

2023

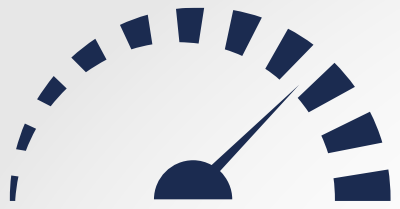
National 8(a) Association

Monthly Webinar Series

2023 GAUGE Report: Insights and Benchmarks for 8(a) and Small Businesses

Kim Koster, Unanet
Christine Williamson, CohnReznick





GAUGE

2023 REPORT

Lead by Forecasting

Annual Industry Roadmap of
Benchmarks and Trends

Guiding Government Contractors into 2024 and Beyond



Meet the Presenters/Authors



Christine Williamson, CPA, PMP

Partner
CohnReznick



Kim Koster

Vice President, GovCon Strategy
Unanet

Background & Objectives



Since 2017, Unanet, in conjunction with CohnReznick, has conducted an annual study focused on government contracting and the industries that serve that community. We use the results of this study to develop the GAUGE Report—a benchmarking tool with insights into industry practices and metrics.

The study includes input from all sizes of companies with the goal of providing timely data to the GovCon community to address challenges, identify KPIs, and provide a basis for benchmarking and making fact-based, informed decisions.

The 2023 GAUGE report reflects the responses of more than 1,100 contributors who participated between February and May of 2023. Each year the volume and diversity of responses tells us this is a tool companies find valuable for guidance and thought leadership.

Survey Organization



GOVERNMENT CONTRACT COMPLIANCE

ACCOUNTING

UTILIZATION

GROWTH

EFFICIENCIES

What Makes the GAUGE Survey and Report Unique



It permits benchmarking your organization against fact-based data



It provides a virtual Crystal Ball – looking forward and backward



The report is broken down into 5 categories



The GAUGE is theme based:

2017 – Budgeting Strategies

2018 – Small to Large/Sub to Prime

2019 – Internal Controls Best Practices

2020 – Leveraging Technology

2021 – Creating a Winning Proposal

2022 – Reimagining How We Work

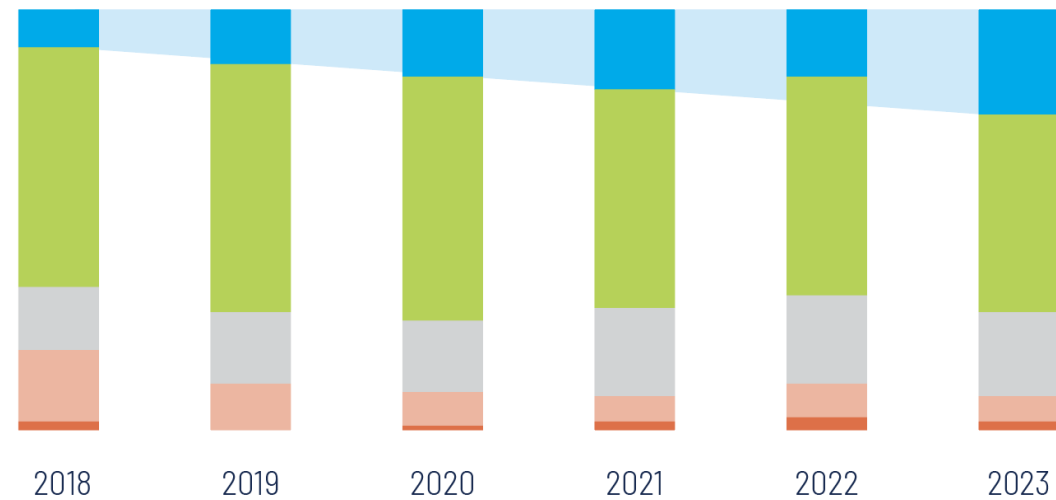
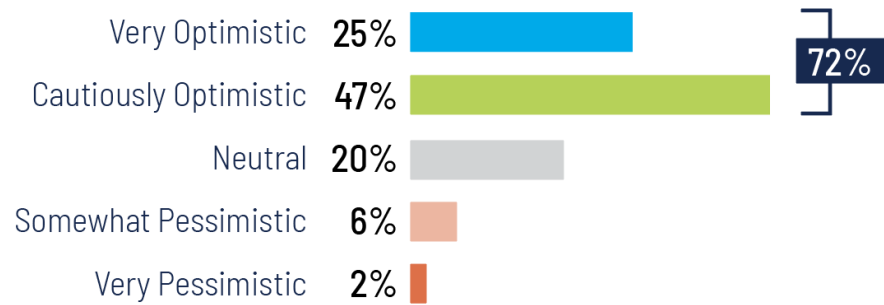
2023 – Lead by Forecasting

SMBs: Fueling the GovCon Industry

GovCons are Optimistic



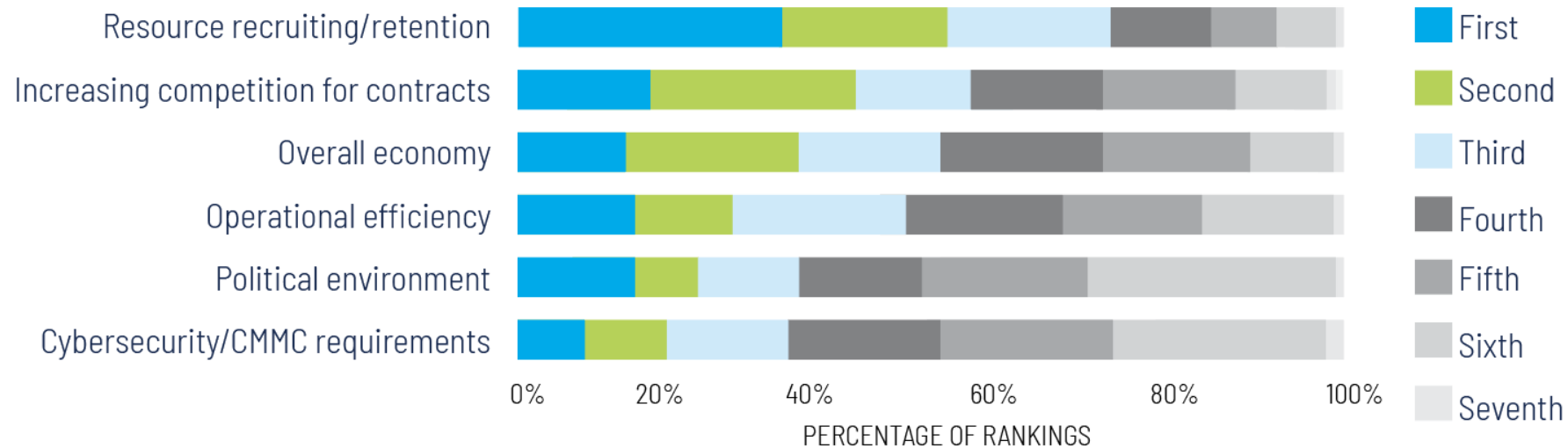
How would you characterize the current business environment for government contracting?



What is Keeping Executives Up at Night



What issues “keep you up at night” regarding your organization today?
(% Ranked 1st and 2nd Shown)



Up at Night Detail



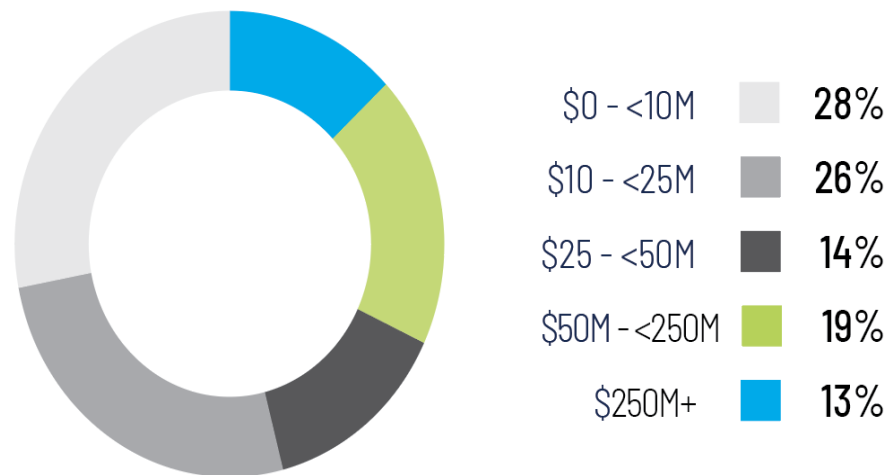
What issues “keep you up at night” by revenue, employee, and NAICS code:

	Average	By Annual Revenue				By Employee Size		By NAICS Code				
		\$0 - <\$10M	\$10 - <\$25M	\$25 - <\$50M	\$50M+	1-99	100+	Arch. & Engr. (5413)	Comp. Systems Design (5415)	Mgmt/ Sci/Tech Consult. (5416)	Sci Rsrch & Dev. (5417)	Other Prof/ Sci/Tech Svcs. (5419)
Resource recruiting/retention	52%	51%	65%	46%	45%	51%	53%	59%	59%	51%	50%	55%
Increasing competition for contracts	41%	41%	41%	40%	41%	38%	43%	37%	65%	49%	14%	41%
Overall economy	35%	35%	29%	49%	33%	38%	32%	19%	28%	40%	27%	38%
Operational efficiency	26%	28%	29%	11%	29%	27%	25%	30%	19%	26%	45%	28%
Political environment	22%	18%	17%	29%	27%	22%	22%	15%	15%	21%	23%	17%
Cybersecurity/CMMC requirements	18%	22%	11%	14%	22%	16%	19%	19%	11%	12%	36%	21%
Other	6%	5%	8%	11%	3%	8%	6%	21%	3%	1%	5%	0%

