

THE ROLE OF SMALL BUSINESS IN DOE'S ENVIRONMENTAL RESTORATION PROGRAMS: A LOOK AT BUYER AND SELLER PERSPECTIVES

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ABSTRACT

Secretary of Energy Watkins has committed the DOE to initiatives for addressing environmental issues at DOE facilities and cleaning up contaminated sites. Current environmental restoration efforts focus on DOE's system of Government-Owned Contractor Operated Facilities (GOCOs) and prime contractors, but opportunities exist for small businesses to claim a share of DOE's environmental restoration work. The advantages and limitations of using small businesses in these initiatives depend on the perspectives of the technical manager seeking to procure services and the small business manager seeking to sell services.

The buyer's perspective of small business may be that the advantages of procuring services from small businesses may not compensate for the risks and limitations involved. However, the perspectives of key GOCO technical managers and small business corporate managers must be understood to ensure that small businesses can successfully pursue the DOE environmental restoration market and that GOCO managers can utilize the specialized resources offered by small businesses.

The advantages of procuring small businesses for small jobs are numerous and definitely outweigh perceived limitations. Small businesses generally have better people available for smaller jobs and more incentive to perform better on these jobs. Small businesses can attract talented, experienced professionals through individual incentives and a less structured work environment. Small companies can be more flexible in changing to meet a client's needs. Also, because smaller companies have lower base salaries and charge fewer management hours to contracts, the total cost per hour is generally the same or lower than that for the services of a large company. The smart technical manager will award contracts to both large and small companies to obtain the best from both.

INTRODUCTION

Secretary of Energy Watkins has committed the DOE to an ambitious program to address environmental issues at DOE facilities and take aggressive action to remediate contaminated sites. Current environmental restoration initiatives are focused on DOE's system of Government-Owned Contractor Operated Facilities (GOCOs) and prime contractors, but the extent of restoration challenges offers significant opportunities for small businesses. The advantages and limitations of using small businesses to address environmental restoration challenges depend on the perspectives of those involved. These perspectives are quite different for a typical technical manager seeking to buy services and for a small business manager seeking to sell services.

The buyer of services may have one or more of the following perspectives that, in the view of the small business seller, may be onerous: (1) small business rates are too high, (2) why use a small business when the resources of a Fortune 500 giant are available, (3) why undertake the procurement process to obtain services from a small business when it is no more difficult to define a larger scope and obtain services from a larger firm, and (4) why assume the risk of the typical

instabilities (personnel, financial capability) of small businesses?

For each of these issues, the perspective of key GOCO technical managers and small business corporate managers must be understood and appreciated in view of the constraints and challenges of the Federal procurement system. Otherwise, small businesses will find themselves frustrated in pursuing the DOE environmental restoration market, and government technical managers will continue to miss opportunities to utilize the significant resources of small businesses.

Generally, when environmental restoration (ER) or waste management (WM) managers procure the services of a firm, they seek the services of a large business that can provide accessibility to a greater number of people and a cross section of disciplines and expertise. Because the procurement process to obtain services from a small or large business is essentially the same, the large business is generally selected. Also, large businesses usually offer more company experience, better financial stability, and lower overhead. So why would a manager select a small company when the advantages of a large company are so obvious? Small businesses have certain advantages that create roles for them in DOE's ER program. Also, if done correctly,

procuring the services of a small business can be accomplished with little additional effort by ER or WM managers.

For a large RI/FS project, construction project, or remedial action, the large company is the obvious choice. A large company can bring the required number of people and disciplines together to complete a large project, including experienced project managers capable of effectively managing such large tasks. For small tasks, such as project planning, risk assessments, QA oversight, dose reconstruction, peer review, ecological evaluations, and NEPA documentation, the small companies provide distinct advantages over large companies. Large companies generally want large jobs and put their best people on these jobs. The smaller jobs provide "fill in" work between assignments for their people. While the best people are the first to be assigned to larger jobs, they are sometimes taken off smaller jobs during the completion stages to work on larger, more important jobs.

In contrast, small companies earn their "bread and butter" from small jobs. They make their niche in these jobs. The best people are assigned to these projects, and their performance ensures quality in these tasks. Also, because small businesses have fewer clients and fewer projects, conflicts of interest are uncommon. Small businesses generally have better people available for smaller jobs and more incentive to perform better on these jobs.

A new situation developing in the ER and WM business involves the movement of talented people between employers. The demand for talent and experience exceeds the supply. Consequently, talented people are in a position to pick and choose from the opportunities offered by both large and small companies. Large companies generally offer higher salaries and provide better security in a cycling job market (ER and WM work is not cycling; it is in fact growing). To compete for talent among small companies, many offer incentives such as major profit sharing or employee ownership (e.g., profits and fees can be directed to these employees instead of a few select owners or shareholders). These factors also allow small companies to successfully compete against larger companies for talented, experienced people.

Small companies offer other advantages over large companies. They tend to be more flexible in adapting to the needs of their clients because they have less bureaucracy and structure. Decisions and commitments can be made without being accountable to a "home office." Small companies tend to be closer to and more focused on the client because they have fewer clients to serve. Also, when a company has more people, it generally has to implement more rules and procedures to effectively manage these people. For example, a large company has contracting rules and an organization that tracks all of its contracts. The rules and the contracts organization are generally consistent in

their contracting approach, usually requiring specific procedures and paperwork. For a small job, this can add unnecessary costs to the job and delay work progress, as the contracting organization gives higher priority to larger contracts. A small company generally has one or a few people to handle contracts. Based on the client's needs, the procedures and rules can change. Because the small business exists on small contracts, each is given top priority.

Costs of a small business must be evaluated on a total dollar-per-hour based on the skill level of technical support, not overhead factors. Small business overhead is generally somewhat higher than that for large companies, although total cost-per-hour is about the same and sometimes lower. The reasons are twofold. First, base salaries are generally lower in small businesses. Part of employee compensation is derived from employee ownership or sharing major percentages of profits and fees. The overhead factor may be higher, but total cost may be comparable or lower. Second, large companies charge "management oversight" dollars to projects. The base salaries for these managers usually exceed \$100,000. Smaller companies charge fewer "management oversight" dollars, as their base salaries are usually less than \$100,000. Data to substantiate this are provided by an M&O contractor concerned about the salary structure in its ER and WM organizations compared to its subcontractors. After losing staff to subcontractors for higher salaries, the M&O contractor conducted a survey. The results of the survey indicated that the M&O contractor's salary structure was about the same or slightly lower than the large business subcontractor but about 10 to 15 percent higher than its small business subcontractors.

What techniques can the ER or WM manager use to procure the services of small business? A few basic suggestions are offered. First, when obtaining general services such as under a basic ordering agreement (BOA), make multiple awards. Designate one or several awards as small business set-asides. Second, if you are requesting services under a large procurement, solicit bids from teaming arrangements between large and small companies. This will allow you to contract with both large and small businesses with little additional effort. Also, implementing these suggestions will assist your contract organization in meeting its small business goals.

CONCLUSION

Large companies are better suited for large jobs that require large and multiple disciplines to complete a job. Small companies can better handle small jobs that require specialized talent and company flexibility and responsiveness. Smart ER or WM managers will award contracts to both large and small companies to obtain the best of both to ensure success in their programs.