

SMALL BUSINESS PERSPECTIVES ON THE NUCLEAR WASTE REPOSITORY MARKET
OR
LIVING AT THE JAWS OF THE GIANT

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ABSTRACT

This paper presents a view of the Nuclear Waste Repository market from the small business's perspective. From the perspective of a small business, participation in the repository market has much of the excitement, promise and risk of living near the jaws of a giant. When the giant feeds, the crumbs that fall are many times the equivalent of a full meal. Sometimes, however, the crumbs stick to the giant's chin or there are none. Sometimes the giant doesn't feed when expected. The potential rewards and the risks entailed are a combination that entrepreneurs find fascinating and treacherous, but may not fully understand.

From the perspective of the contracting agency, the services of a small business are also a combination of benefit and risk. Small businesses often offer high quality specialty services at bargain prices without complicated or long range contractual entanglements. The arrangement, however, may entail budgetary or schedule surprises, or even the absence of a program or management element whose existence was taken for granted by the contracting agent.

A safety device for both participants is a stronger understanding of each other's motivations, goals, expectations and constraints. The purpose of this paper is to aid that mutual understanding through a serious but lighthearted review and analysis of the perceived risks and benefits of the repository business area.

OVERVIEW

It is hoped that improved mutual understanding may lead to increased and better contracting relationships. Toward this end, some of the more and less favorable aspects of the repository business have been identified and a common theme has emerged....at the jaws of the giant there's no such thing as a "free lunch".

Virtually all of the favorable aspects of the repository business entail a commitment in kind that small businesses must be prepared to trade in return for a perceived benefit. To successfully participate in the nuclear waste repository market small businesses must make an active, sustained commitment to:

- Thoroughly understand government contracting practices and the repository business cycle
- Develop, implement and maintain support systems, including a Quality Assurance Program and the other necessary management support systems
- Understand and become proficient and efficient in the marketing and proposal process
- Completely satisfy both formal and informal con-

tractual requirements, in the context of the overall program.

DISCUSSION

Nature of Government Planning

Responding successfully to the government planning cycle requires fine balance on the part of the small businessman. Government budget cycles tend to be very lengthy, uncertain and unpredictable in our rapidly changing political environment. The government procurement cycles are also very long and drawn out; often taking between 9 to 12 months to award moderate size contracts. However, on the positive side government programs are usually quite large and normally extend over several years, thus providing significant contractor incentives. However, to respond successfully to these programs within the existing budgetary and contracting systems the small business must make a serious corporate commitment and focus somewhat limited resources to obtain and perform the desired contract work.

One of the most favorable expectations attached to the repository business is the potential for large, long-term contracts that pave the way for steady, low risk growth. The trade which must commonly be made is the sacrifice of organizational flexibility that comes from the long-term commitment of key staff members. To renege on this commitment will cost the contractor essential credibility, but to honor it will almost assuredly mean lost opportunities elsewhere. Moreover, the commitment is in some ways a one

way street, in that the government may always terminate for convenience. Nor can the small business afford to become overly dependent on a single large government program. For example, while RE/SPEC has been involved in the nuclear waste repository program for the last 19 years, in the earlier 1980's we placed considerable company commitment/focus and resources on becoming a major subcontractor in support of the Deaf Smith County candidate repository. We successfully bid on the Technical Support Study contract for the repository as a major subcontract for the prime Architect-Engineer, and eagerly anticipated a multimillion dollar, multiyear contract. Subsequent to winning the procurement the entire program was cancelled by Congress, soon after we had our proposal win party. As a result, RE/SPEC very nearly failed as a commercial enterprise. We had pursued an opportunity with a high probability of success single-mindedly, but without prudent balance, and without asking enough "what if" questions. The moral of the story is that decisions that appear on the surface to be fool proof, are not without consequence, and are made more safely when considered in the context of a formal strategic plan.

Small Business Needs....Support Systems

The second major commitment we, as small business managers, must make and implement is the development, maintenance and use of the necessary business and program support systems. While we have seen earlier that the positive aspects of the repository business often also have a down side, we will see in this area that the commonly perceived negative aspects also have an up side.

The support systems that must be incorporated into the small business include:

- Quality Assurance Programs
 - Endorsing NQA-1 requirements
 - Establishing adequate training and records keeping programs

Heightened QA consciousness within the technical staff

- Management Support Systems
 - Cost Control and Accounting Systems
 - Project Management and Scheduling Systems

At RE/SPEC we have institutionalized both the quality assurance and the management support systems. Our experience, as a small business, has been that while initially, these programs can appear to be unnecessary bureaucratic entanglements, with some adaptation and innovative tailoring to individual corporate needs, the programs can significantly enhance overall efficiency and reduce internal costs, leading to greater profit growth. The needed systems can be modified not only to respond to the government contract-

ing requirements, but, also to provide added business value in terms of:

- Improved product quality
- Enhanced operational efficiency
- Enhanced client relations; primarily through accurate and timely cost and schedule control and reporting
- Lower bids; the improved controls allow the use of smaller contingencies

All of these factors together, result in the small business establishing a much stronger overall competitive position in the waste management and other markets.

