

## Tips to Help Your Company Survive SBA 8(a) Graduation



According to a 2003 article by the *Los Angeles Business Journal*, “About 42% of 8(a) firms are still in business 9 years after acceptance into the program, compared with 29% of all small businesses” in America. Although Small Business Administration (SBA) 8(a) certified companies have a better survival rate than the average American company, a significant number of 8(a) firms struggle after completing the 8(a) program.

To keep your company healthy and profitable throughout the 9 years of the 8(a) program and beyond, follow these five key strategies, and start thinking about 8(a) graduation during your first few months in the program—not during your last few months as an 8(a) business. Most of these strategies require a significant investment in time and personnel to be effective, so start implementing these processes early.

Government Certification Specialists Inc. of Leesburg, Virginia wishes you and your company great success as you participate in the SBA 8(a) system. Please contact us at 240-529-2501 or [info@get8acertified.com](mailto:info@get8acertified.com) if you need help during any phase of the 8(a) program.

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**Tip #1: Form alliances and relationships with larger contractors within your industry for subcontracting opportunities.**

As soon as you enter the Small Business Administration 8(a) Business Development program, start cultivating relationships with larger organizations in your field. Your ability to win sole source awards from the federal government will be attractive to large firms. Find teaming arrangements with larger companies that take advantage of your 8(a) contracting capability and their past performance and personnel resources. These “win-win” partnering arrangements will help your organization learn and grow, while simultaneously providing significant capabilities and value to your government customers.

Over time, your company’s capabilities will increase and larger companies will become reliant upon your firm for your unique goods and services—make yourself an essential part of their organizations and your relationships will last long after your company graduates from the 8(a) program. It cannot be stressed enough: start forming these

alliances and relationships *immediately* upon joining the 8(a) program. It takes a significant amount of time to cultivate and nurture strong bonds with larger companies.

**Tip #2: As soon as you can afford to do so, hire a marketing and sales representative who was an executive or key player at the federal agency you want to target.**

The best way to glean insight into what your federal customers really want and need—and the sales processes required to meet their expectations—is to hire someone who has worked for the government before, preferably within the specific agency or agencies you are targeting. Pick an influential person who still has a current network of friends and acquaintances within the government. This business development representative needs to have an active network of contacts in order to know what the federal agency needs *before* the Requests for Proposals (RFPs) hit the streets. That way you can tailor your proposals accordingly and use the specific terminology and concepts that the federal agency is familiar with already. Your marketing and sales representative will also help you maintain your links to the customer after you graduate from the 8(a) program. Please keep in mind that there are special rules and regulations about hiring former federal workers, so check with the U.S. Office of Government Ethics (OGE) at <http://www.usoge.gov> before making a final hiring decision.

**Tip #3: Participate in open competitions against larger contractors to develop and hone your proposal process.**

The SBA 8(a) program enables your company to receive sole source awards from the government, a lucrative benefit that you should take advantage of as much as possible. At the same time, start to participate in open competitions for federal contracts against larger companies and competitors. The feedback from post-award briefings (whether your company wins or loses the competition) will provide you unbiased appraisals of your company's strengths and weaknesses. This will enable your organization to focus its business priorities and develop the infrastructure and processes required to produce fast, effective, responsive proposals. The SBA will also be pleased with your company's performance if you independently pursue competitive opportunities. Finally, you might actually win some of the contracts you bid for, giving your company valuable revenue and experience.

**Tip #4: Branch out from your primary NAICS.**

When you join the SBA 8(a) program, you will declare a primary North American Industry Classification System (NAICS) code to define your main line of business. As you move through the different phases of the 8(a) program, you will be encouraged by your Business Opportunity Specialist (BOS) to seek contracts from the private sector. Even if you don't intend to shift your business model to target the commercial market 100%, the best strategy for your company's long term survival is to branch out from your main line of business serving federal agencies. Just as it is a good idea to diversify your

personal financial portfolio with a mix of stocks and bonds, it is a good idea to diversify your business with a “mix of NAICS.”

**Tip #5: Prepare for some belt tightening when you graduate from the 8(a) program, and seek efficiencies from within your organization to save cash and avoid layoffs.**

The typical growth curve of an 8(a) company involves a decline in revenues usually about 2 to 3 years after exiting the 8(a) program. Don't let this temporary dip in revenues scare you—prepare for it and put strategies in place to survive it *now*. Look at your business from a holistic perspective and find ways to make your processes more efficient and cost effective and preserve your cash flow. Warn your loyal employees that a temporary decrease in revenue does not spell doom for the company and let them know you have prepared for this setback. If you must institute some cutbacks to employee benefits to save money, explain to your workers that you are taking this temporary measure to forestall layoffs. Eventually your company will get through its cash crunch and be back on the road to profitability.