Your Crops

As consumers demand certified organic fruits and vegetables, government buyers require certified service providers and individual practitioners. Transitioning small businesses close the credibility gap and prove process maturity by earning strategic certifications, such as CMMI, ISO, and facility security clearances. The rising popularity of self-scoring evaluations increases the need for small businesses to be certified to win a spot on key SB contract vehicles. While competing against midsize and large companies, enterprise-wide certifications are table stakes to bid on unrestricted opportunities and no longer a differentiator. Individual certifications, such as PMP, CISSP, and CSM, extend the corporate credibility to the individuals who will be executing the work with the promise of process maturity, technical proficiency, and better execution.

New SB Failure Rates by Cohort



Failure rates for small businesses have increased over time, but the falloff between 3 and 10 years has remained relatively consistent. Over 40% of the 2006 cohort failed in the first 3 years and 80% in the first 10. Source: Wolf Den analysis of SB survival data

Fertilize For Growth

All small businesses dream of “flipping” their major programs from set-aside contracts to full and open recompetes, but the reality is that this is rare and difficult. Understanding that set-aside programs have limited long-term enterprise value, small businesses should view set-aside revenue as a means to an end. Re-invest SBSA financial gains on a few key strategic programs and pursue full and open programs well before graduation to fuel growth as the set-aside waterfall runs dry. Transitioning small businesses should leverage their set-aside harvests as compost to fertilize growth in future full and open growing seasons by building quality past performance with exceptional CPAR scores, expanding footprint and customer intimacy within concentrated agencies, and investing set-aside revenue toward winning strategic full and open programs for many harvests to come.