

8a: When to JV, Subcontract or go it alone!

Many 8a firms have trouble once they get 8a Certified determining the best way to grow their businesses. Should they enter into Joint Ventures with larger firms? Use subcontractors? Or go it alone?

Here is a simple paradigm that can help a firm:

	Firm: <b>Existing</b> Product or Service	Firm: <b>New</b> Product or Service
Agency: Existing Customer	(A) Alone	(B) JV or Sub
Agency: New Customer	(C) Alone or Sub	(D) JV

Block (A) is the easiest environment for an 8(a) firm to operate. The 8(a) firm most likely already has a good working relationship with the agency. The 8(a) firm is providing a product or service they have a high level of expertise in providing, therefore the 8(a) firm should simply be a prime contractor.

Staying in Quadrant (A) for the duration of the firm's 9 years of 8(a) program eligibility sounds like a good strategy. However, the 8(a) firms that move outside of their most familiar space generally do the best during their time in the 8(a) program.

Quadrant (B): Agency is an Existing Customer buying a New Product or Service from our firm. Oftentimes an 8(a) firm will be asked by an agency if they can provide "x" product or service in order to sole source the contract to the 8a firm. Generally this is a very good sign that the 8(a) firm has done well on its past contracts with the agency and is in a position of trust. Generally, in this scenario, it is beneficial for the 8(a) firm to joint venture with a partner that has the applicable knowledge and experience to fulfill the contract. If there is enough overlap between past work and the new project then subcontracting can work to fill in experience gaps.

Quadrant (C): Agency is a New Customer buying Products and Services our Firm has experience in providing and selling. Generally this is a growth situation where the 8(a) firm does not want to perform poorly on its first contract with a new agency. If the 8(a) firm has the resources, it can attempt to perform on the contract by itself. If it lacks the resources to fulfill the contract, the firm should subcontract to reputable firms in the applicable fields.

Quadrant (D): Agency is a New Customer buying New Products and Services from our firm. This is a difficult quadrant to perform in, but often has the greatest long-term benefit to the 8(a) firm. This is because the 8(a) firm is expanding its capabilities in two directions at one time. In this scenario, it is advised that the 8(a) firm seek out an experienced JV partner in order to meet the needs of the federal contract.

It is easiest for 8(a) firms to spend their 9 years of program eligibility in quadrant (A). However many of the most successful 8(a) firms leave their comfort zones and utilize joint venturing and subcontracting in order to grow.