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## the big win

### THE CURSE OF THE GAME-CHANGING CONTRACT

BY JEANINE CLINGENPEEL

**C**ongratulations – you’ve just landed that game-changing contract, the one that will propel your company to the next level of growth. You’ve fought hard to secure the win, but truth be told, the battle is just beginning. Now, you have to execute on that contract, and the stakes are high: one miscalculation is all it would take to turn the best thing that ever happened to your business into the biggest mess you’ve ever gotten yourself into.

Every successful company will take on a new client or project that represents an inflection point for the business. For federal-sector businesses, those turning points come in the form of large government contracts. When executing on a sizeable contract, government contractors face several hurdles that can put the company at risk, including speedy recruitment, infrastructure development and cash-flow management, not to mention adhering to the government’s labyrinthine rules.

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#### TALENT ACQUISITION

“The good news is you just won a huge contract. The bad news is the client expects the new staff to be in their seats by tomorrow.”

That’s how Linda Berdine, CEO of G&B Solutions, Inc., a management consulting and IT services contractor, sums up one of the biggest challenges in executing on a large contract: quickly recruiting the significant number of people necessary to staff the project. Fortunately, there are several strategies that will help you avoid a talent acquisition meltdown.

**Plan Early:** Behind every successful contract execution is a solid plan, starting with your strategy for identifying, attracting and onboarding additional talent. And the planning should start well before a win.

“You should always be interviewing, not just when a position is opening up,” says Marissa Levin, CEO of Information Experts, an integrated communications firm. “You don’t want to be making hires from a reactive standpoint. You want to be making strategic hires that not only meet the contract requirements, but can also fit the growth of your company and the culture.”

Wanda Alexander, president and CEO of workflow management firm Horizon Consulting, says that if you wait to prepare, you are already in trouble. “The error we made in our inexperience was putting bodies in seats because we felt the pressure of starting the contract. That’s an error,” she says. “Don’t hire people out of pressure to fill a seat. It will bite you.”

**Invest in Recruiting:** As the result of a bump in a government task order, Kathy Benson, founder and president of Office Remedies, was faced with hiring 38 new people over a six-week span – an exciting but challenging prospect for the market research firm. “It’s a challenge to set up those interviews and still get our daily work completed,” she says, “so it requires a large commitment from managers. It will be a challenge to keep them focused on the day-to-day, as well as the recruiting.”

Carroll Ross, president and CEO of Collaborative Solutions, a management and

“If you win a large contract, you have to anticipate what that will mean. For example, if we won a 30-person contract, that would put us over the 50-person mark, at which point you have a lot more requirements than you had before. You have to anticipate the magic marks.”



JOSEPH F. DIGANGI, principal, Trusant Technologies, LLC

IT consulting firm, uses a two-pronged approach to seeking out new staff, which leverages internal and external resources. "With our 'one degree of separation' approach, we'll engage with our resources to identify candidates who they have direct relationships or experience with and can 'vouch' for," he says. "When a specific skill or expertise is needed that we cannot reach with this approach, we have a short list of trusted recruiting firms we engage."

But remember, although recruiting firms can offer quick turnarounds, it will cost you a little extra. "There are recruiting and staffing agencies who can assist in locating the right human resources, but these services come at a significant price – often resulting in a finder's fee in excess of 20 percent of the placement's salary," says David Coakley, founder and president of GovCon.net, a news, information and resources hub for government contractors.

"Understand exactly how the government wants it, and the government is always right. Having been a government guy for 21 years, I've seen that the government has the latitude to do it right, and if they want it a certain way, that's the way you have to do it."



BOB KOCHER, president and CEO, Ideal Innovations, Inc.

**Reconfigure Existing Staff:** Before you hire one new person, first consider your options with the staff you already have. David Fout, president and CEO of Aquilent, a 200-person company that provides enterprise solutions and professional services to government agencies, says his company hired an in-house resource manager whose job is to build teams, forecast when talent will become available and transition staff from one project to the next. "It's critical not to build a team from scratch, but to augment with seasoned people," Fout says.

