Five Key Questions for Developing a Strategy for the Federal Government Market

by Dave Alexander

Your firm has decided to enter the federal government market, and you have been assigned to develop a strategy to achieve this goal.

Congratulations…maybe. The market is very large—for example, the federal government spent more than $20 billion last year on planning, designing, and constructing office buildings, and more on hospitals, industrial facilities and others. Federal procurement rules can be favorable for firms trying to enter for the first time. But many architectural, engineering, and environmental services firms flounder in their attempts.

Many make the classic mistake of gazing inward. "We have superior skills in our areas of expertise and competitive pricing. Surely we can make inroads into the market; it's just a matter of honing our message and writing proposals."

This approach seems to make sense. After all, the federal market is highly structured. Competitions are announced publicly, and everyone gets to see the evaluation criteria. So, the competitive advantage will go to the firms that do the best job of articulating their technical differentiators and that offer reasonable prices, right?

This approach often leads to a series of internal meetings. Excitement runs high as attendees list the firm's differentiating factors. But then things bog down. The more the group fine tunes its technical strengths, the harder it becomes to find federal sales opportunities that match. The meetings begin to wander, and ultimately the "strategy" is to take stabs at a few contract competitions—"learn by doing" and "pay our dues" are typical rationales.

But after losing these competitions, not gaining any actionable lessons learned, and creating a less than stellar first impression within the sponsoring federal agency, the firm puts the initiative on hold or it simply sputters out.

In my view, there are five core questions that every federal market entry strategy should address. Firms that fail to penetrate the federal market typically fail to address one or more of these questions, and firms that succeed almost always address all of them.

1. What types of contract vehicles should your firm pursue?

What types of federal contracts will your firm pursue, taking into account the different types of acquisition strategies used by federal agencies, and the types of contracts they award? This is different than deciding which types of services you want to sell. It requires you to think about the different ways in which different federal customers think about the buying process, and the different ways that they pick winning proposals.

For example, should your firm pursue contracts that contain definitive scopes of work, or contracts that are performed via task orders? Do you want to pursue multiple award contracts, or those that are winner-take-all? Competitions that will yield fixed price, cost-reimbursable, or time and materials contracts? Competitions based on a "best value" acquisition strategy, or a "Qualifications Based Selection"?

Most successful firms in the federal market strategically target only a few types of contracts—and they invest heavily in developing and enhancing their relevant marketing, sales, pricing, and proposal-writing skills, and in adjusting their internal infrastructure (e.g., accounting) to optimize the firm's chances of winning the targeted types of contracts. A firm that consistently wins task order contracts in multiple-award competitions often will not pursue definitive contracts awarded on a winner-take-all basis—and vice versa. Some firms that excel in pursuing and winning fixed price or time-and-materials contracts would never pursue a cost-reimbursable contract—and vice versa.

2. How will your firm select niches?

Firms that succeed in the federal market do so in individual niches of the market. A successful firm will develop detailed knowledge of each niche in which they operate, where each increment of knowledge leads to more competitive advantage in that niche. They know, for example, how federal buyers in a particular niche apply and weigh various evaluation criteria in contract competitions; how the buyers evaluate different types of "best value" themes in proposals; whether the buyers tend to like to see prime contractors field large teams of subcontractors or the opposite. Superior knowledge of a niche also enables a federal contractor to make better predictions about the timing, structure, scope, and sizes of future procurements.

In developing a federal market strategy for your firm, you must address how you will identify candidate niches and how you will develop enough information about each one in order to select which ones to pursue. What types of data will you gather, using what databases (e.g., USASpending.gov)? What types of relationships will you target and pursue to help with your intelligence gathering (see 4, below)? What process will you use to make a decision to invest in a particular niche—and to make decisions to avoid others?

