
DOING BUSINESS WITH THE U.S. FEDERAL GOVERNMENT: A SURVEY OF SMALL BUSINESSES ON GUAM

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ABSTRACT

The purpose of this research study was to identify factors that may explain why a significant number of small businesses on the undiversified, island economy of Guam do not pursue contracts with the U.S. Federal Government. The business opportunity provided by Federal contracts creates an equivalent of an industry or economic sector that is between 6% to 9% of the local economy. In addition, this business opportunity offers support to the island economy in its pursuit of renewed economic growth and sustainable and participatory (broad-based) economic development. Through the survey responses collected from participating small businesses, this paper examines factors that may explain the gap that exists between the interests of small businesses on Guam to do business with the U.S. Federal Government (equivalently, to engage in Federal Contracting) and their ability and experience to pursue U.S. Federal Government contracts.

This paper is the first publicly available study of Federal Contracting by small businesses on Guam. As such, it not only contributes to the academic literature but also fills in some previously unanswered questions regarding the availability and analysis of reliable, current and relevant economic data on Guam. It is hoped that this paper will provide policymakers, businesses and communities, both local and international, with an effective tool to plan for future decisions and courses of actions that will aid in Guam's economic development. In particular, this study presents some thoughtful content for those entities providing support to small businesses and how they may enhance their processes to increase the capacity and capability of their clients to successfully pursue business opportunities with the U.S. Federal Government.

INTRODUCTION

Doing business with the U.S. Federal Government, hereafter referred to as "Federal Contracting" is considered to be an attractive opportunity for many businesses. This is particularly true for businesses on Guam, a U.S. territory in the Western Pacific region. Guam is a small island

economy that is undiversified and relies heavily on three sectors: tourism, military and the local economy. Like in many other economies, the majority of businesses on Guam are small businesses, defined by the U.S. Small Business Administration as

“one that is independently owned and operated, not dominant in its field, which also meets the employment or sales standards developed by the Small Business Administration based on the Standard Industrial Classification (SIC) Codes for businesses. In general, the SBA in determining if a concern qualifies as a small business uses the following criteria:

WHOLESALE - not more than 100 employees

RETAIL or SERVICE - Average (3 year) annual sales or receipts of not more than \$5.0 to \$21.0 million, depending on business type

MANUFACTURING - Basically not more than 500 employees, but in some cases to 1,500

CONSTRUCTION - Average (3 Year) annual sales or receipts of not more than \$7.0 to \$17.0 million, depending on business type”

Table 1 shows the magnitude of business opportunities created by the U.S. Federal Government. In the aggregate, the amount of contracts awarded by the U.S. Federal Government ranged from \$258 billion in fiscal year 2002 to \$528 billion in fiscal year 2008. Of these amounts, 0.12% on average was spent on projects on Guam, a figure that is so small and perhaps seemingly insignificant from the U.S. Federal Government’s perspective.

However, the view is different from the perspective of a small economy like Guam whose local businesses and community seek opportunities for renewed economic growth and sustainable and participatory development. U.S. Federal contracts for work performed on projects on Guam make up an equivalent of an economic sector or industry that is between 6% to 9% of the Guam economy, depending on which year the local economy is measured.

Annual surveys by the Guam Small Business Development Center (SBDC) have shown that small businesses on Guam are interested in Federal Contracting. In the 2008 survey, 46.3% of the 60 respondents identified “Government Contracting” as an area of counseling interest. From the same survey, 48.2% of the 60 respondents identified “Federal Contracting” as a workshop topic that they would be most interested in.

Despite the level of interest suggested by the above survey, only a minority of Guam small businesses have actually pursued Federal Contracting opportunities as primary or sub-contractors. Relatedly, in a recent Naval Facilities Engineering Command (NAVFAC) Marianas survey of Guam small businesses, only a very small number of these businesses responded to the survey.

Table 1: Contracts Awarded by the U.S. Federal Government

Fiscal Year	Total Contracts Awarded by the US Federal Government (in millions\$)	Contracts Awarded for Projects on Guam (in millions\$)	Federal Contracts on Guam Projects as % of Total Federal Contracts*	Guam Projects as % of Guam's Economy in 2002**	Guam Projects as % of Guam's Economy in 2007**
2000		246.176718		5.3612%	3.9423%
2001		220.990589		4.8127%	3.5390%
2002	258980	300.810028	0.1162%	6.5510%	4.8172%
2003	297828	521.316011	0.1750%	11.3531%	8.3484%
2004	341013	355.205744	0.1042%	7.7356%	5.6883%
2005	385691	403.530598	0.1046%	8.7880%	6.4622%
2006	426006	422.955562	0.0993%	9.2110%	6.7733%
2007	462592	517.093844	0.1118%	11.2612%	8.2808%
2008	528833	630.121189	0.1192%	13.7227%	10.0909%
Average 2002-08			0.1186%	8.7552%	6.4381%
2009 (partial year)	310621	218.713386	0.0704%	4.7631%	3.5025%