Barry West, executive vice president of enterprise management and technology firm SE Solutions, says that the ratio of seasoned to new individuals is a balancing act. "You can't just pull good talent from other parts of the company who are working on big contracts themselves," he says. "You should move staff around without affecting the customer, and at the same time have a cadre of great staff ready to hire."

**Hire the Incumbents:** If you have unseated an incumbent for an existing contract, lucky for you there is a pool of people who have already been working the contract and are now in the market for a new employer. "It becomes a smart choice to start talking with the client and identifying the current talent that is retainable," says Scott Swidersky, director of information systems for Quality Associates, Inc. (QAI). "Folks move from one contract to the next, but the client never changes. They have that institutional knowledge and know the customer."

Chris Marquez, president and CEO of National Capitol Contracting, a media, communications and technology solutions company, says that the government wants to minimize disruption, and incumbent employees can help ensure a smoother transition. "Do an assessment of how happy the client was with the people there currently," he says. "Is this just a re-compete where you have the right price and offer something slightly different? Was the client unhappy with the management team? The personnel?"

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**Partner:** To mitigate the risk of bringing on a host of new employees, many companies choose to partner with subcontractors who can help get the job done. "The larger the contract gets, the less likely it is that the company will be able to provide all of the services in house, so he'll have to consider outsourcing," says Dick Griffin founder and CEO of The Griffin Method, a federal contracting consultant. "Make sure you consider every aspect of the services you are going to provide and make arrangements to acquire that expertise before you ever bid the contract."

"If there are four main areas of the contract and you've done work in three as a prime contractor, perhaps for the fourth, you have a teaming partner who would be responsible for staffing that area," says Lynn Ann Casey, CEO of Arc Aspicio, a global management consulting company.

## INFRASTRUCTURE DEVELOPMENT

Another challenge that arises from a big contract win is addressing the questions of infrastructure – how much and when?

"You want to make sure you have the infrastructure to do a large contract, but you also have to weigh the risk that you might not win, and then you are stuck with this extra infrastructure," says Judy York, president and CEO of systems integrator NetConn Solutions.

Seasoned government contractors know that when it comes to infrastructure needs, it's a delicate balance of preparing for a win without betting the farm.

**Plan to Win:** "Act like a great company long before you become one," says Linda Berdine of G&B Solutions. "It's critical that you make the assumption that I'm going to win, and start putting the plans into place as if you are going to win. It makes a world of difference once that boulder comes through the door."

When Information Experts decided to bid on a large training and human capital project, Marissa Levin knew she'd have to make some substantial infrastructure investments well before she could be sure of a win. "We felt we had a strong shot at winning, so we bit the bullet and invested about \$300,000 to go after the contract, which included the development of an IT portal to show that we'd be ready to go on day one," she says. "I had no choice. If we were going to go for that contract, we had to make the investment."

David Fout says that Aquilent doesn't build its infrastructure "just in time," but rather as the result of formal strategic and financial planning. "We build according to plan, so that means you have to be very good at planning," he says. "Because if you are not, you could spend a lot of money building stuff you never need, or you could not have what you need when you need it."

**Invest With Caution:** Having a winning mindset does not, of course, mean throwing caution to the wind. Chris Marquez says National Capitol Contracting does not invest in infrastructure until the contract is in hand. "We don't invest speculatively," he says. "It makes things difficult at times because you are forced to move quickly, but I've seen businesses that have gone under because they think they are going to win a contract, they make the investment, and then they are tied in. One mistake like that can put you under. However, what you can do is plan. We're working on getting pipelining down to a science, so we have a better understanding of what's coming in the door and how we are going to respond to it."

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Even after the contract is signed, remember to invest wisely. "One of the most frequent mistakes made by CEOs upon contract award is to ramp resources that do not add immediate value to contract performance," says David Coakley of GovCon.net. "I wish I had a dime for every small business I have encountered with multiple vice presidents who do nothing more than add to the company's costs. The key to success is a deliberate, disciplined approach to contract execution in spite of the excitement that comes along with the win."

**Build in Flexibility:** There are many ways to build flexibility into your infrastructure. In the case of physical space, Joseph E. DiGangi, principal of Trusant Technologies, LLC, an engineering and IT professional services company, recommends making your real estate lease coterminous with the contract. "Whatever space you get, you are going to be saddled with if the term of your space is longer than the term of the contract," he says. "Real estate overhead is expensive and hard to get rid of, so make sure the terms are friendly."

