

Goliaths and Government

Small businesses are supposed to get a boost when they bid for federal contracts. But it turns out “small” doesn’t always mean small.

PICTURE A MUSCLED BULLY SNATCHING candy from a skinny kid. That, according to aggrieved entrepreneurs at the American Small Business League, is what’s going on in federal government contracting—where big conglomerates are grabbing almost \$60 billion a year that’s supposed to be going to small businesses.

The U.S. government is the world’s largest buyer of businesses’ services—it spent \$515 billion on such contracts last year—and a 1997 law states that 23 percent of those contracts should go to small businesses. That’s a goal, not a hard-and-fast rule. But while the government says it usually gets within a whisker of that target, some critics disagree. One of their biggest complaints: Multibillion-dollar giants like Lockheed Martin, Textron and Fluor are regularly counted by the feds as small businesses—often because they handle their contracting work through smaller companies that they’ve bought. Those megacorporations tend to have advantages in experience, contacts and sheer size that make it easier to elbow the little guys aside. Michael Somers, of Elite Elevator in Philadelphia, says that when he bid for a five-year elevator-maintenance contract at a federal courthouse, he went up against Amtech Elevator Services—which happened to be owned by global leader Otis Elevator. Somers says Elite had plenty of relevant expertise, but Amtech was able to beat his price by \$36,000 a year. “Very disappointing,” says Somers. (Otis declined to comment.)

Lloyd Chapman, the founder of the business league, has made this issue his personal and professional crusade. He has instigated more than a dozen government investigations

and six lawsuits, suing NASA and the Department of Defense as well as the Small Business Administration. And he has had some success—in one case he forced the SBA to remove 600 of the largest companies from its database of “small” businesses. In the government’s opinion, Chapman says, “I’m a complete lunatic. I’ve seen men in pinstripes going through my trash.” The SBA wouldn’t comment directly on Chapman’s accusations, but it does say the U.S. is hitting its quota. Still, Karen Gordon Mills, the new chief of the agency, believes there’s room for improvement and appears to be more committed than some of her predecessors to insisting that federal agencies meet their small-business commitment. “We want to make sure large companies aren’t masquerading as small,” Mills says, adding that she’s training government procurement staff to do better on this front.

The advocacy and lobbying raises a larger question: Is the 23 percent set-aside a good idea in the first place? Haven’t many businesses risen in the food chain without a government hand? What happened to the “what doesn’t kill you will make

YourBiz.gov?

Obtaining government contracts means navigating through an acronym soup. Here are a few key Web sites for entrepreneurs.

Federal Business Opportunities (fbo.gov).

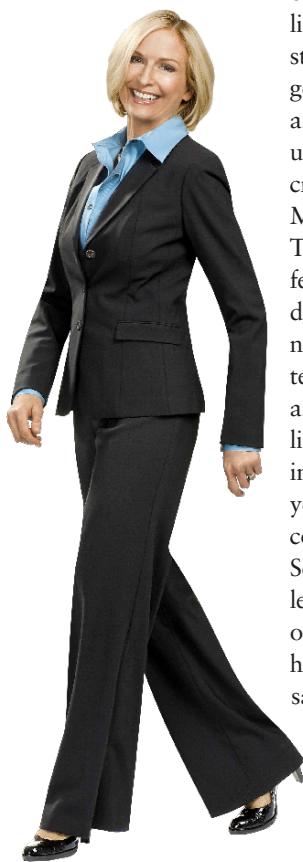
A snapshot of what the government needs—from bridge builders to makers of anthrax vaccines.

CCR.gov and ORCA.bpn.gov. Databases where contractors must register before passing Go; ORCA is where federal officers can search for you.

SUB-net (sba.gov/subnet). A state-by-state list of government contractors looking to hook up with a small-business subcontractor.

you stronger” ethos? Last but not least, with deficit spending at sickening levels, if Otis can underbid Michael Somers, shouldn’t we go with Otis? That said, big competition should never keep a small business from jumping on the government bandwagon. Even if Chapman’s right, small businesses still snag more than \$50 billion a year in contracts—the kind of money that can whisk a start-up to the top floor. **S**

For more coverage of small businesses, start-ups and entrepreneurs, visit SMARTMONEY’s smSmallBiz.com.



Photograph by Evan Kaifka