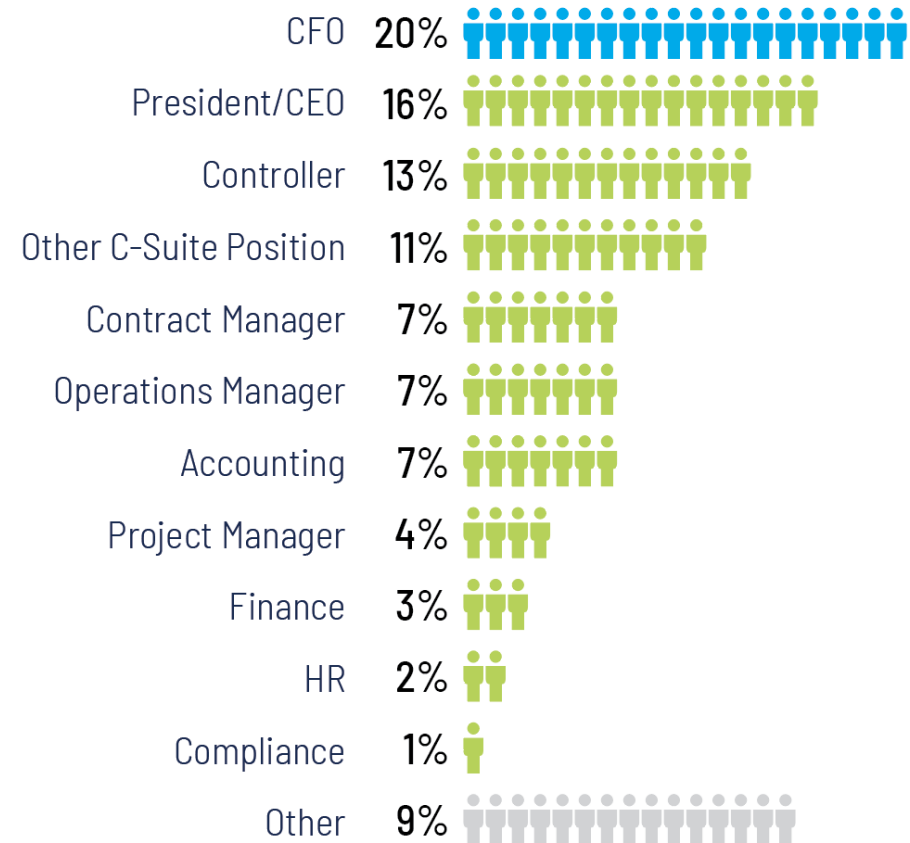
Who Responded



Respondents by Annual Revenue



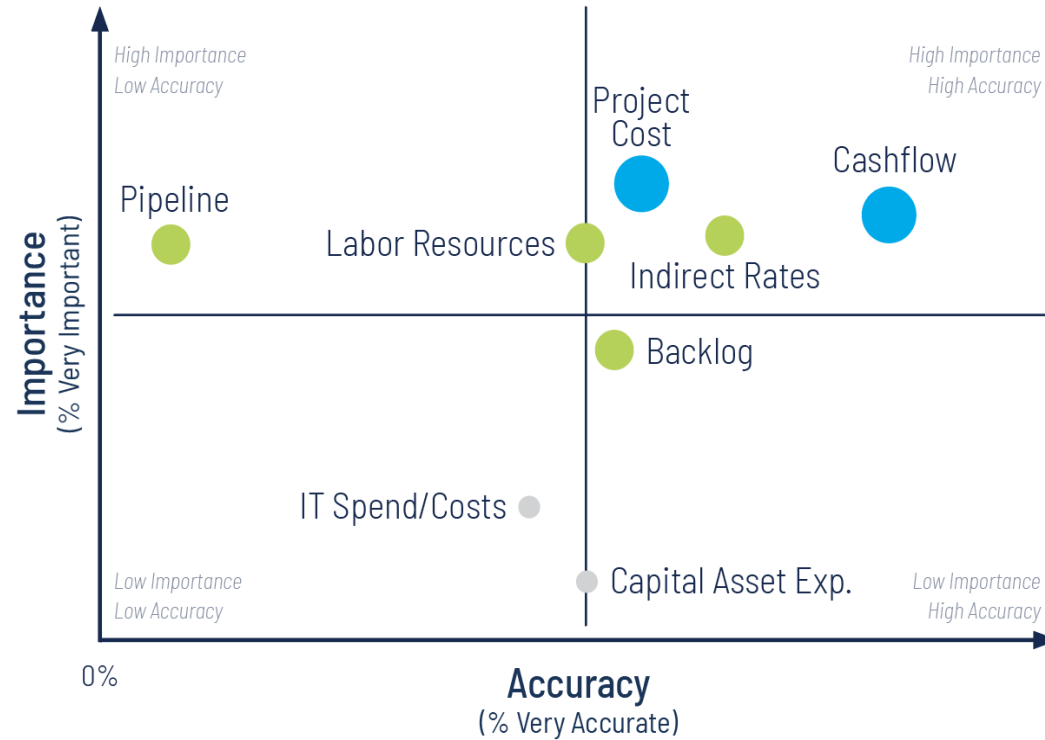
Respondents by Job Title





Lead by Forecasting

Forecasting in a Nutshell



Size represents frequency of forecasts (based on % reporting monthly or more often):



Higher
45%+



Medium
20-44%



Lower
<20%

Forecast Policies

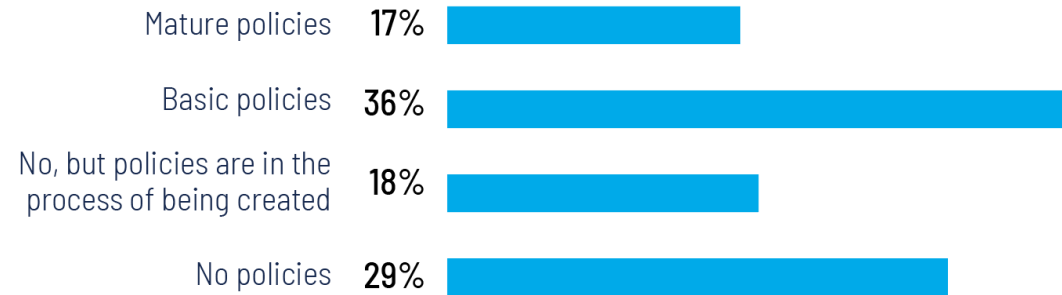


Are your forecasting policies followed?



Yes, strictly 21%
Yes, compliance is flexible 31%
No one uses or follows 1%
No policies 47%

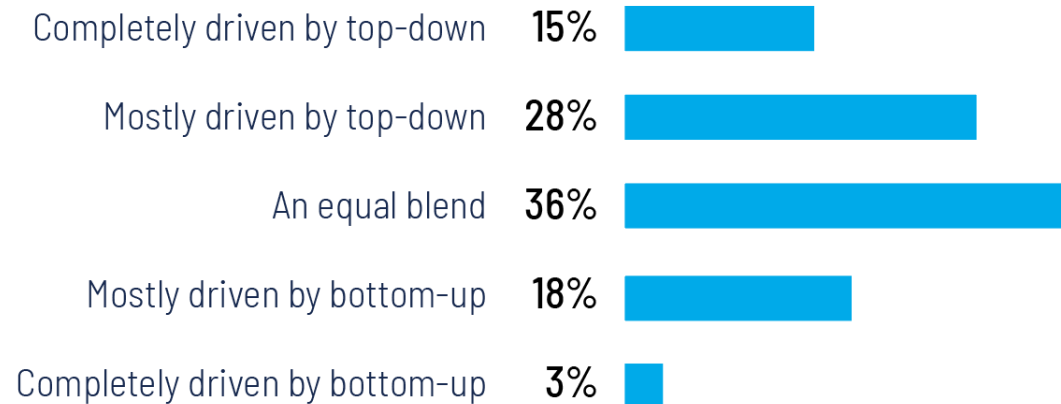
Does your organization have policies on forecasting?



Forecasting Methodologies



To what degree is the forecasting in your organization driven by inputs from leadership (top-down) versus managers and lower (bottom-up)?





Government Compliance



Oversight – DCAA and DCMA



How would you describe the change in government oversight of your company over the past 5 years?