Virtualization and outsourcing can also help keep your company flexible. Fout says that Aquilent recently built a private "cloud," allowing the company to virtualize its IT and react more quickly to large-scale growth demands. And Casey says that Arc Aspicio outsources its accounting work. "Outsourcing does cost more out of pocket, but it allows the executives to focus on client work, and the outsourced team only works the hours needed for our work."

"Make sure someone is documenting your processes because there are a lot of good lessons learned when a big contract starts. If you don't, when the company goes to do it again, they don't get all those lessons."

BARRY WEST, executive vice president, SE Solutions

## CASH FLOW

All that talent and infrastructure can be costly, and you will most likely have to make significant investments toward the contract before the government ever pays you a dime.

Marissa Levin recounts how Information Experts recently landed a large contract with the IRS that required her to hire nine full-time employees and immediately put them to billable work. The employees had to work 30 days before she could invoice the government – that's two pay periods – and then the government would have 30 days to pay upon receipt of a valid invoice. That's 60 days and four paychecks apiece to nine new employees before Levin could begin recouping her investment.

"It was very stressful," she says. "In the last 60 days, we've said 'no' to a lot of people and a lot of things. We tapped into our line of credit, we used our cash reserves and credit from credit cards, we got creative with our financing, we did whatever we had to do. Companies could literally go out of business because they are not able to fund their contracts. The biggest risks to companies are unmanaged growth and undercapitalization."

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**Follow the Rules:** Although the government is an outstanding client – it is required to pay its bills within 30 days – it is particular about its invoices. Failure to follow the rules can put your company in dire straights. “You want to get your invoicing right the first time, and I’m speaking from experience,” Levin says. “Every agency has different requirements, and if you don’t invoice it correctly, they are going to kick it back, and that extends how long it takes to get your payment.”

“They have sent things back to us that we rounded down and everything was held up for two months because it was wrong,” says Bob Burich, president of Georgetown Consulting, which provides supply chain, sourcing and logistics solutions services to government agencies. “I thought I was doing them a favor, and it didn’t matter. They are very set in their ways. And if you don’t have the cash, I don’t know what you do.”

Dick Griffin of The Griffin Method, recommends dedicating a staff member to learning the process and developing relationships with the government employees who handle the documentation and paper flow. “The process is well established and has very little flexibility for the contractor,” he says. “You are expected to acquire the knowledge to process it fast. The government understands technical hurdles, but if you screw up the paper exchange, your ratings will go down.”

National Capitol Contracting’s Chris Marquez says the best approach is to be proactive with your accounts receivables. “You don’t want to let your AR get out of control,” he says. “We have a strict cycle of sending the invoice out, then contacting the client to make sure the invoice was received and everything is OK so we know it will go smoothly through the payment process. What really hurts is waiting for money to come in and then hearing they never received the invoice or it was rejected.”

**The Bank is Your Friend:** When it comes to winning a government contract, the biggest financial challenge is bridging the gap between when you must start investing and when the government starts paying you. “The front-end load is immense and will take everything out of your pocket. You’ll have an enormous impact on your revenue stream,” Griffin says. “When you go to bid, you have to anticipate this first 180 days and make a deal with your financial institutions to support that.”

Kathy Benson says that during the bidding phase for Office Remedies’ first large government contract, one of her first steps was setting up a face-to-face meeting with her bank’s loan officer. “I shared our five-year cash flow projections with him and said, ‘If we win this, this is what we’ll need,’” she recalls. “We worked through the best-case scenarios, and what would happen if the government was slow to pay. We shared our financial statements early on.”

David Fout says that Aquilent treats its bankers like partners. “It’s a big mistake to think of your banking relationship only when you need the money, because by then it’s too late,” he says. “We treat our bankers almost like board members. If you do that, the bank will truly be a partner and cash flow won’t be an issue for you.”

And if you have yet to establish a solid banking relationship, Horizon Consult-

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“Getting the right people on board quickly is usually the most challenging and most important part of executing a large contract. It’s also important that once they are hired, the new team can embrace your company culture – sometimes acclimating to different benefits, standards, communication procedures, and even holiday parties can be an adjustment.”



