

# Doing Business with the Government: Survey Results

## Executive Summary

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The *Doing Business with the Government* report presents data collected from 859 respondents to a 10-question survey offered from October – November 2023 about the issues companies face when partnering with the government. The report highlights five areas where companies struggle, and provides recommendations to policymakers to address those problem areas because company success in the defense market is inextricably linked to the Pentagon's success on the battlefield.

Respondents range in outputs (34% hardware, 32% software, 34% services); previous government experience (23% have none, 42% have 1-14 years, 34% have 15 or more years); revenue (87% research & development, 29% operations & maintenance / procurement revenue, and 68% commercial); and private investment (82% non-dilutive funding, 78% bootstrapped, 33% friends and family, 33% debt, 24% traditional venture capital, 11% corporate venture capital). The report offers empirically-based insights on company needs and recommendations for how to improve the U.S. government's ability to leverage commercial technologies.

Finding 1: Partnering with different types of companies requires different tactics. The government must develop unique approaches for partnering with each type of company. Speed to award is crucial to smaller companies and startups (36% prefer faster time to award), while size is more important for companies with commercial revenue (67% prefer larger contracts, vs 61% who prefer speed).

*Recommended Government Actions:* The Defense Department must offer larger, more secure revenue for firms with existing commercial products, while helping newer companies get on contract much faster. To partner with companies at different stages, the government should:

- Publish an Annual Transition Playbook detailing successful company transition pathways to serve as guides for similar companies and program offices.
- Clarify acquisitions to attract the right companies for the capability - and help companies determine when not to bid.

Finding 2: Defense Department partnerships with new entrants to the federal market falter because companies and buyers are disconnected. Companies are hungry for greater connectivity to program officers. 43% of all respondents rank a program officer as the most helpful introduction, vs. 27% who prefer end-users.

*Recommended Government Actions:* Having end-user support, while necessary, is insufficient to winning production contracts with the government. Even seasoned entrepreneurs with government experience struggle to navigate the Defense Department's acquisition bureaucracy, to turn end-user enthusiasm into programmatic requirements and meaningful business. To connect companies with program officers, the government should:

- Create more meaningful opportunities for companies to collaborate with program offices pre-contract.
- Identify, engage, and share information with relevant program offices from the start of pilot contracts.

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Finding 3: New entrants are unprepared to meet government technical transition requirements, especially compliance requirements necessary for production contracts. Just 43% of respondents received a government license or certification; 47% have not. Companies are often unaware that compliance requirements exist and face difficulty in satisfying the steps required to obtain certifications and licenses.

*Recommended Government Actions:* To prepare companies to deploy their capabilities at scale, the government needs to help them better understand the array of licenses and certifications they will need to deploy their capabilities, and on what timeline. To do this, the government should:

- Provide a compliance checklist when companies receive pilot contracts
- Create a category of supplemental SBIR / STTR funds for testing and evaluation

Finding 4: The Government's stance on Intellectual Property rights slows awards and shrinks the pool of companies willing to sell to the Defense Department. Companies entering the federal market are concerned about protecting their IP. Yet, these survey results indicate a willingness to give up more IP rights than experts and observers might expect (67% of survey respondents indicate they would be willing to accept Government-Purpose Rights, while just 24% indicate they would require restricted rights). This divergence highlights the confusion companies have about IP rights language used by the government.

*Recommended Government Actions:* To protect companies' IP rights in order to attract them to the federal marketplace, and allow them to scale from pilot contract to production, the government should:

- Create template IP rights frameworks for different business models to facilitate transition from pilot to production.
- Default to Other Transaction Authority (OTA) for SBIR awards and sanity check IP rights for clarity and practicality.

Finding 5: Access to classified environments limits the government's exposure to new / commercial capabilities. 43% of respondents ranked "accessing classified environments" as a "most challenging" barrier to working with the government. Classified environments prevent companies entering the defense market from bidding and performing on contracts. Classified environments remain an anti-competitive moat, frustrating these companies' ability to bid on new opportunities and deliver on existing contracts.

*Recommended Government Actions:* To broaden participation in the defense industrial base, the U.S. government must solve the challenge of accessing classified facilities for qualified participants. In order to attract a broader base and allow them to compete, the government should:

- Co-locate security officers, industrial security specialists, and Defense Counterintelligence and Security Agency (DCSA) liaison officers within innovation units (e.g., AFWERX, DIU, etc.).
- Use non-military sites to create Secure Compartmentalized Information Facility (SCIF) sites across the country for company use.