Is it difficult to develop detailed information about individual niches, particularly if you have not yet participated in the federal market? Absolutely. Can it be expensive, particularly from the standpoint of

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investing overhead hours in gathering marketing intelligence? Yes. But the alternative is almost never effective—i.e., taking flyers on individual competitions in niches that you do not really understand, solely because a particular procurement happens to focus on a technical area in which your firm excels.

3. How will you position your firm as a "safe buy?" An effective strategy has to address how your firm will convince evaluation panels that your firm is a "safe buy." The panel has to be convinced that your firm:

- Will handle the routine administrative aspects of federal contracts with ease. (For example, you understand the different types of periodic progress reports and invoices that have to be submitted, and you will get them in on time, in proper formats, and delivered to the right people.)

- Understands and will comply with all substantive terms and conditions, including agency-specific rules.

- Understands the "unwritten rules." (For example, you understand that as a responsible contractor, part of your job will be to give the project officer a heads up if you anticipate that he or she might need a reminder about an impending deadline for certain types of contractual paperwork.)

- Will communicate closely with your project officer and contracting officer, and will avoid surprises—either good ones or bad ones.

How will you be able to persuade an evaluation panel that you are "safe" despite the fact that your firm has not yet been active in the federal market? Your strategic plan has to address this issue. What types of investments will be made in training and systems?

How might you have to adjust your infrastructure? Who will take responsibility for which parts of the puzzle?

4. How will you initiate and nurture key relationships? Firms that are successful in the federal market almost always have strong relationships—with other firms, and with current and potential future federal clients. Any strategy for entering the federal market has to address how your firm will achieve this goal, and the types and sizes of investments you will make to ensure this success.

In my experience, this is perhaps the primary reason why many firms fail in their attempts to enter the federal market. In some ways, the requirement to invest in relationships seems counterintuitive in a market that is characterized by public announcements of competitions, "transparent" evaluation criteria, and rules that can seem to discourage intelligence gathering meetings with potential federal clients.

The number one goal of relationship building in the federal market is to buy time. If you wait until you see the publicly announced RFP to decide whether and how to participate in the competition, you are already at a severe disadvantage. Firms that have invested in relationships have much better capabilities to predict likely RFPs (or SF 330 competitions), form tentative teams, and develop proposal strategies. When the competition is publicly announced, they have a head start, which is of vital importance given the typically tight deadlines for submitting proposals.

How will your firm invest in developing relationships? How much overhead time are you willing to allocate to this activity? When and how will your senior-most executives get involved? What types of alliances are you willing to build with other firms in the market? How will you invest in appropriate training, to ensure that in pursuing relationships and marketing intelligence you stay firmly on the right side of various federal procurement integrity rules?

5. What types of metrics will you measure? Many firms that are trying to develop a strategy ignore this altogether. Stupid. Others develop the wrong metrics: e.g., win rates. You must insert a time element into all of this. And assign weight to relationship building. Otherwise: You will promote wild swings for the fences.

When I am invited by a firm to help "fix" its strategy for entering the federal market, one of the first questions I like to ask is, "How do you know whether or not you are succeeding?" The answer I receive is typically centered on one variable: the firm's win rate in federal competitions.

For firms trying to gain a foothold in the federal market, this is myopic. It can lead to decisions to pursue contract vehicles that make no strategic sense for the firm other than to gain a "win." It also tends to provide disincentives for the firm to make strategic investments—such in developing a "safe buy" capability, researching and targeting niches, and developing relationships—none of which directly translate into a higher win rate in the near term.

Strategies for entering the federal market should explicitly focus on how management will measure progress with respect to each of the areas described above in items 1-4; and to be meaningful, these metrics have to be integrated into the firm's personnel performance evaluation system. Otherwise, you will be providing disincentives for your firm's managers to invest their efforts in the very activities that will yield success (e.g., developing relationships with firms that are already in the federal market).

Many firms succeed in their attempts to enter the federal market. In most cases, these firms have, at minimum, addressed the types of strategic questions listed above, as an alternative to an inward gazing approach. ●

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