JARVIS DOLES, president, HealthCare Resolution Services, Inc.

ing’s Wanda Alexander recommends alternative financing, such as factoring, to get you over the initial financial hurdle. “When we won our first contract and needed \$25,000, we borrowed from family and friends and paid it back in six months,” she says. “Then we moved to factoring, and then when we got our banking relationship established, we were able to get our first line of credit. Now we have a million dollar line of credit we have not tapped into, but it’s there.”

**Negotiate with Vendors and Subs:** “The time delay between when payments are due to suppliers and when your company receives payment from the government can completely crush cash flow,” says David Coakley of GovCon.net. So be sure to negotiate a reasonable agreement with your vendors and subcontractors.

“If you have subs, I recommend negotiating terms not based on a hard number of days but on a certain number of days after you get paid, so if you don’t get paid, you can help manage your cash flow,” says Jay Sunny Bajaj, CEO of Digital Management, an IT strategy and solutions company.

**Know What’s Worth It:** No matter how diligent you are with managing your cash flow, some contracts will never be worth your investment. “There is a dollar value associated with the contract, but it doesn’t necessarily mean you’ll be able to run the project profitably,” says Scott Swidersky of QAI. “You don’t want to give up the time and energy devoted to the things that have made you successful thus far.”

Sam Zamani, president and CEO of infrastructure management company IMCI Technologies, says, “Many CEOs do not draw the line in the sand of what is actual business and what is charity. The big boys push us to get a better deal, and we keep bending to win that business, but there is a point of no return that beyond that, it doesn’t matter if your contract is \$3 million or \$30 million. That is a hard lesson to learn, especially if you have learned through the school of hard knocks like I have.”

## MEETING EXPECTATIONS

The first few months of a contract might be the hardest, but remember: the engagement with your government client is really just beginning. Now you have to manage that relationship and continue to exceed expectations if you don’t want your first large contract to be your last.

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"If it's your first real big contract win, don't minimize the amount of time it takes to dot the i's and cross the t's during the project," says Joseph DiGangi of Trusant Technologies. "You need to read all the contract terms, understand the terms and abide by the terms. It does take time to manage the contract."

**Give It All You've Got:** During your first large government contract, it's vital that you deliver all you promised and more. More than any other factor, you will be judged on your past performance when you go to bid another contract.

"It's likely this contract will become premier past performance for your company, because the contract is large and more diverse than the work you've been doing," says G&B Solutions' Linda Berdine. "It will take on incredible importance, so in that light, make sure you have the right team in place to go in and do a quality job, including the right program manager."

"You have to bring an 'A' team and show the customer that you've deserved to win and establish up front a good start," says Barry West of SE Solutions. "I've seen situations where that wasn't the case, and it was negative from the get go."

It's critical to make the right first impression, says Chris Marquez of National Capitol Contracting. "People think once the contract is signed, the job is complete, and the reality is that it is just the beginning," he says. "If you have established yourself as a responsible company, when things do go wrong, you will get more leeway."

Sunny Bajaj of Digital Management recommends over-delivering on your first large contract. "Give it everything you have," he says. "Your customer is your best avenue for growing your business through referrals and serving as your advocate. So if you take good care of your first customer, they will be your best salesperson in helping you grow the business."

**Keep Your Eye on the Ball:** Although a large government contract is exciting and can propel your company in a new direction, it's a big mistake to neglect those aspects of the business that have gotten you this far.

"Most of us are too eager when we are less experienced and we underestimate the impact in our organization, our infrastructure and our ability to deliver," says Sam Zamani of IMCI Technologies.

Jarvis Doles, president of HealthCare Resolution Services, Inc., says, "Don't forget your existing clients while you pursue new business. It's important to balance both sides of your customer base and to encourage customer loyalty – studies show that gaining new clients costs five to seven times more than retaining current clients."

"I find companies that win large contracts tend to become undivided to that contract, because of its size and initial resource demand," says Scott Swidersky of QAI. "As a result, something has to give, so they wind up taking their finger off the pulse of the company, which are all the accounts that have sustained them for the years they've been in business."

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