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Ways to Win in 2023 for Small Business Government Contractors





In the most recent [Deltek Clarity Government Contracting Industry Report](#), small business government contractors evaluated the year they had and looked at ways to succeed in 2023.

In this guide, we identified four key strategies that small businesses reported as key to embracing for future success.

1. Strategic Teaming is Key to Overcoming Competition
2. Prioritize Challenges You Have Some Control Over
3. Facilitate Growth and Development of the Employees You've Already Hired
4. Lean Into Adopting Digital Transformation Strategies

Market Condition Challenges for Small Business

Two themes emerged from the data on market conditions for small businesses: healthy spending and increased competition.

- Robust agency budgets, coupled with infrastructure spending and small business policies, created a favorable environment.
- Those same small business policies drove an increase in competition among contractors that wanted to compete for those federally funded contracts.
- Rising costs, inflation concerns, and talent gaps are also top of mind for small businesses.

The key to success in this environment is differentiation. Whether that's through improved teaming or a strong cybersecurity posture, standing out in the crowd will help position your business for growth.

TRENDING TOPIC:

[White House raises contract spending goals for small disadvantaged businesses.](#)

The Office of Management and Budget is directing agencies to award at least 12% of all federal contracting dollars to small, disadvantaged businesses in fiscal year 2023.

Let's get into the four strategies small businesses can focus on to position themselves for success.





1

Strategic Teaming is Key to Overcoming Competition

Healthy spending overall was reported however, the number of firms winning awards as Primes is dropping. The reasons for this are that agencies are adopting more IDIQ contracts which are offering fewer prime positions. There are also barriers to entry with rising compliance contract requirements, like CMMC (Cybersecurity Maturity Model Certification) 2.0, Diversity Inclusion and Equity (DEI), and supply chain initiatives.

Increased M&A (mergers and acquisitions) activity is ultimately giving the largest businesses (with more resources) advantages over their smaller counterparts. So, to remain competitive, small businesses need to have visibility into the past performance of the partnerships that they are targeting. It's recommended to do that research before developing strategic plans.

TAKEAWAYS:

- Despite increased spending, there are fewer awardees
- Improving teaming is a top small business strategy for standing out
- Getting partner strategy correct is critical to diversity of business

WHAT CAN YOU DO:

- Understand requirements as early as possible in the procurement cycle
- Strengthen partnering and teaming methods
- Expand portfolio into other government agencies

61%

of small businesses plan to increase investment in BD

2

Prioritize Challenges You Have Some Control Over

For small businesses, these were the top financial challenges that they prioritized getting a handle on to move the business forward:

- **Profitability**
- **Getting costs under control**
- **Cash flow**

Covid brought fresh challenges but laid the groundwork for profitability drivers as well.

TAKEAWAYS:

- The median profit margin for small businesses was 10%, which was on par with 2021 data
- Funds originating from the stimulus, reduced business travel and reduced costs for facilities maintenance helped profit margins
- With resources stretched thin, talent gaps emerged, and back-office teams had fewer hands doing more

WHAT CAN YOU DO:

- Re-engineer business processes to help overcome financial challenges
- Reduce DSO with digital payments and automation to streamline invoice challenges

15%

profit margin
reported across
small businesses





3

Facilitate Growth and Development of the Employees You've Already Hired

It was a job seekers market in the government contracting space. Work from home initiatives and greater flexibility engrained increased competition for top talent making it harder to attract those individuals. It was reported that "tough to fill spots" were taking up to 2-3 months.

For small businesses, retention was named a top priority.

TAKEAWAYS:

- Employers not offering flexibility will see increased turnover
- Employees moved to roles offering a value proposition better aligned with their desires
- Upskilling and retraining are keys to success with the number of new skills required for a single job increasingly growing

WHAT CAN YOU DO:

- Improve the employee experience
- Focus on work/life balance
- Rebrand the employee experience
- Offer mentorship programs
- Develop reward and recognition programs
- Upskill and retrain your force

54%

plan to increase the incentive awarded to employees for candidate referral

4

Lean Into Adopting Digital Transformation Strategies

This year's report found that small businesses that were able to be more agile during times of disruption overcame challenges and saw their business grow as a result. They did this by leaning on technology solutions when the right talent was hard to come by or not in the budget.

A hot topic among small business government contractors this year was the increasing IT resources needed to keep their businesses safe and

compliant. Fifty five percent of small businesses reported an increase in cybersecurity incidents from the previous year. This increase, coupled with the impending cybersecurity regulations required for government contractors (CMMC 2.0), led small businesses to focus on strategies to get ahead of these challenges. Some organizations reported shifting operations to the cloud as an option to make the most of their IT resources.



TAKEAWAYS:

- Evaluate cybersecurity readiness
- Retire tech debt
- Overcome audit complexity

WHAT CAN YOU DO:

- Look at process automation to stay nimble
- Invest in top talent acquisition for key roles
- Look to implement new software systems
- Explore cloud or SaaS deployment options

85%

of small businesses plan to achieve Cybersecurity Maturity Model Certification (CMMC) 2.0

About Deltek

Deltek Costpoint is the industry-leading accounting solution for government contractors that centralizes the management of your projects, people, and finances, while helping you meet necessary government requirements.

[Learn More about Deltek Costpoint for Small Businesses »](#)



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