* Authors' own calculated. **Guam's economy is measured using the 2002 and 2007 figures for "Sales/Receipts/Revenues/Shipments", as reported in the U.S. Census Bureau's *Economic Census for Island Areas*. The actual figures were \$4,591.828 billion in the year 2002 and \$6,244.465 in the year 2007.
Sources: <http://www.usaspending.gov> and U.S. Census Bureau

In this regard, Table 2 is telling as it gives a breakdown of U.S. Federal contracts on projects on Guam that are awarded to local businesses and non-local (i.e., non-Guam) businesses. On average during the period 2002-2008, local businesses received little more than half of all U.S. Federal contracts awarded for projects on Guam. This figure can also be viewed as a measure of how much business with the U.S. Federal Government is "lost" by local businesses. Of course, the figure does not show the extent to which local businesses pursued (e.g., submitted a proposal) these "lost" businesses but simply did not win the awards. Hence, the figure represents a mix of opportunities to do business with the U.S. Federal Government which were pursued, though unsuccessfully, by local businesses, as well as those that were not pursued or remained untapped. In the first case, it will be interesting to know why local small businesses' attempt at Federal Contracting was unsuccessful and to explore measures that will improve their success in future attempts. In the second case, the question becomes why local businesses, although perhaps interested in Federal Contracting, chose not to pursue or tap these opportunities and what measures will encourage them to do so in the future.

Table 2: Federal Contracts on Guam Projects Awarded to Guam vs. Non-Guam Businesses

Fiscal Year	% Federal Contracts Awarded to Guam Contractors*	% Federal Contracts on Guam Awarded to Non-Guam Contractors**
2000		
2001		
2002	61.13%	38.87%
2003	42.28%	57.72%
2004	48.96%	51.04%
2005	52.57%	47.43%
2006	54.39%	45.61%
2007	60.83%	39.17%
2008	46.16%	53.84%
Average 2002-08	52.3307%	47.6693%
2009 (partial year)	0.0420%	0.0284%
* Data from http://www.usaspending.gov . **Authors' own calculation.		

From the above points, there appears to be a disconnect between Guam small businesses' interest in Federal Contracting opportunities and their ability and actual experience in pursuing Federal Contracting opportunities. This study is based on a survey designed to find explanations for the above disconnect. The survey results, analyzed later in this report, will be useful in developing policies and/or approaches to increase the capacity and confidence of small businesses on Guam to pursue Federal Contracting opportunities. This report will be shared with relevant government agencies (GEDA) and small business support agencies (U.S. Small Business Administration (US-SBA), Guam SBDC, Guam Procurement Technical Assistance Center (PTAC), Guam Chamber of Commerce, Guam Contractors' Association).

This study has been conducted by the University of Guam Pacific Center for Economic Initiatives and is funded by the U.S. Department of Commerce Economic Development Administration.

This study contributes to existing efforts to fill in the gaps in availability of periodic and updated business and economic data on Guam. It is hoped that these data will be useful for planning by policymakers, businesses and the local community in general, and in preparation for the military build-up on the island, in particular.

THE SURVEY

Background

The survey instrument was designed in early August 2009. Feedback was received from Guam SBDC and Guam PTAC. Prior to conducting the survey, this study sought the approval of the Committee on Human Research Subjects (CHRS). The application packet was submitted on August 10, 2009 and was approved on August 24, 2009 as CHRS# 09-45. While waiting for the CHRS approval, the survey was set up online at <http://www.keysurvey.com/survey/269397/1533>. After the survey was approved by CHRS, prospective survey participants were contacted by email. Assistance was received from Guam SBDC, which also facilitated contact with US-SBA, as well as from Guam PTAC, Guam Contractors' Association, and Guam Chamber of Commerce. In addition, an announcement was posted in the University of Guam website, as well as sent out to local media such as the Pacific News Center and the Pacific Daily News.

The Results

This section will highlight the survey results received from respondents who participated in the 2009 Survey of Federal Contracting by Small Businesses on Guam. A total of 84 respondents participated in the survey. Summaries of their responses to the survey questions are presented including a descriptive analysis in accompanying tables. The data in this section will provide a snapshot of the situation under study.

Participants were asked to determine whether their business would be categorized as a small business according to the Small Business Administration's definition of small business. The survey results show that 67 respondents considered their business to be a small business, whereas, 14 indicated their business was not a small business concern (see Table 3).