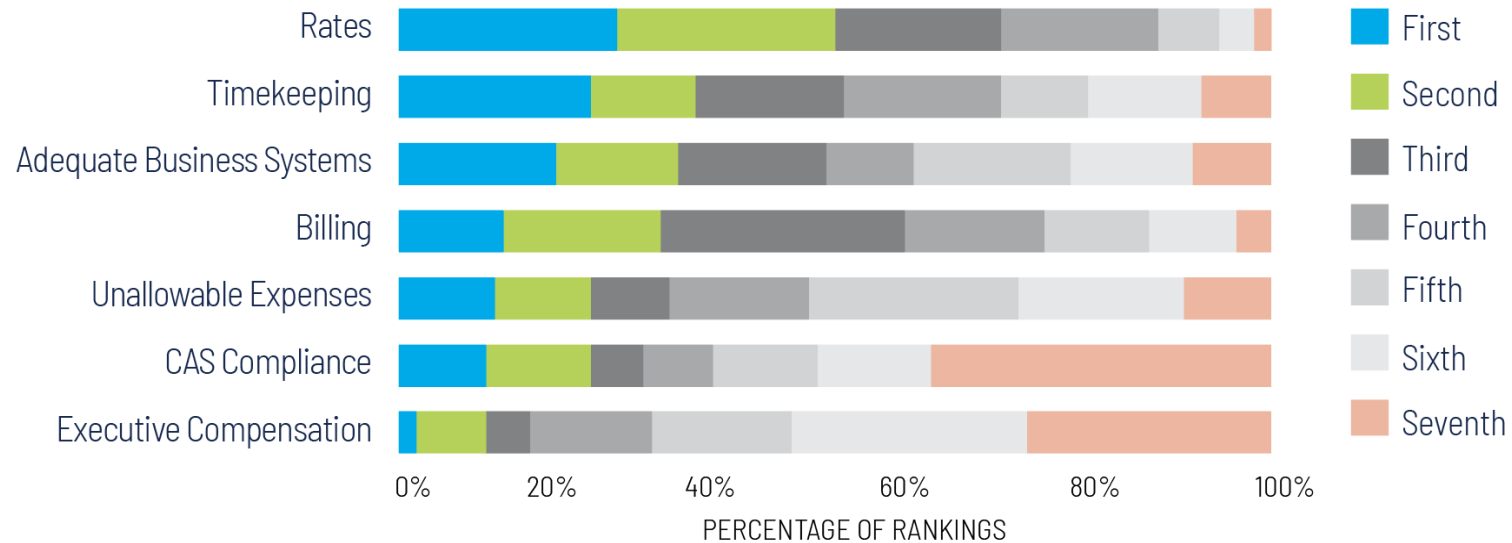
		By Annual Revenue			
	Average	\$0 - <\$10M	\$10 - <\$25M	\$25 - <\$50M	\$50M+
Increased Oversight	46%	37%	38%	46%	61%
Decreased Oversight	3%	6%	1%	3%	2%
Oversight Stayed About the Same	51%	57%	61%	51%	37%

Audit Challenges



Rank the following audit challenges for your company from the most to the least significant last year.

(% Ranked 1st and 2nd Shown)



Audit Challenges Detail



Rank the following audit challenges from the most to the least significant last year.

(% Ranked 1st and 2nd Shown)

	Ranking by Year		2023 By Annual Revenue				2023 By Employee Size		2023 By NAICS Code				
	2022	2023	\$0 - <\$10M	\$10 - <\$25M	\$25 - <\$50M	\$50M+	1-99	100+	Arch. & Engr. (5413)	Comp. Systems Design (5415)	Mgmt/ Sci/Tech Consult. (5416)	Sci Rsrch & Dev. (5417)	Other Prof/ Sci/Tech Svcs. (5419)
Rates	50%	◄ 50%	42%	52%	57%	53%	44%	55%	78%	63%	46%	42%	32%
Timekeeping	33%	▲ 34%	42%	39%	30%	25%	43%	27%	31%	41%	28%	32%	40%
Adequate Business System	35%	▼ 32%	26%	41%	23%	33%	35%	29%	22%	30%	36%	42%	24%
Billing	30%	◄ 30%	43%	21%	20%	30%	36%	26%	35%	22%	23%	21%	40%
Unallowable Expenses	20%	▲ 22%	18%	20%	27%	25%	16%	26%	17%	24%	23%	26%	32%
CAS Compliance	19%	▲ 22%	18%	18%	37%	24%	19%	25%	17%	11%	26%	32%	28%
Executive Compensation	13%	▼ 10%	11%	9%	6%	10%	7%	12%	0%	9%	18%	5%	4%

Types of Audits - 2023

Which of the following DCAA Audits did your company endure last year?
(Select all that apply)

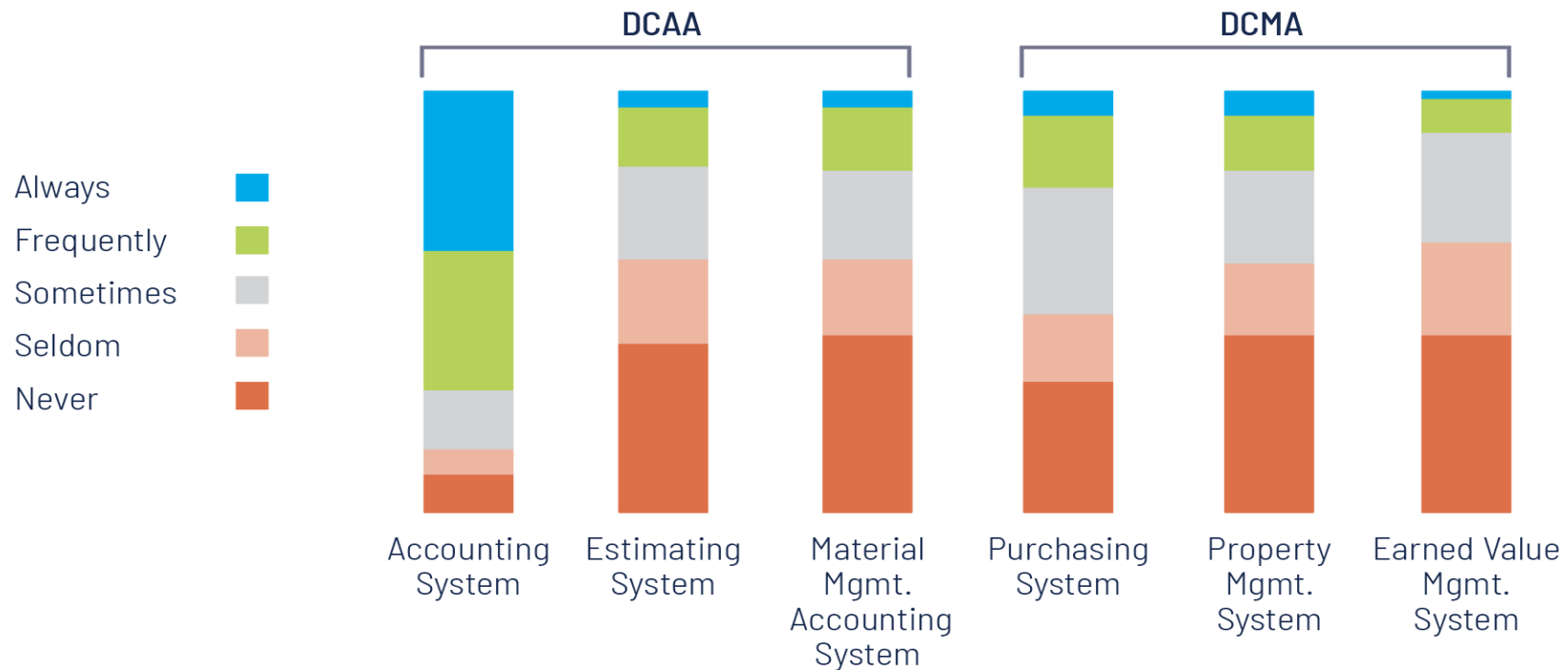
	Ranking by Year		2023 By Annual Revenue				2023 By Employee Size	
	2022	2023	\$0 - <\$10M	\$10 - <\$25M	\$25 - <\$50M	\$50M+	1-99	100+
Incurred Cost Submission	26%	▲ 32%	26%	21%	32%	50%	24%	39%
Accounting System (Pre- or Post-Award)/1408	24%	▲ 25%	19%	21%	32%	33%	21%	29%
Provisional Billing Rate Audit	17%	▲ 22%	15%	17%	24%	35%	17%	27%
Labor Floor Check	11%	▲ 13%	4%	2%	8%	40%	3%	23%
Proposal	13%	▼ 9%	2%	13%	8%	13%	8%	10%
Purchasing System (CPSR)	7%	▲ 8%	4%	4%	0%	23%	3%	13%
CAS Compliance or Disclosure Review	4%	▲ 7%	4%	6%	0%	17%	3%	11%
Property Management System	6%	◄ 6%	0%	4%	8%	13%	0%	11%
Estimating System	4%	▼ 3%	0%	0%	8%	6%	0%	5%
Material Management Accounting System (MMAS)	5%	▼ 3%	0%	0%	4%	8%	1%	4%
Defective Pricing	0%	▲ 3%	2%	2%	0%	6%	2%	3%
EVMS	3%	▼ 2%	0%	0%	4%	6%	1%	3%
Not Applicable	53%	▼ 47%	60%	60%	36%	25%	59%	36%

Business Systems Audits



Which of the following approved Business Systems have you experienced as being required on (new) solicitations in the past year?

(Rate each)





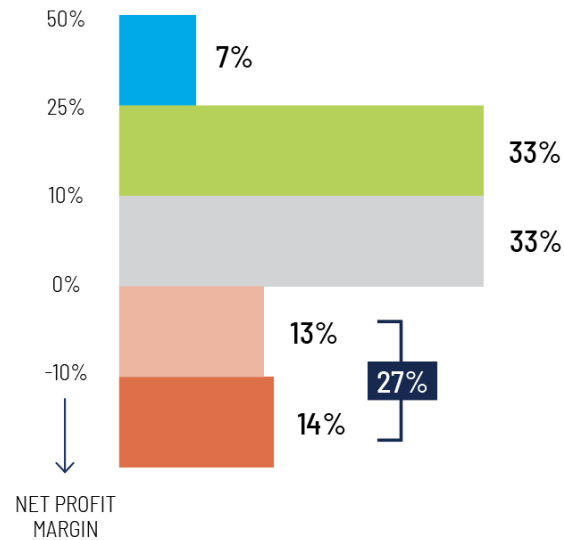
Accounting



Margins and Search for Margins

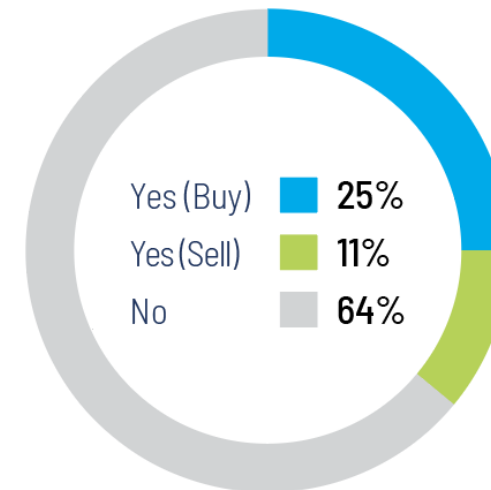


Net Profit Margin
(Revenue-Direct & Indirect Contract Cost/Revenue)



Is M&A a priority for your company in 2023?

