

How I Built a \$300M Government Contracting Business

Ladies and gentlemen:

Thank you Ralph for your fine introduction. I sincerely thank Susan Allen and the US Pan Asian American Chamber of Commerce for inviting me to speak to you today. I am honored and delighted to be here. As many of you know, over the course of 12 years I grew a government contracting business from \$50 thousand the first year I started, to \$300 Million in 2006 when I sold it to Perot Systems. This company was called QSS Group.

I want to begin my speech in a rather unusual way. That is by telling you what I want you to forget rather than what I want you to remember.

The title the sponsors gave to my speech is “How I Built a \$300M Government Contracting Business.” The first thing I want you to forget is the “I”. My business was built by a team of over 2,000 dedicated employees. There is no “I” in team.

The second thing I want you to forget is the \$300M. Put that \$300M number out of your head. If you focus on the big number, you will never get there.

The famous architect Mies van der Rohe is alleged to have said, “The devil is in the details.” What he actually said was “God is in the details.” That is true in business as well – success is in the details and small numbers. By focusing on them, you get to the big numbers.

That is the perspective that I took in my company, the QSS Group. I want to share some of that perspective with you here today in the hope that it will be helpful to you in building your business. I will do this by highlighting:

- a. The three key attributes that were important for me in starting the business
- b. The three key principles in running the business, and
- c. The three key elements in executing and growing the business

Key attributes to start a business – what I had when I started

Although there are others, for me, there were three attributes that were the most critical considerations as I embarked on this 12 year journey full of hope and full of promises. I knew my journey down my chosen path would have obstacles and challenges, but I remained confident that there would be a reward at the end.

The first attribute is a willingness to take a risk, both financially and personally; to push yourself out of your comfort zone, to work hard, aim high and pursue your dreams.

I knew taking risks meant confronting uncertainty with optimism, ingenuity and creativity. I also knew taking risks meant venturing into new horizons and experiencing new environments.

I also knew that taking risks would bring heavy doses of frustration, burnout, and disappointment along the way. I also knew that I might fail at some point. But I was never frightened of my future, and I remained focused on brighter horizons even when I endured storms, even when I suffered and struggled during those dark and difficult days.

This may be easier for some than for others---I was fortunate enough that I could take a risk; my wife was capable of “paying the bills” in the short-term, and I was confident that I could “get a job” if my venture did not work out.

The second attribute is to understand the market you are entering and to be realistic about what you do and don’t know. It is also important to consider what it takes to fill in the “knowledge gaps”.

The Federal government was where my experience was —I had been working for government contractors (CSC and Raytheon) for 15 years. I used that time to gain experience and insights on both the delivery side and the business development side. I also learned as much as I could from the people around me in order to broaden my perspective. Because of this, I felt I had a good understanding of what I was getting into.

The third attribute is to assess your skills and determine how these skills will be leveraged in your new business.

As I said previously, I worked as a government contractor for 15 years before I started my business. I had learned how to sell and deliver services. I also had an opportunity to build some strong relationships with a few key potential customers and some people who could help me sell and deliver IT and engineering services. I also knew I didn’t know most Federal agencies nor how to deliver what they needed, so I narrowed my initial focus to just IT and engineering work at NASA, the area where I had expertise.

Although these were the key attributes I considered in making my decision to start a business, it is also important to note that, as a minority, I was able to participate in the federal government's 8(a) program. This program, sponsored by the Small Business Administration, provides assistance to minority-owned businesses and allows them to bid on certain contracts which are set-aside for this program. In starting a new business, it is always important to consider what external help may be available to you, and to take advantage of that help, where appropriate.

The three key principles in running the business:

After I decided that I was reasonably positioned to own and operate a business, I identified the key principles that I was going to use to run the business. I adhered to these principles throughout my twelve years at QSS and firmly believe that they were major contributors to my company's success.

The first principle is to make sure that you deliver what the Customer wants. Get feed back from your customers; give your customers a good and fair deal, and do not forget to say Thank You. While customers can sometimes be demanding and unreasonable, you should never forget that without your customer, you would not have a business.

At QSS we developed an exceptional reputation for customer satisfaction, which was critical for retaining our current work and for getting new work. We had a lot of great people who did a great job of keeping the customer happy. Satisfied customers provide excellent references and demonstrate to a potential customer that you can do what you say you can do.

The second principle is to constantly look ahead and focus on continually building new business. Sales cycles vary from business to business, but in Federal contracting the cycle tends to be rather long. As a consequence, it is always important to be scanning the horizon and planning what you can do to best position your company to offer the services the customer is seeking.

At QSS, we all understood that new business is the life blood of growth, so everyone was involved in contributing to the new business process in some way. We worked very hard to understand a potential customer's requirements and to make sure that our proposal addressed exactly what they wanted.

The third principle is to make sure you run the business in a focused and efficient manner. Time is a precious resource, so it shouldn't be wasted on things that don't need to be done.

QSS had a very flat organizational structure and no redundancy. Therefore, we could be very responsive to any situation because we had a simple decision making process---it was easy to get to the 'top' decision maker---me---because I was always around, engaged and involved in the business and available. This level of efficiency enabled us to operate at a reasonable cost and to be able to offer our services on a very cost competitive basis.

Much of this is common sense and I believe that these are things that most of us know. However, we can tend to forget them in the heat of the day to day battle of running a business. Recognizing this, I always tried to keep these principles "top-of-mind" as I managed my company on a daily basis.