Table 3: Category of Business

Small Business (using SBA definition)	67	82.72%
Not a small business concern	14	17.28%
TOTAL RESPONSES	81	

Those respondents who identified their business as meeting the SBA small business definition were asked to further categorize their small business into the following categories: disadvantaged, women-owned, historically underutilized business zone, veteran-owned, minority

institution. Interestingly, most respondents indicated their business to be women-owned, followed by disadvantaged and historically underutilized business zone. The results are found in Table 4

Table 4: Categories Within Small Business

Women-Owned	31	37.80%
Disadvantaged	17	20.73%
Historically Underutilized Business Zone	17	20.73%
Minority Institution	11	13.41%
Veteran-owned	5	6.10%
Service-Disabled, Veteran-owned	1	1.22%
TOTAL RESPONSES	82	

Table 5: Type of Business by Industry/Economic Sector

Construction	19	18.10%
Retail Trade	17	16.19%
Professional/Scientific/Technical Service	12	11.43%
Wholesale Trade	9	8.57%
Finance/Insurance	6	5.71%
Real Estate/Rental/Leasing	4	3.81%
Administration & Support	4	3.81%
Transportation/Warehousing	3	2.86%
Manufacturing	3	2.86%
Accommodation/Food Service	3	2.86%
Arts/Entertainment/Recreation	3	0.95%
Not In Business	3	2.86%
Health Care/Social Assistance	2	1.90%
Agriculture/Forestry/Fishing/Hunting	1	0.95%
Educational Services	1	0.95%
Information	1	0.95%
Management of Companies/Enterprises	1	0.95%
Mining	0	0.00%
Public Administration	0	0.00%
Utilities	0	0.00%
Water Management/Remediation Service	0	0.00%
Other Services (except Public Administration)	13	12.38%
TOTAL RESPONSES	105	

Participants further categorized their business into the following industry sectors, with the top three most responded sectors being construction, followed by retail trade and then professional/scientific/technical service. A complete breakdown of the businesses by industry section is provided in Table 5. A total of 105 industries were selected. This implies that some respondents may own more than one business and/or participates in more than one industry sector.

Respondents reported approximate annual sales/revenue for their business(es). These amounts are presented in Table 6. While most respondents (32%) approximate their annual sales/revenue to be less than \$100,000, the next largest response at 17.28% indicate their business' annual sales/revenue to be over \$10 million.

The results of the survey indicate that most participants (39%) have been conducting business on Guam for more than 10 years. A breakdown of participants' length of business operation on Guam is provided in Table 7. More than half of the respondents have been in operation for more than five years.

Based on the responses from survey participants, a little more than half (53.95%) of businesses employ between 1-10 employees on Guam. Results further imply that most small businesses employ less than 100 employees on Guam. These are illustrated in Table 8.

Table 6: Approximate Annual Sales/Revenue

Less than \$100,000	26	32.10%
\$100,000 to \$249,999	10	12.35%
\$250,000 to \$499,999	5	6.17%
\$500,000 to \$999,999	8	9.88%
\$1 million to \$1,999,999	6	7.41%
\$2 million to \$4,999,999	9	11.11%
\$5 million to \$10 million	3	3.70%
Over \$10 million	14	17.28%
TOTAL RESPONSES	81	

Table 7: Length of Business Operation on Guam

1 Year or less	13	15.85%
More than 1 year, but less than 3	14	17.07%
3 to 5 Years	8	9.76%
More than 5 years and less than 10 years	15	18.29%
More than 10 years	32	39.02%
TOTAL RESPONSES	82	

Table 8: Number of Employees in Business Operation on Guam

1-10 employees	41	53.95%
11-20 employees	12	15.79%
21-100 employees	10	13.16%
101-250 employees	7	9.21%
251-500 employees	2	2.63%
more than 500 employees	4	5.26%
TOTAL RESPONSES	76	

Based on the survey results, 43.37% of participants conduct business online, whereas 56.53% do not conduct business online (see Table 9).

Table 9: Do you do business online?

Yes	36	43.37%
No	47	56.63%
TOTAL RESPONSES	83	

Only 18 respondents indicated that they are a home-based business while 65 indicated that they were not a home-based business. Results are illustrated in Table 10.

Table 10: Is your business home-based?

Yes	18	21.69%
No	65	78.31%
TOTAL RESPONSES	83	

As illustrated in Table 11, a little over half (56.63%) of the participants in the survey indicated they conduct business with the federal government, whereas 43.37% have never done business with the federal government.