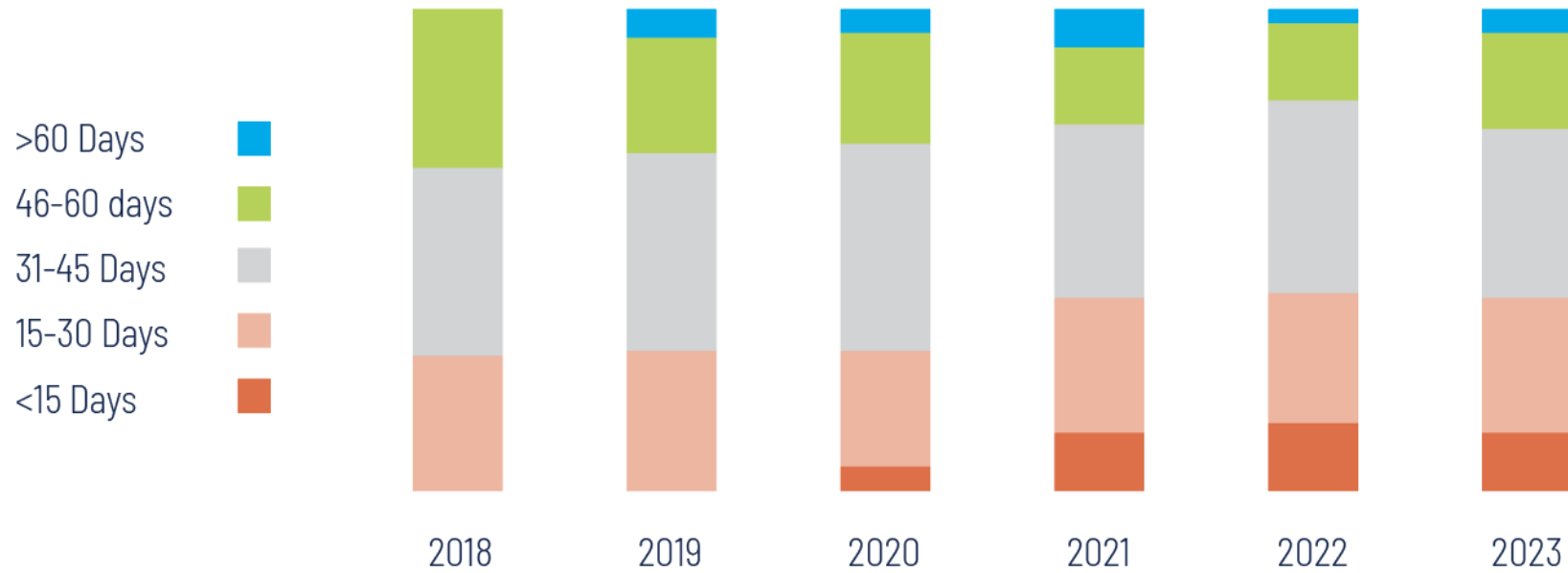
2023



DSO YoY



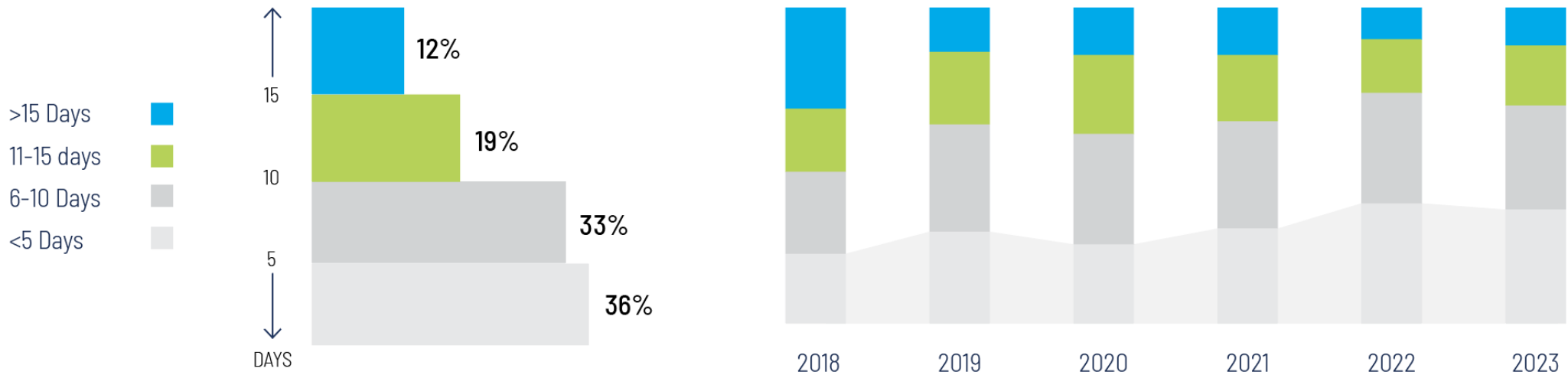
What is your approximate Days Sales Outstanding (DSO) excluding invoice preparation time?



Invoice Cycle – Marked Improvement YoY



What is your average Invoice Cycle (preparation and review time) in days (last day of the month until the last invoice is out the door)?





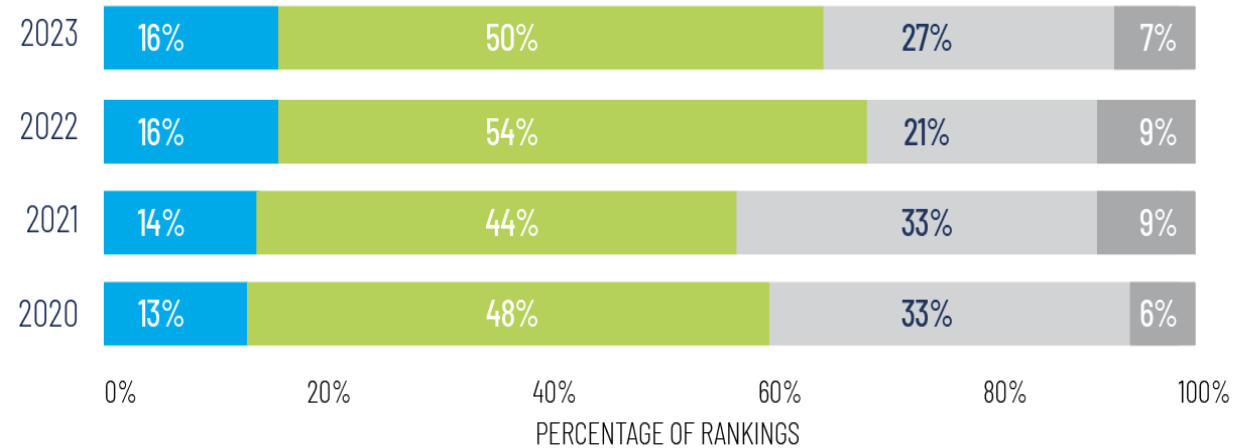
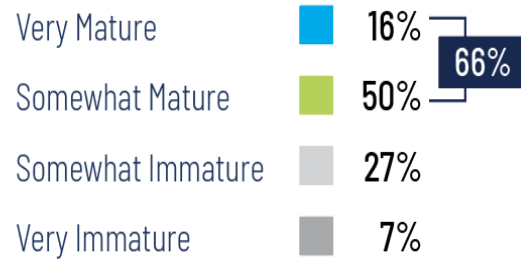
Utilization



Project Management Maturity



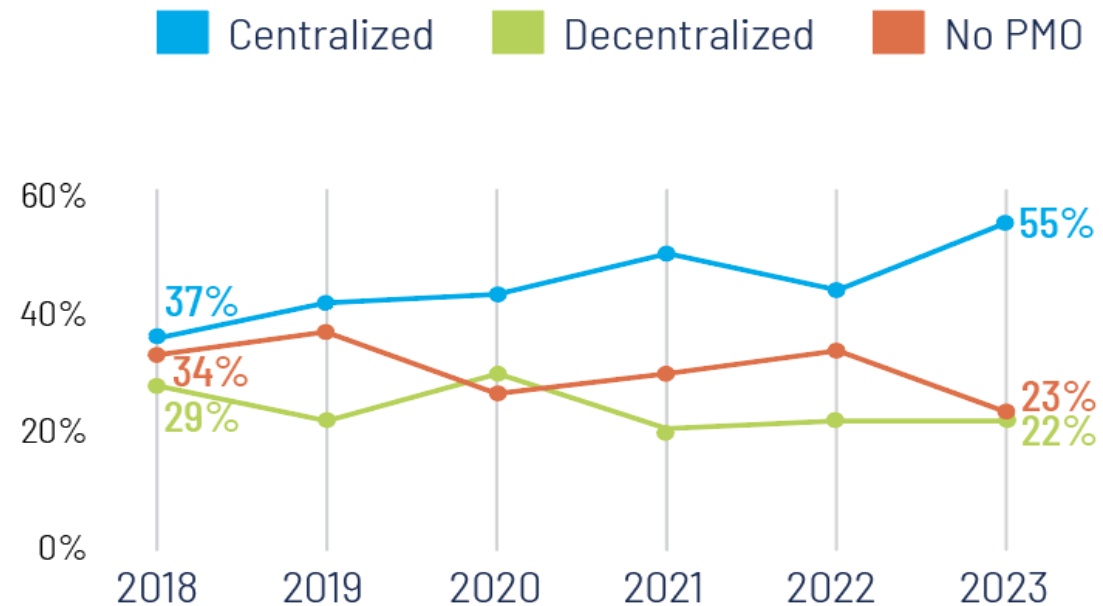
How would you rate your company's *project management maturity*?