Key elements of executing and growing the business

Although I believe it was critical to adhere to the key guiding principles that I just outlined, as I ran my business, the ability to execute against our business plan and to react to the inevitable challenges that are sure to arise was also a key element of success. I confronted many different challenges as I ran QSS. There are three areas, however, I would like to highlight, that are especially applicable to a small Federal contractor that wants to build a strong business over time. They are:

- Growing a diversified business base
- Recruiting and retaining top talent, and
- Managing costs and profitability.

- Growing a Diversified business base

While business growth is always a challenge, and, as I noted earlier, is also an area that should continually be focused on, it also important to consider how to grow. By this I am referring to (i) the type of procurement (set-aside vs full & open), (ii) target agency, (iii) contract mix and (iv) contract duration. While I am not suggesting that there is such a thing as "bad" business, it is important to consider your long-term objectives as you commit precious resources to pursuing new business.

The first thing to consider is the type of procurement---while set-aside business may be a higher probability win, and will provide a good G&A and profit, your ability to continue to compete in this market will likely end, so you need to plan early for that day and think about identifying opportunities that can replace your set-aside business base as those contracts expire.

It is also important to consider the concentration of your customer base. While your current customer may be the most fertile ground for more new business, if you become overly reliant on one agency, a change in strategy, leadership or budget in that agency can have a very negative impact. Contract mix and contract duration also impact the profits and financial stability of the company.

At QSS, as soon as I had a reasonable business base, I worked hard to diversify it. As I stated earlier, I started in NASA, where I had previously worked. From there, I moved to several other civilian agencies, then to the DoD and NSA. I had to hire people that had experience in these agencies. It also meant that I had to give up some control of the process since I now had to rely on others to do some of the things I couldn't do. But ultimately this approach helped me easily "weather" my graduation from the 8(a) program and the loss of a number of large set-aside contracts. It also helped make QSS more attractive to the numerous suitors that pursued us as I was preparing to sell.

- Recruiting and retaining talent

One of the first things you learn when you start a business is that, if you are lucky, you quickly find that there is too much to do for you to stay actively involved in everything that is happening. Consequently, you need to build a team of talented and passionate people upon whom you can rely and have confidence in. These people become the face of your company, the critical cog in delivering quality service to your customers and the arms and legs of your business development efforts. Recruiting and retaining talent is of critical importance to the success of any company.

At QSS, we worked very hard to identify and hire top talent and offered them very competitive compensation packages. We also offered annual bonuses based on success, and for senior staff, we had a long-term incentive program that essentially gave these executives a "piece of the pie", which gave them a longer term stake in the business and allowed them to profit from the sale of the business as well.

We did more than just offer good pay and benefits. We worked hard to create a very comfortable and productive work environment and a strong team orientation. I also spent a lot of time talking to the people and helping them whenever I could. I think this really helped generate the significant team loyalty we had at QSS.

- Cost management and profitability

As a business grows, one of the key mistakes that can be made is for top management to take their eyes off of cost management and let the company get over-extended. With so many things going on, this is easy to do. It will kill your momentum if you can't pay your bills or you need to spend all your time thinking about cash. Growth is important, but it needs to be controlled growth. While you can't "save your way to success", you also can't achieve success by throwing money at it.

At QSS, we made sure cash management was always a consideration, right up there with new business growth and customer satisfaction. Both people and proposals were important, and I didn't want to scrimp on either one, so I always had to make sure I was careful on which people I hired and what bids I went after. I watched the money we spent very carefully to make sure that the spending advanced our objectives of growing the business and delivering top quality service to our customers. I managed QSS without incurring any significant debt or adding any investors. This allowed me to focus on our long-term objectives, not short term performance and to do what I thought was the right thing.

- Look ahead, don't be complacent

In summary, running and growing a business is just basic, hard work. It is important to serve your customers well, take care of your employees and manage your cash effectively. It is important to always look ahead, not dwell on the past and not be complacent

I had a clear vision and goal; I was firm but fair, I was tough but tender, I inspired my employees by setting the example. I created environments where people could be truly committed; I learned from my failures; I provided positive energy and optimism; I established trust with candor, transparency and recognition of a job well done; I acted with integrity in all situations and I articulated how to achieve maximum performance with clarity and forthrightness.

As I look back on my twelve years at QSS, I am sure that I probably made many mistakes and worried about lots of things I probably could have ignored. Every organization will face many challenges and set-backs, and we certainly faced many at QSS. But as you fight the battle on a day-to-day basis, I believe that if you continue to follow your key business principles and your operating guidelines you can generally succeed. I have summarized the attributes,

principles and guidelines that I followed throughout my time at QSS, and I believe this was a major contributor to our ultimate success.

Finally, back to that big number of 300 million. That's not the \$300 million in business my company was doing in 2006. It's the round number of people there are in the United States today. Since, I sold my company to Perot Systems, I've been concentrating on them and trying to support their opportunities to achieve the American dream through my foundation addressed to civic and social issues. I have also just written a new book titled: *Renewing the American Dream: A Citizen's Guide for Restoring Our Competitive Advantage* which will be released on the 4th of July.

I've had the good fortune to live the American Dream. I hope that you are and will as well. I also hope that some of what I have shared here today regarding details and small numbers will contribute to the success of your business. And, that you in turn, will take that success and give back to help others realize their dreams here in America.

Thanks for giving me the opportunity to share my story and suggestions with you. I wish you all the best and look forward to hearing of your accomplishments.

I wish all of you continued success in the future. I am confident that you will achieve your goals. I am sure that you will rise to the challenge. Always remember that no matter how steep the path, or how discouraging the pace, never give up on your goals.

Thank you and god bless you. If you would like a copy of this speech, please visit my website www.frankislam.com.