

Study: Government Contractors Confident About the Future

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OCI's "Government Contractor Confidence Index" finds contractors confident about the road ahead, and they see more opportunities in cyber and infrastructure.

Executive Summary

In the government-contracting arena, there has never been a study that quantifiably measures the overall confidence of the government contracting community – until now.

In February 2022, OCI Proposal Consultants conducted its first "Government Contractor Confidence Index" study to assess the overall confidence of contractors in the Federal market, while also assessing the impact of COVID-19 and the Biden administration on their businesses.

The survey was distributed to 5,600 potential respondents, mostly those serving as Director and VP of Business Development, Capture, and Proposals. The target of the survey was large, medium-size, and small Federal contractor firms.

Based on their responses, and our analysis from our experience in the marketplace, we found that overall confidence about future business and growth opportunities is high – especially in cybersecurity and infrastructure. In addition, COVID-19 is still "somewhat" impacting their businesses, and the Biden administration has had a minimal impact.

The goal of the survey and this report is to help government contractors to not only get a sense of how their peers are feeling about the future, but also to help guide their successes in the year ahead.

Primary Focus of the Study: 66 Percent of Government Contractors Confident About the Future

The primary question asked respondents to state their confidence in the Federal market for 2022, based on a scale of 100%. More than 66% of the respondents expressed solid confidence in the federal market for them for 2022 – with a high confidence level of 95%, plus or minus 6%.

Other Key Areas of the Study:

The survey also posed additional questions, including:

- 1. The effect of the Biden Administration on business prospects**
- 2. Core growth areas for 2022**
- 3. The level of challenge in finding new personnel**
- 4. The effect of COVID-19 on their businesses**

Biden Administration’s Minimal Impact

Has the Biden Administration positively impacted their business? Of those who answered this question, almost a quarter stated that it did not have a positive effect on their business. Nineteen percent said there was some positive impact from the Biden initiatives, while less than 10% found a positive impact.

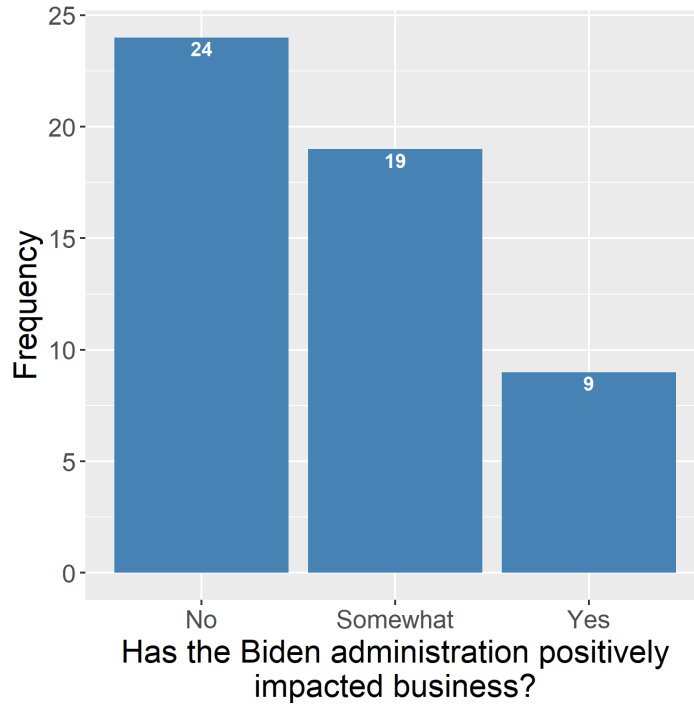
Although there was not enough data to explain the responses (from the comments section of the survey), the overall low ratings send an important signal to the Biden Administration about the importance of action and communications.

Here are the responses to the “Has the Biden Administration positively impacted their business?” question:

No: 24%

Somewhat: 19%

Yes: 9%



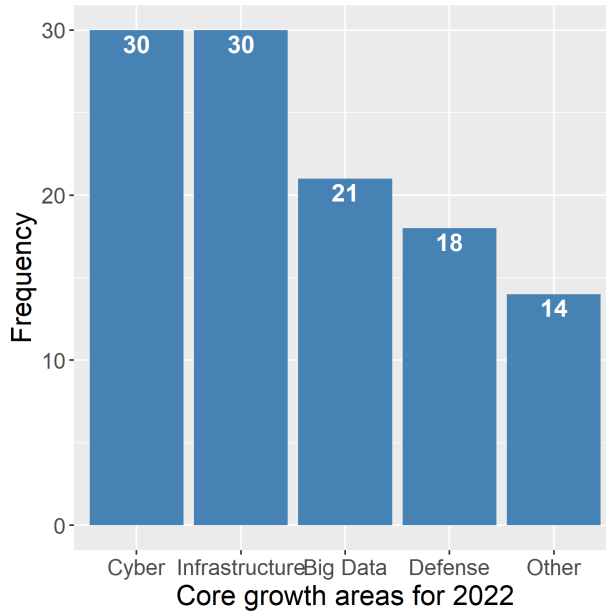
Core Growth Areas in Cyber and Infrastructure in 2022

The survey asked respondents for the core growth areas of government contracting for 2022. Both cybersecurity and infrastructure spending tied for the hot target areas. This “follows the money” of where both the Biden Administration and the Congress have committed resources.

Big data was third, potentially reflecting the confluence of spending on “cloud” services and information technology.