PMO – Centralized or Decentralized?



What best describes your Project Management Office (PMO) model?

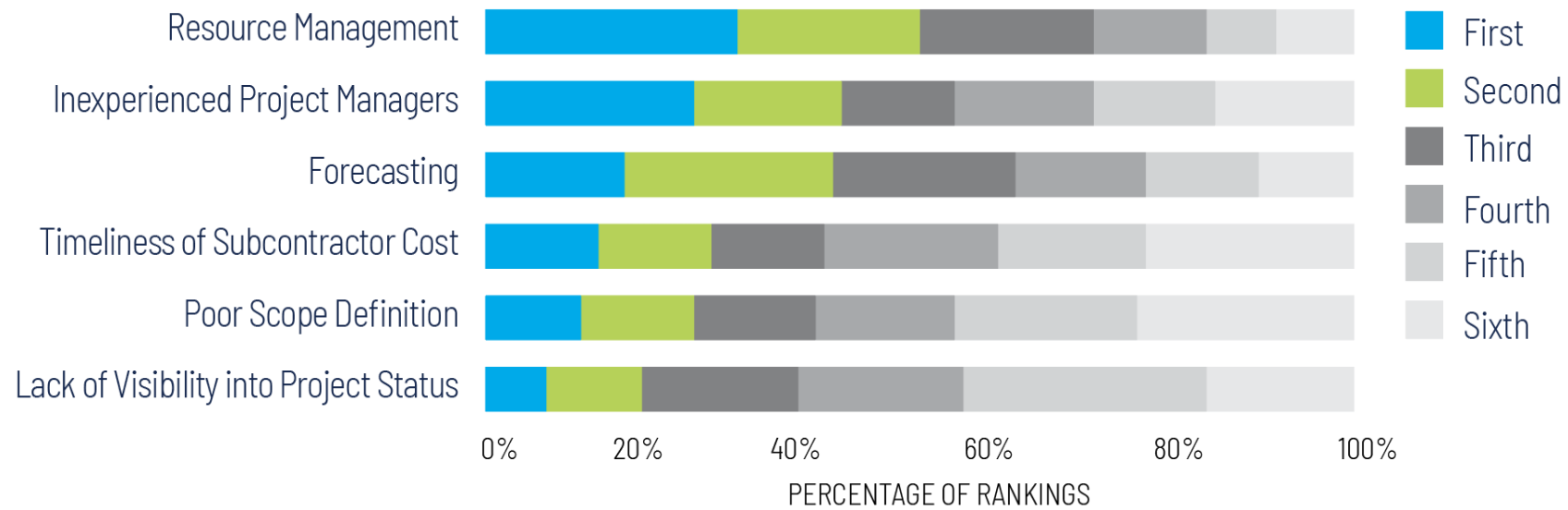


Project Management Challenges



Most Significant Project Management Challenges

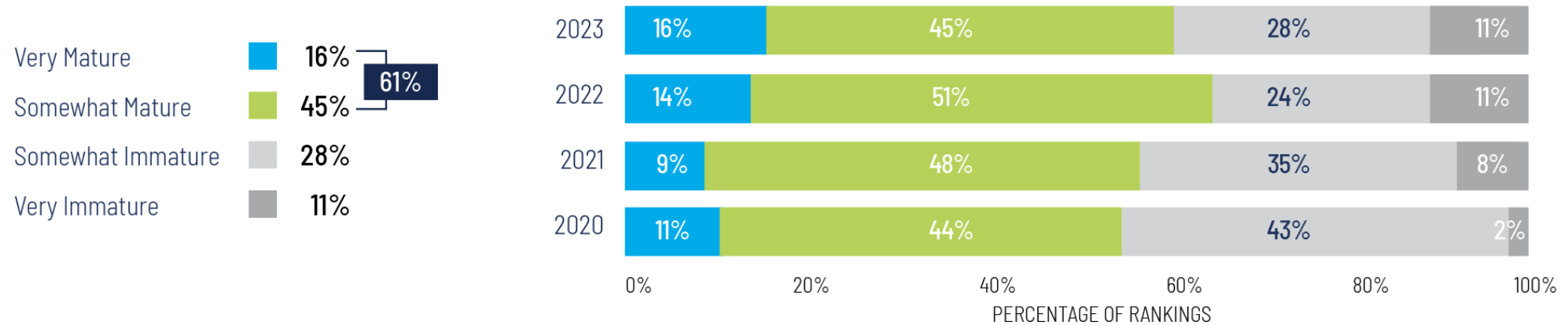
(% Ranked 1st and 2nd Shown)



Resource Management Maturity



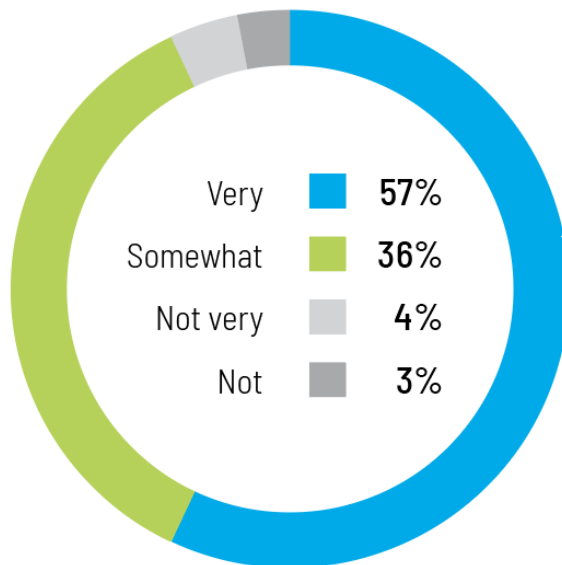
How would you rate your company's *resource* management maturity?



Resource Forecasting – Important yet Spreadsheet?



How important is it to create labor resource forecasts?



What tools does your company use to forecast labor resources?

(Select All That Apply)

	Average	By Annual Revenue			
		\$0 - <\$10M	\$10 - <\$25M	\$25 - <\$50M	\$50M+
Spreadsheet	70%	75%	70%	73%	65%
Integrated into timekeeping system	37%	18%	48%	50%	39%
Off-the-shelf software	16%	9%	15%	27%	17%
Manual	13%	18%	7%	5%	17%
Custom built software	10%	2%	2%	9%	22%

Assess Your Resource Management Practice



How mature is your firm's resource management practice?

Use the following to figure out where you stand. Use the assessment below as often as necessary. Be frank in your answers, then identify the areas you need to shore up in order to move onto the next level.

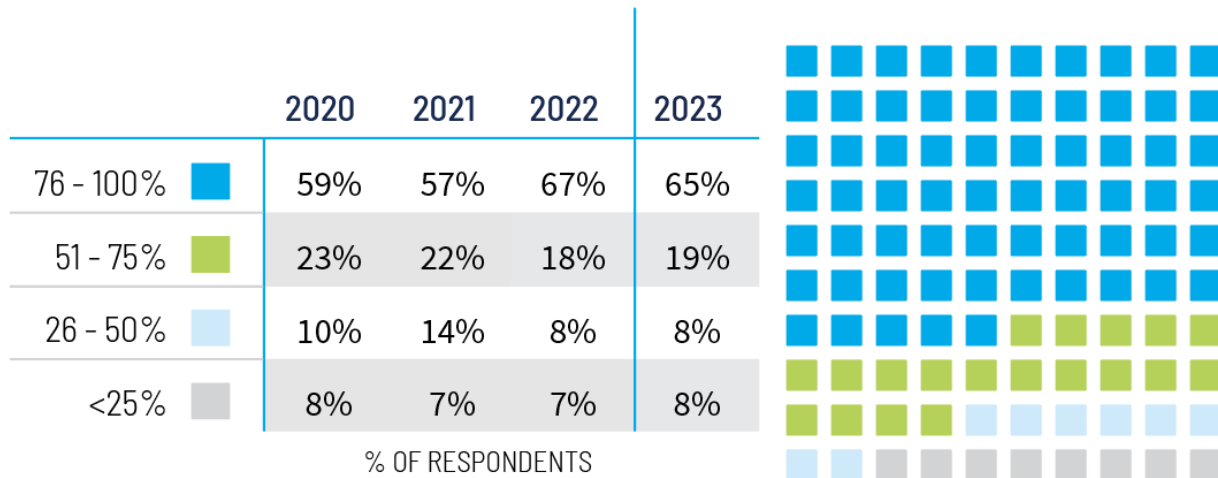
Resource Management Maturity Model (RMMM)