Marketing/Proposal Process

The government marketing and proposal process can be a large burden on a small business. To be successful in bidding and winning major government procurements requires extensive marketing, proposal and post proposal efforts. These efforts must be consistently managed and controlled during the entire lifecycle of the procurement, which can last from several months to more than a year.

Responding to often voluminous, complex and difficult to understand procurement documents can be very costly to a small business, both in term of actual costs incurred and in terms of "lost opportunities". A small business also has a small marketing and bid and proposal budget available to pursue an almost unlimited number (from the small business viewpoint) of marketing and proposal opportunities. The small businessman must make some very difficult decisions on which of the multitude of opportunities will provide the best return on limited business development resources. To do this one must estimate the probability of win based on a thorough understanding of the market place, the particular opportunity, and the strength of the company. During a typical year a small business can only afford 3-4 of these major business development investments, and therefore must make the correct marketing investment decisions if the business is to grow. The small business manager must be very shrewd when living at the jaws of the Giant.

"Lost opportunity" costs are often as important as the financial costs. "Lost opportunity" costs are those costs the small business incurs by deciding to pursue a particular opportunity, which precludes pursuing other equally attractive opportunities. Only a small percentage of the personnel in the firm have the training, experience and expertise to pursue the variety of marketing opportunities normally available. In our firm of approximately 65 people, there are probably 5 to 6 of the staff who can successfully pursue new business opportunities. To manage and focus this valuable personnel resource is as important, to growth as managing and controlling the corporate financial statement. The staff

of qualified business developers must direct their efforts at a select number of high priority opportunities.

Contract Requirements and Performance

The challenge of being a successful small business does not end with a successful proposal. Once the procurement has been won it must now be successfully performed. Many of the issues faced by the small business in the marketing and proposal preparation continue into the contract performance period. Management and control of personnel and budgets are still imperatives. However, there are many other issues the small businessman must contend with, including:

- **Formal contractual requirements:** The small business must comply with the formal requirements in the contract statement of work, specifications and standards, deliverable requirements and schedules and other contract terms and conditions. Small businesses normally do an outstanding job in this area, however, they may become so focused on meeting the formal requirements that the informal requirements are forgotten or ignored, which has the risk of leading to a perceived contract performance problem.
- **Regulatory and legal requirements and constraints:** In addition to meeting the contractual requirements the small business must also comply with all applicable regulatory and legal requirements. This area is becoming much more complex as one must consider state and local requirements as well as the federal requirements.
- **Informal Requirements:** Often informal requirements are as important as the formal requirements. The more important aspects of these requirements include: the ability to manage/control multiple client interfaces, needs and demands; and the ability to perform in a multiple contractor environment.

To be successful the small business leaders must understand the "big picture" or the context in which the contract is being performed. If the overall context is not understood there is a large risk that the effort will be performed to the letter of the contract, and the right answer may be developed for the wrong problem.

Examples in this area fall into two categories. In the first category, the technical context of the assignment was not well understood. The client was required to conduct an economic evaluation of a parcel of land. As it was part of the repository, the client hoped that the land had very little commercial value. However, the small business that was contracted to do the job was accustomed to valuing land for appraisal purposes where stretching the estimate of the value of the land was in his client's favor. This mismatch in

understanding was fatal to one and disastrous to the other.

The second category is in providing deliverables. A commonly accepted credo is that a client will forgive late deliveries and overrun budgets if the product received exceeds expectations. This is not necessarily true in all cases. It has certainly not been our experience in the repository program, where budgets and schedules are often the prime concern.

The moral of these stories is....talk to your client in detail and frequently. Don't surprise the client with technical results or variance to spending and product delivery schedules.

SUMMARY

In summary for a small business to be successful in the waste repository business requires a strong commitment, and focus to the business area, while maintaining the proper management perspective and balance. To ensure success the small business needs:

- **Long Range Strategic Plan.** The small business needs to develop and implement a long range plan that identifies current and future markets and especially market niches the business will pursue. The plan should also outline a basic approach to pursuing the market and a resource allocation scheme.
- **Support Systems.** The small business needs to implement appropriate and tailored support systems, especially quality assurance programs and the fiscal/schedule control systems. In implementing these systems the view should not only be to comply with contractual requirements, but to also develop the systems to be a true aid to growing the business.
- **Identify/Recruit Key Personnel.** This is a key area for any small business. Key personnel should be recruited, primarily for future requirements and opportunities, as well as for meeting today's requirements.
- **Be Prepared for, and Enjoy the Success:** The last key to being a successful small businessman is to enjoy the opportunities and successes. If the strategic plan and support systems are in place, and the right key personnel are being identified, recruited and trained it should be easy to avoid the pitfall of being too successful. However, if success comes before the infrastructure is in place the results can be less than pleasant. One small businessman we know, was so successful that he did not take the time to put the systems in place, and tried to do everything himself. He subsequently suffered a heart attack trying to keep up with his success, and it passed on to someone else.