Here’s the breakdown of responses for study participants who checked the following boxes in the survey:

Cyber:	30
Infrastructure:	30
Big Data:	21
Defense:	18
Other:	14



Contractors Challenged in Finding Talent

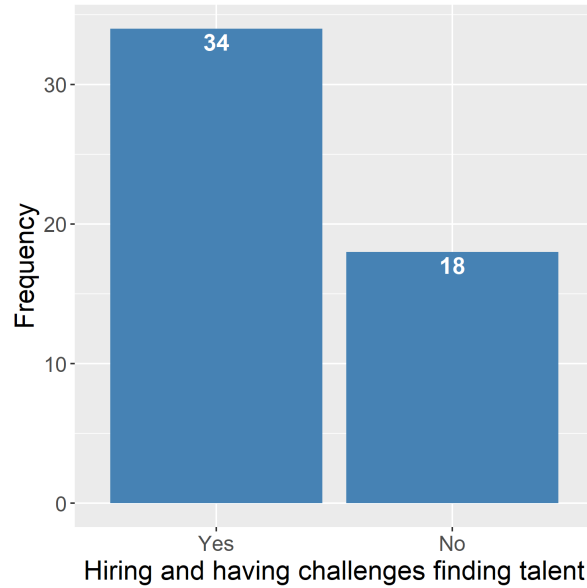
The survey asked whether contractors are hiring and if they are having challenges finding talent. With the combination of two questions in one, it is hard to discern the real message.

However, there are often more revenue-generating positions on contracts that could be billed if filled with qualified personnel. We also know from our experience that the pandemic has had an impact on job retention and recruitment.

With almost twice as many respondents answering affirmatively, we believe it reflects that firms have more hiring opportunities, and they are willing to fill positions if they can find qualified applicants.

Here’s the breakdown for the question around having challenges finding talent:

Yes:	34
No:	18



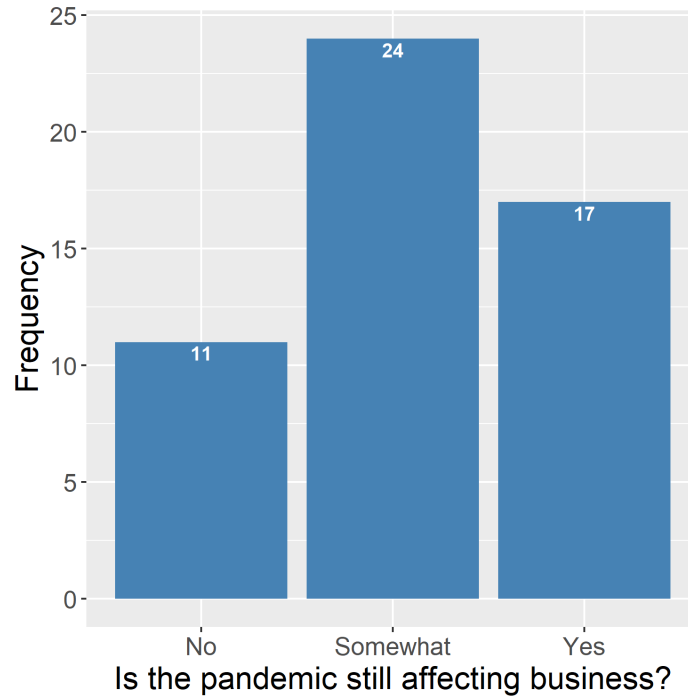
The Effect of COVID-19 on Business

We wanted to know whether the pandemic was still affecting their businesses. A quarter said it was still having some impact on business activity, and 17% admitted it was having an effect on their business. Only 11% said it was having no impact.

This survey was conducted in early 2022, when COVID-19 was declining, although Omicron was still present. As such, it is not surprising that almost 40% responded affirmatively.

Here's the breakdown of responses to the question; "Is COVID-19 still impacting your business?":

No:	11
Somewhat:	24
Yes:	17



Summary of Findings

Of course, the 66% level of confidence in the market is less robust than we would like to see. However, 95% of these respondents had a “high-level of confidence.”

In addition, given the risks of government shutdowns, the supply chain problems, and COVID challenges facing contractors, it was not a surprise that Biden’s positive effect is viewed as modest.

The strong numbers on cyber and infrastructure provide indelible evidence as to where companies see the growth ahead. They should focus their near-term business development there, but it will be a highly competitive marketplace as federal contracting opportunities are released.

That 34% of firms are having trouble hiring reveals a frustrating drag in the market. And the large number of those still viewing COVID-19 as “somewhat” or “certainly” still having an effect on their company is also a challenge.

Lessons for Contractors

What can Federal contractors do to move ahead on an underperforming market? One obvious answer is to focus their short-term business pursuit on expanding federal spending areas such as cyber and infrastructure.

If a firm doesn't have a core competency here, partnering may make sense. For the workforce challenges, first do what you can to retain the skilled workforce you already have.

Then, consider innovative recruiting methods, probably including competitive sign-on bonuses for attracting the skilled resources needed to pursue and perform on short-term business opportunities. If retention and recruiting present a challenge to business pursuit, then don't hesitate to use external experts to fill short-term gaps.

About the Authors:

- **Alan Chvotkin** is a partner in the Washington, D.C. government contracts law firm Nichols Liu and is a subject matter expert (SME) on the federal market. Previously he was executive vice president at the Professional Services Council (PSC).
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