	Level 1: Ad-Hoc or Initial	Level 2: Project-by-Project	Level 3: Organization Wide	Level 4: Data-Driven	Level 5: Continued Improvement	Your Co. Rank
People/ Training	<input type="checkbox"/> Minimal training on process or tools — no focus.	<input type="checkbox"/> Training is project-specific on policies and procedures. Some ad-hoc tool training.	<input type="checkbox"/> Enterprise role-based training on policies, procedures, and tools.	<input type="checkbox"/> People are trained regularly, and certified on skills and tools.	<input type="checkbox"/> The enterprise is attracting top talent and providing career paths.	_____
Policies & Procedures	<input type="checkbox"/> Very basic guidance that is not enforced. The resource management world is the Wild West.	<input type="checkbox"/> Most policies are for a single project. Resourcing procedures are project-by-project.	<input type="checkbox"/> Policies and procedures are enterprise-wide and all understand the need for a comprehensive resource planning discipline.	<input type="checkbox"/> The organization uses metrics to drive business decisions around hiring and resource usage across the enterprise.	<input type="checkbox"/> KPIs and metrics are rightly coupled with organizational goals to continue to advance the success of the business.	_____
Tools/ System	<input type="checkbox"/> Use of spreadsheets and combo of tools (silos).	<input type="checkbox"/> Use of project-based ERP with fully integrated time/resource management. Combination of manual and automated operations.	<input type="checkbox"/> Enterprise use of project-based ERP. Resource plans are loaded, and the enterprise can see supply and demand.	<input type="checkbox"/> Enterprise use of project-based ERP at an expert level. Stakeholders access role-based dashboards and reports in real time.	<input type="checkbox"/> The ERP provides all necessary resource management info to everyone in the organization as part of the fabric of the business.	_____
Culture/ Vision	<input type="checkbox"/> "We have always done it this way." "Spreadsheets are cheaper."	<input type="checkbox"/> The need to improve project performance and resource planning is seen as a way to help improve execution.	<input type="checkbox"/> Resource management is a key part of overall project and organization management. Operating as a matrix organization.	<input type="checkbox"/> Resource management metrics are reviewed daily, and the information is reliable and trusted for decision-making.	<input type="checkbox"/> Resource management is seen as a discipline with a career path. C-suite has the desire to continue to improve based on results.	_____
Your Co. # Each Level	_____	_____	_____	_____	_____	_____

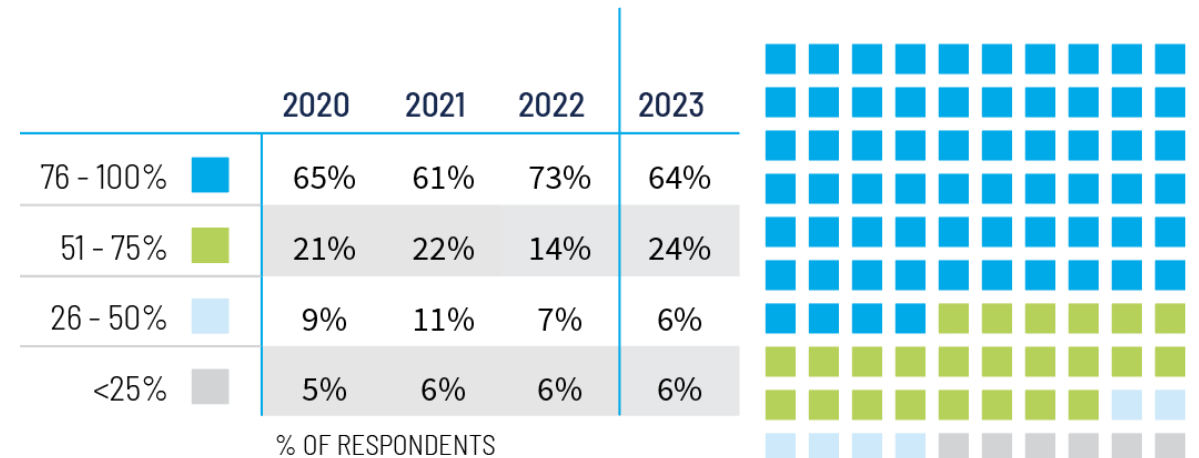
On Time and On Budget



What percent of your company's projects are reported as on or under budget?



What percent of your company's projects are reported as on time or sooner?



FTEs by Organization



Indicate the full-time equivalent (FTE) headcount in your company for each of the following functions:

	Ranking by Year		2023 By Annual Revenue				2023 By Employee Size		2023 By NAICS Code				
	2022	2023	\$0 - <\$10M	\$10 - <\$25M	\$25 - <\$50M	\$50M+	1-99	100+	Arch. & Engr. (5413)	Comp. Systems Design (5415)	Mgmt/ Sci/Tech Consult. (5416)	Sci Rsrch & Dev. (5417)	Other Prof/ Sci/Tech Svcs. (5419)
Accounting	3.4	▲ 4.7	1.4	3.3	4.0	9.3	2.0	6.9	2.9	3.4	3.4	5.9	4.0
IT	2.8	▲ 4.3	2.3	2.0	3.0	8.7	1.7	6.3	2.1	4.8	3.1	5.5	4.2
Business Development	3.3	▲ 4.2	1.7	2.7	3.9	8.0	1.8	6.1	2.5	4.5	3.2	3.8	5.2
Human Resources	2.5	▲ 3.5	1.0	1.8	2.5	7.8	0.9	5.6	2.1	2.9	2.6	3.0	3.5
Project Controls	2.3	▲ 3.5	1.2	1.8	3.1	7.3	1.2	5.3	2.8	3.4	2.0	3.7	2.4
Contracts	2.5	▲ 3.3	1.6	1.6	2.1	6.7	1.6	4.6	1.5	2.5	2.0	4.4	2.7
Recruiting	1.9	▲ 2.8	1.0	1.5	1.9	6.1	0.9	4.3	1.5	3.1	2.9	2.0	2.9
Compliance	1.4	▲ 2.0	0.8	1.4	1.8	3.8	0.9	2.9	0.8	1.6	1.3	1.1	1.6
Internal Audit	0.8	▲ 1.5	0.6	0.4	0.6	3.5	0.6	2.2	0.2	0.9	0.9	0.7	0.8
Legal	0.8	▲ 1.3	0.3	0.3	0.3	3.5	0.3	2.1	0.0	0.7	0.7	0.9	1.2



Growth

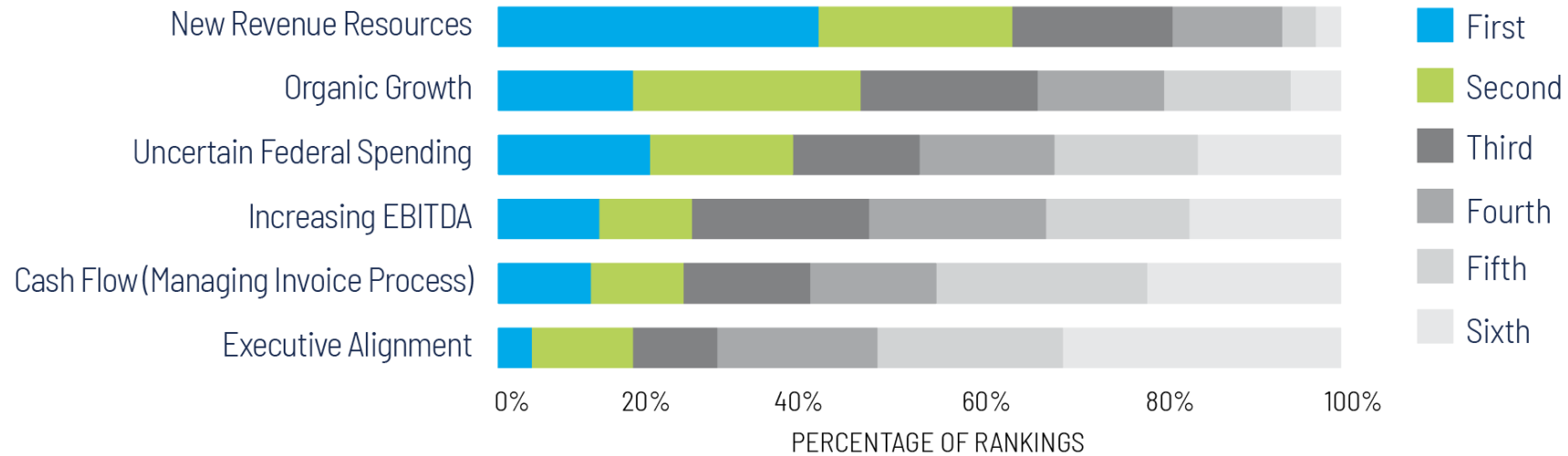


The Biggest Financial Challenges are Growth



Rank the following financial challenges for your company from most to least significant.

