

One size doesn't fit all

On the two year anniversary of President Obama's \$787 billion stimulus, few things have changed. Banks and Wall Street reap enormous profits while small businesses are denied access loans, government continues to fall short of meeting its small business goals, unemployment rates consistently remain above nine percent, and healthcare, energy and food costs keep rising, impacting both employees and employers.

Small businesses make up most the nation's industrial base, both in the commercial and in the federal market sectors, and have traditionally been regarded as a source of innovation and employment for most of the American people. Yet, in the federal market place, government regulations have long failed to support small businesses in sustaining growth and creating jobs: not least among the challenges federal contractors face are federal budget cuts, insourcing, bundling, lacking enforcement of subcontracting plans; and above all, a size-standard methodology that pegs budding small businesses against the largest companies in the federal market place.

How can a small business with little over \$7 million sales successfully compete against a \$30 billion dollar giant? Clearly a difficult, if not impossible task, but one all growing federal contractors are forced to tackle.

In the federal marketplace, outgrowing one's small business size standard is the near equivalent of a death sentence. For most, the small business cut-off is set either at \$7 million or \$25 million in three-year average sales. After that, thrust into competition against top federal government systems integrators, businesses frequently only have two choices: to sell or to close their doors for business.

It should be no surprise that despite a six-year boom in government contracting, second-tier firms, having outgrown small business status and being neither small enough nor large enough to successfully compete, have consistently and considerably seen their share of the market decline.

As though size standards were not sufficiently challenging, Federal agencies' procurement practices favor big companies and create structural impediments to small business growth and even survival.

Particularly throughout 2010, initiatives by the Obama administration put a tighter squeeze on federal contractors by calling for greater reliance on insourcing. Consequently, many of largest agencies have included insourcing as part of their cost-cutting plans. Others continue to practice 'bundling' by consolidating multiple contracts into a single bid, a leading impediment to small business participation in federal contracting opportunities.

There is large difference between the resources, pricing aggressiveness and financial staying power of growing small businesses verses corporate giants. This means that, by

nature, small businesses are most affected by size standard restrictions, insourcing, the increased cost of competition and decreased market shares. Small businesses may have to prepare to take a more competitive posture to cover the increased cost of additional, more frequent competitions and to sustain viability in the face of more cut-throat pricing competitions.

To meet the Administration's goal of reducing unemployment and supporting small business competitive viability, it is high time that both the small business community and policy makers take action, veering away from outmoded practices that have not benefited the community to date. SBA's minor tweaks on size-standards oriented on statistical deviations, as has previously been the practice, have not served to address small businesses continued competitive viability.

The practice of simply monitoring large businesses' subcontracting plans has not served to reduce the number of small business fronts and small business awards that benefit large corporations. Government oversight on bundling has not stopped the practice. The small business community needs leadership, akin to that exhibited in the financial crisis, coming together to produce sweeping change and helping small businesses going forward to create jobs and to continue to grow.

But an opportunity for change may already be on the horizons. After quietly suffering decades of unsolved problems in the Federal marketplace, the small business community is organizing a series of forums over a nine-week effort to reform government policy on issues affecting all small federal contractors, issues like size standards, access to contracts, bundling and subcontracting.

No longer can we wait for Congress and governmental agencies to provide solutions that work. Small businesses are known to provide innovative business solutions. If this nation is to grow and to reduce unemployment, we must all support small businesses by providing real solutions to their problem issues.

Fernando Galaviz
Chairman
National Federal Contractors Association (NaFCA)

Roger A. Campos
President & CEO
Minority Business Round Table (MBRT)