



SHUT-DOWN – DON'T BE SHUT-OUT

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“Government contractors must plan for their future...”

When you are in the government contracting business, there will always be Continuing Resolutions and Shutdowns that delay or eliminate government spending which could impact your contracted business or positioning with a Prime Contractor. It is simply a “business risk” that you live with each year when government budgets are negotiated and a new administration is put in charge. During these times, career contractors have the discretion that can be directed toward your business because decisions can be made under certain circumstances on the basis of what is good and expedient for the government. You want to be favored when these decisions are made many during the shutdowns and especially coming out of the shutdown. Showing that your business is willing and ready to meet the governments requirements at hand when that customer call is made is critical to a recovery strategy for your business.

When faced with a shut-down, it is a tough time to manage daily limited cash-flow. As a result, contracted business owners must seek to do three important tasks:

1. Control and managed expenses
2. Seek long-term credit quickly and short-term credit as needed... do this while your credit is in good shape
3. Renegotiate terms with your business partners and suppliers while your past performance has been acceptable

It is very important to take a snap shot of your business before the “shut down” and after the “shut down.” This documentation is critical for “course correction” planning and to justify the future financing of business to reestablish itself in the future. Banks and suppliers will want to know what happen and how did you manage the downside to keep revenue and profits flowing. This documentation will serve to help evaluate future risks of this nature.

For sure, one of your business partners will be the Contract and Program Officers that you do business with. You have to stay in “constructive communication” with them as they work off of limited government resources with little or no authority to file PO's or pay invoices. Your ability

to offer information and alternative products, program and services while there is no income for your business is a strategic initiative that must be given careful consideration. You should have similar conversations with your Prime Contractor if you are a Sub-Contractor. Bottom line, remain visible and viable to your government customers and business partners.

Clearly, if you have staff, this is a time to pull everyone together and be frank about the situation and the recovery. Show your faith in the business to overcome the challenge. “Flexibility and adaptability” in all the team members is a must have characteristic that is required to survive tough times like a shutdown. Long hours are to be expected and lay-offs should be planned accordingly. From experience, this is a great time to consider using the untapped talents of your staff and to be creative in finding new solutions for the business going forward. It is also reality to let an employee or staff member find other employment or work part-time with the understanding they still have a job when the business is back to normal.

And it should be noted, there is a time to drop out of the business if the risks are too high to recover from. Taking a close look at your contracts/agreements and your financials is important considering shutting your business down. Consult your legal and accounting team for prudent advice. No doubt, this is a business calculation worth considering to cut your business and personal losses. As they say, when one door shuts, another door opens... you just need to know which one will be best for you. Having no door to go through is not a solution. Be vigilant in this regard.

Last point, do your best to control your emotions. Tough times in business are tough times. You have to make the tough decisions and make the tough demands of your partners with a sense of confidence and passion. It is during these times that you find out who your partners truly are. Always respect the business decisions that everyone has to make due to directives, regulations, politics or legal considerations. Many times, business decisions are in conflict with one another for business and legal reasons. Do your best not to take things personal but remain hopeful it all will work out somehow.

I was compelled to share these thoughts from 11 successful years in government contracting business. During those years, I never saw a shut down like the one we are experiencing. I am sure everyone at this point is texting frequently, has their pencils out and computers on. In the end... business is about people working it out and making it happen. When you are informed, you are in better position to handle the challenges and still plan for the future. Remember, “the future will never be shut out... something will happen to turn things around.”

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