(% Ranked 1st and 2nd Shown)



Biggest Issue is Winning New Business



What issues are the most concerning to your GovCon organization currently?
(Select all that apply)

Year Over Year	2022		2023	
Obtaining/Winning New Contracts	82%	▼	77%	
Lack of Qualified Talent	56%	▼	55%	
Budget & Funding Constraints	44%	▲	47%	
Cost of Compliance	42%	▲	44%	
Lack of Integrated Project Management/Account Tools	16%	▲	29%	
Other	3%	▼	1%	

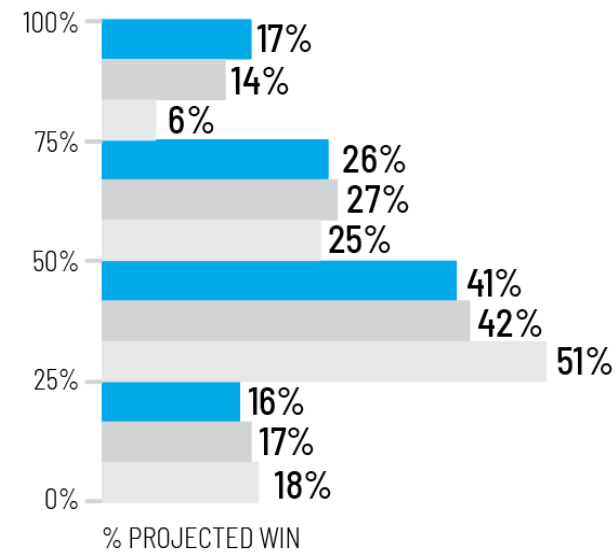
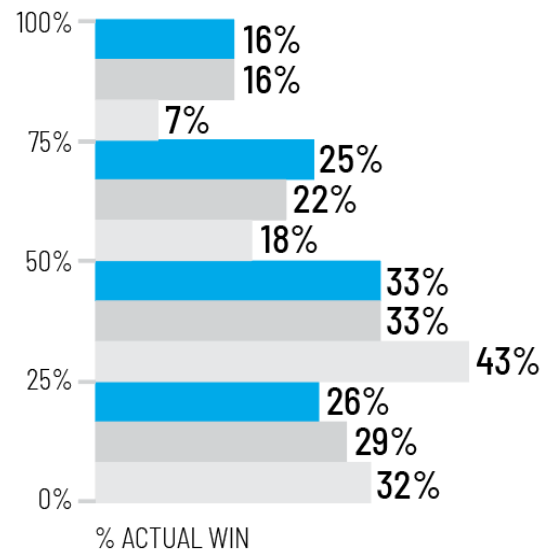
Winning or Not?



Actual Win Rate
Over Past 12 Months

Projected Win Rate
Over Next 12 Months

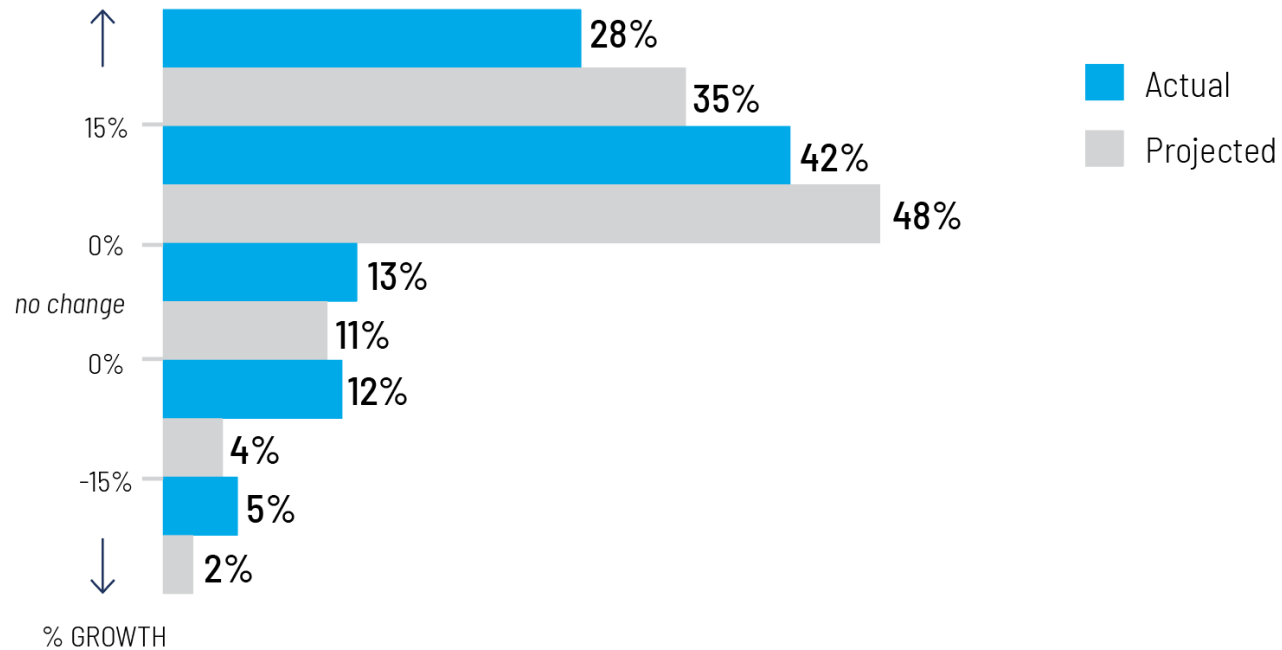
■ 2023 ■ 2022 ■ 2021



Actual and Projected Growth



From last year to this year, indicate your company's performance in actual growth and projected growth rates.

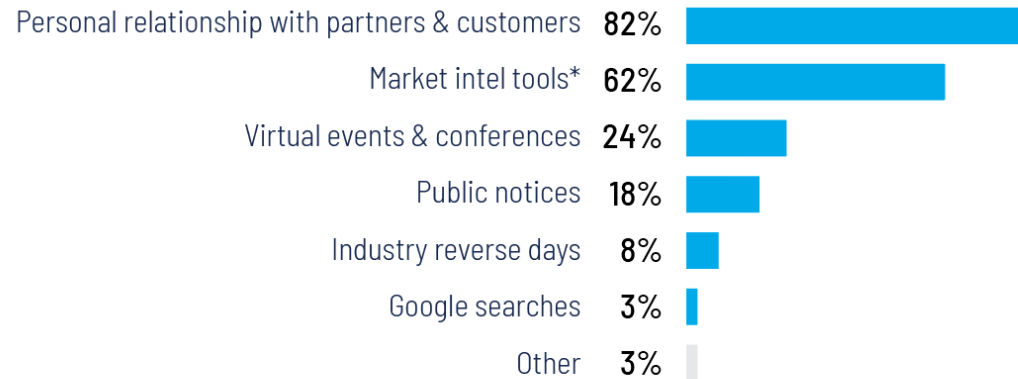


Finding and Executing Capture Process



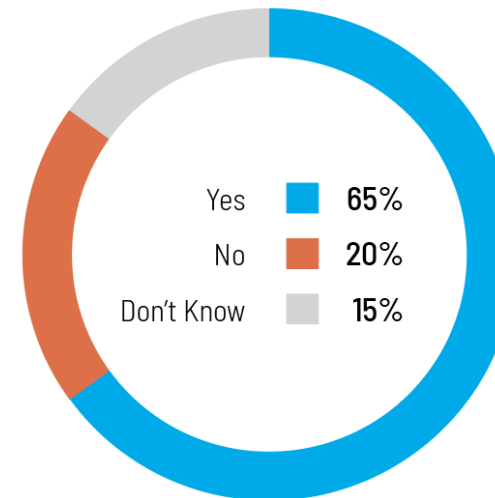
What are the top two approaches you are currently using to find new opportunities?

(Select all that apply)



*Includes FedBizOpps, GovWin, Fedmine, Pulse, GovTribe, Federal Compass, Capture2Proposal, etc.

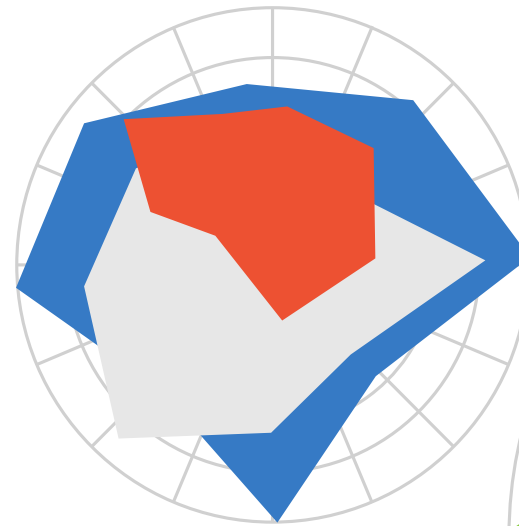
Do you have a formalized Capture/Gate process for federal proposals?



