8(a) Certification – Does it pay to wait? Data says "No"

We looked at the Age of businesses when they became 8(a) certified and placed the firms into five categories (10+ years, 6-10, 3-5, 2, and 1 years of age when they entered the 8(a) program). Then we looked at the average cumulative sales for the firm in that group for firms entering the 8(a) program in 2014 and 2015 to see which age demographic of the firm preformed best over the first two years.

The results show that firms that were in the 3-5 years in business and 2 years of business outperformed the firms that had been in existence for a longer period of time. The worst preforming group is the firms that had only been in business for 1 year when entering the 8(a) program. (see graph below)

8(a) Cumulative Sales

Age of Firm	2014	2015
10+	1,214,990	916,552
6-10	1,389,075	811,282
3-5	4,444,145	705,941
2	3,268,933	1,685,371
1	N/A	234,270

The most logical reason for younger firms outperforming the older firms is that young firms are often created with the sole purpose of pursuing federal contracts. In contrast the more established firms more than likely pursue and initially obtain the most logical and easiest to win business using their 8(a) certification. Once they do that they have met their objectives and never fully develop a full-fledged federal business development strategy. Younger firms that only target federal sales with their 8(a) certification continue to grow their federal sales because this is the market their business was built to pursue.

I think the major takeaways are 1. Small Businesses can do very well in the federal marketplace even at early stages in their lifespan, so delaying 8(a) does not have much benefit past the first year in business. 2. Older firms need to invest more in the federal business development processes to insure that they fully utilizing their 8(a) certification.