	By Employee Size	
	1-99	100+
Yes	59%	71%
No	30%	11%
Don't Know	11%	18%



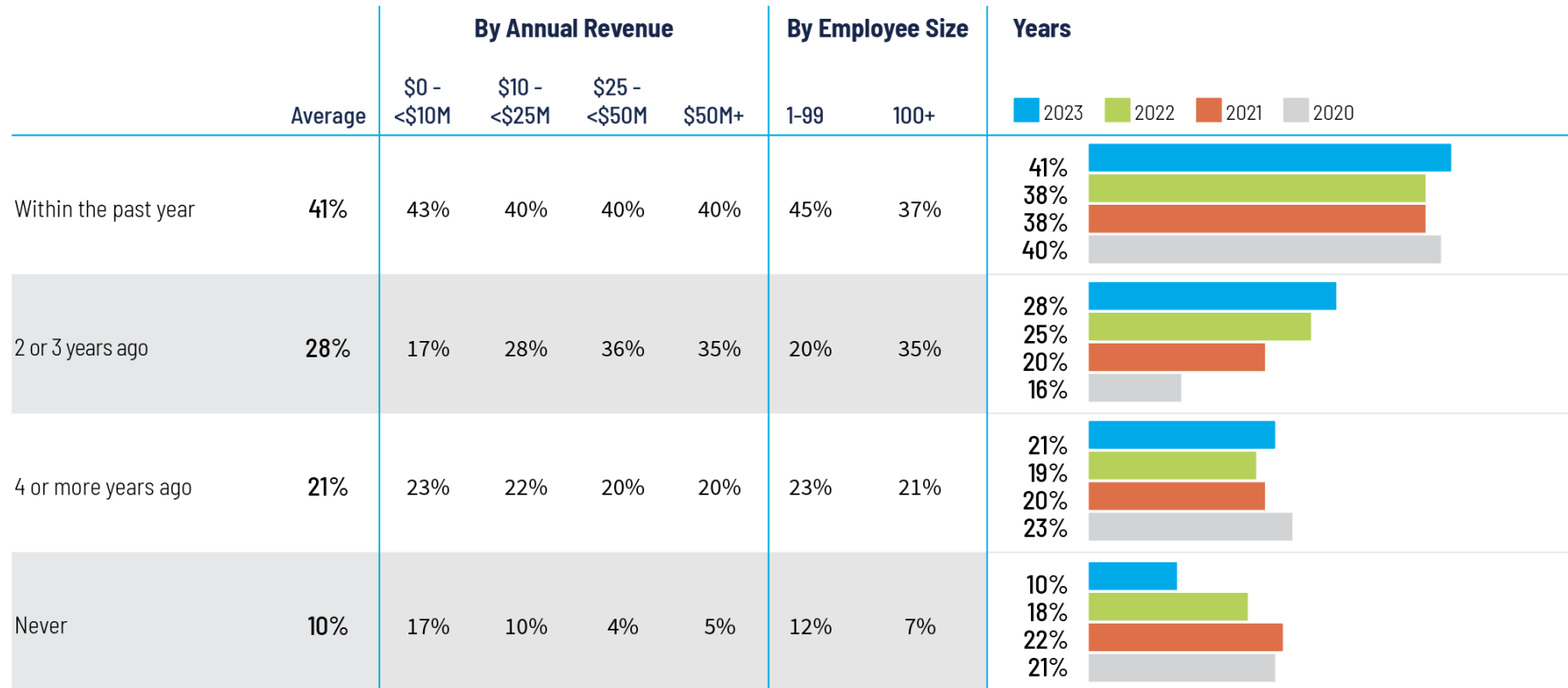
Efficiencies



Changes to Indirect Rate Structure



When was the last time you changed your indirect rate structure?



Rates

What is your organization's rate for each of the following (Median Rate)?

(Calculations adjusted to exclude responses of 0 for all years)

	Average	By Annual Revenue				By Employee Size	
		\$0 - <\$10M	\$10 - <\$25M	\$25 - <\$50M	\$50M+	1-99	100+
Fringe Rate	31%	31%	31%	34%	31%	32%	31%
Overhead Rate for contractor site	18%	20%	18%	18%	13%	20%	16%
Overhead Rate for customer site	12%	16%	13%	15%	10%	15%	11%
Material/subcontractor handling rate	5%	5%	5%	5%	4%	5%	5%
General and administrative rate	15%	17%	16%	15%	10%	16%	14%
Wrap Rate without fee at contractor site	1.71	1.77	1.73	1.75	1.58	1.76	1.68
Wrap Rate without fee at customer site	1.64	1.72	1.67	1.71	1.55	1.71	1.62

Year Over Year	2019	2020	2021	2022	2023
Fringe Rate	32%	33%	32%	32%	31%
Overhead Rate for contractor site	24%	25%	20%	20%	18%
Overhead Rate for customer site	13%	15%	14%	15%	12%
Material/subcontractor handling rate	4%	4%	7%	6%	9%
General and administrative rate	14%	13%	15%	15%	15%
Wrap Rate without fee at contractor site	1.78	1.79	1.75	1.75	1.71
Wrap Rate without fee at customer site	1.65	1.67	1.68	1.69	1.64



SMBs by the Numbers



Category	Edge	What the Numbers Say
Gross profit margins	▲	SMB GovCons report higher gross profit margin compared to larger revenue GovCons in the >46% bracket.
Actual growth rates	▼	Twice as many SMB GovCons compared to larger GovCons indicated their actual growth rate is shrinking.
Pipeline forecasting importance	▼	Twice as many SMB GovCons compared to larger GovCons indicated pipeline forecasting is not important.
Inaccurate indirect rate forecasting	▼	Twice as many SMB GovCons compared to larger GovCons indicated indirect rate forecasting is inaccurate.
Inaccurate backlog forecasts	▼	19% of SMB GovCons said their backlog forecasts are inaccurate, compared to 5% of larger GovCons.
Inaccurate pipeline forecasts	▼	30% of SMB GovCons reported inaccurate pipeline forecasts, compared to 16% of larger GovCons.
No forecasting policies (or in process of creating them)	▼	Close to two-thirds (60%) of SMBs have no forecasting policies in place compared to larger GovCons, that share is 29%.
Forecasting policies not followed	▼	A staggering 60% of SMB GovCons with forecasting policies reported those policies are not followed.

▲ Edge goes to SMBs ▼ Edge goes to other than small GovCons



Christine Williamson, CPA, PMP

Partner

CohnReznick LLP

Christine.Williamson@cohnreznick.com

(703) 847-4412

Kim Koster

Vice President, GovCon Strategy

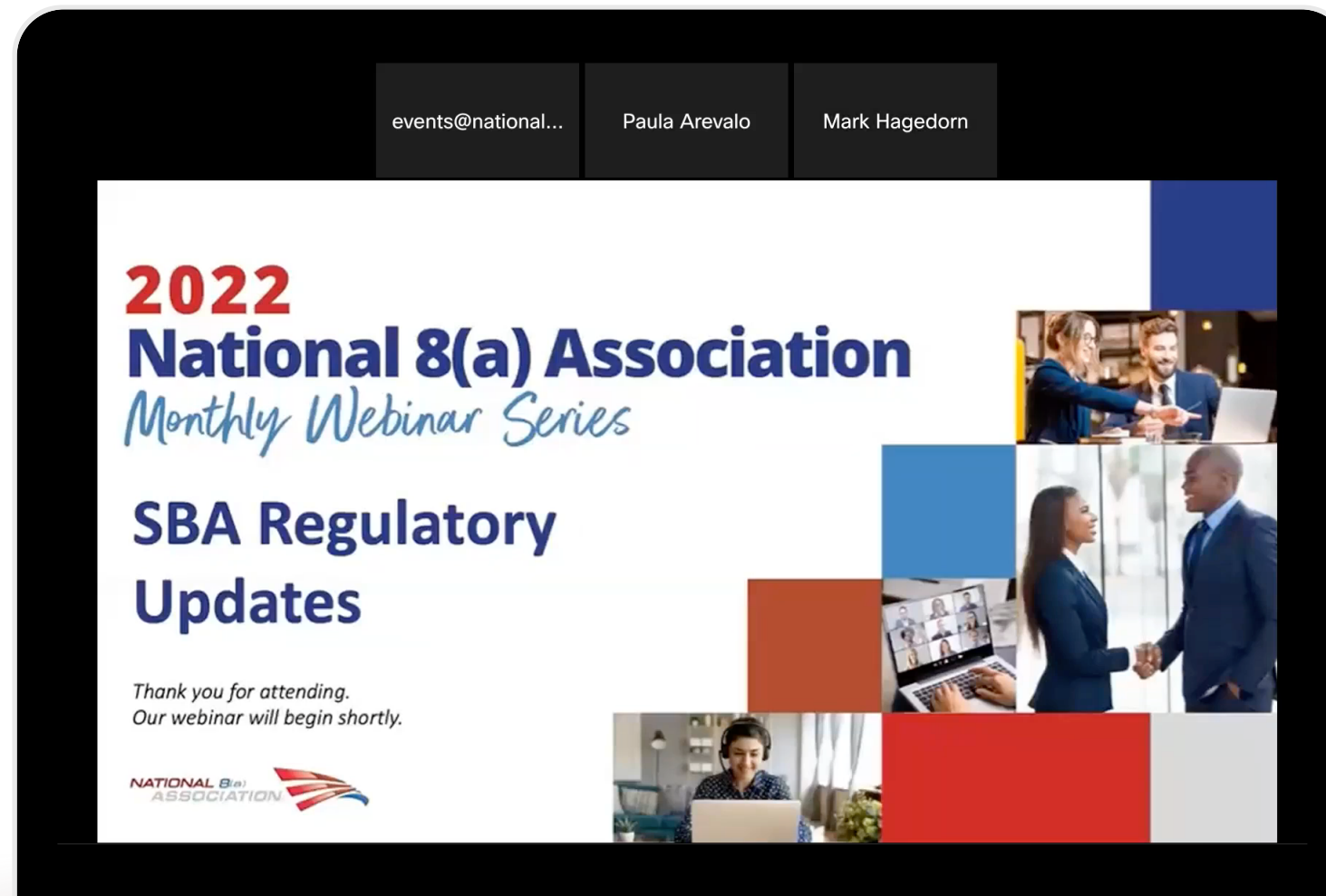
Unanet

kkoster@unanet.com

Thank you from CohnReznick and Unanet.



NATIONAL 8(A) ASSOCIATION MONTHLY WEBINAR SERIES



Missed a Webinar?

**Past Webinars can be
rewatched and
presentation materials
can be downloaded at
any time on our website!**

LEARN MORE

NATIONAL 8(A) ASSOCIATION UPCOMING EVENTS



[CLICK THE BANNER TO LEARN MORE](#)

NATIONAL 8(A) ASSOCIATION CONTACT INFORMATION

Event/Sponsorship Inquiries

events@national8aassociation.org

Membership/General Inquiries

info@national8aassociation.org

Contact Us

<https://www.national8aassociation.org>

202-286-0557

2023 National 8(a) Association *Monthly Webinar Series*

Thank you for joining us!