**Table 11: Have you done business with the U.S. Federal Government/
Have you engaged in Federal Contracting?**

Yes	47	56.63%
No	36	43.37%
TOTAL RESPONSES	83	

Small businesses that had experience conducting business with the federal government were asked to rate their level of satisfaction using the following responses: highly satisfied, okay, somewhat satisfied, and not at all satisfied. Most respondents (34.69%) reflect a positive business experience with the federal government reporting they were highly satisfied and 44.9% indicating their experience was okay. The results are shown in Table 12. [Note that 47 respondents indicated having experience doing business with the federal government and 49 responses were received in the follow-up question. It is possible that participants may have provided multiple responses.]

**Table 12: If your business had engaged in Federal Contracting, what is your level of satisfaction
doing business with the U.S. Federal Government?**

Highly satisfied	17	34.69%
Highly satisfied	17	34.69%
Okay	22	44.90%
Somewhat satisfied	8	16.33%
Not at all satisfied	2	4.08%
TOTAL RESPONSES	49	

Participants who responded "somewhat satisfied" or "not satisfied" with federal government business were asked to indicate reasons for their responses. Participants' responses were spread almost equally among length of time to become eligible as a federal contractor, length of time to receive payment, and poor communication between federal government and one's business. Other reasons provided by participants are included in the table below (see Table 13). Note that only 10 respondents indicated they were somewhat or not satisfied with their business experience with the federal government (see Table 12), however, a total of 21 responses were received (in Table 13). It is possible, in this case as well, that participants provided multiple reasons.

Table 13: If you are somewhat or not satisfied with your experience of doing business with the U.S. Federal Government, why?

Length of time to become eligible as a federal contractor.	5	23.81%
Length of time to receive payment.	4	19.05%
Poor communication between federal government agency and your business.	4	19.05%
ANY OTHERS		
Not primary contractor/worked as sub-contractor	1	4.76%
Would like more interaction between commissaries and local distributors	1	4.76%
Difficult to become 8a certified	1	4.76%
Requirement are sometimes too stiff for some small businesses	1	4.76%
Too much bureaucracy, concern over government employees' performance	2	9.52%
Did not specify	1	4.76%
Not given fair treatment	1	4.76%
TOTAL RESPONSES	21	

The survey asked participants to identify what factors may encourage them to pursue federal contracts. Participants offered multiple responses highlighting the following top factors: user-friendly federal government website, followed by easier access to federal government representative assistance, then assistance in applying for certification or registration to conduct business with the federal government and then ease in applying to get certification or registration to do business with the federal government. Other factors recommended by participants are included in Table 14.

DISCUSSION OF SURVEY RESULTS

The goal of this study was to examine what factors may be contributing to the disconnect between the level of interest of small businesses on Guam in pursuing federal contracting opportunities and their ability and actual experience in pursuing federal contracting opportunities. The survey results offer some meaningful information for small business support agencies (such as the Guam PTAC, GEDA, U.S. SBA, SBDC, Guam Chamber of Commerce, and Guam Contractors' Association) and federal government representatives who interact with small businesses.

Table 14: What might encourage your business to pursue business opportunities with the U.S. Federal Government?

User-friendly federal government website.	36	25.00%
Easier access to federal government representative to assist with questions or problems.	35	24.31%
Assistance in applying to get certified or registered to do business with the federal government.	32	22.22%
Ease in applying to get certified or registered to do business with the federal government.	30	20.83%
ANY OTHERS		
Federal government pays unlike the Government of Guam	2	1.39%
Unfair competition with Alaska Native Corporations	1	0.69%
Should expand business with wholesalers who are the locally appointed distributor for U.S. brands	1	0.69%
Need more time to respond to bids and better access to base to survey job site	1	0.69%
Bonding issues/requirements	1	0.69%
User-friendly government	1	0.69%
Improved communication such as on Request for Proposals and available opportunities	1	0.69%
Better information on package rating and recourse	1	0.69%
Concerned that off-island vendors may takeover local opportunity	1	0.69%
Did not specify	1	0.69%
TOTAL RESPONSES	144	

Among the 84 businesses who responded to our survey, 47 indicated that they had done business with the U.S. Federal Government. The profile of these 47 businesses is summarized in Tables 15, 16, 17 and 18, which support the following observations:

- They are diverse in business size defined by annual sales or revenue: 24% represent businesses with high annual sales or revenue of \$10 million dollars or higher, 15% have low annual sales or revenue of less than \$100,000, and almost half have mid-range annual sales or revenue between \$500,000 and \$5 million (see Table 15).
- They are also diverse in the length of their business experience on Guam. Although 42% of these businesses have been operating on Guam for more than 10 years, 21% have only been in operation between 1 and 3 years, and another 21% have been operation between 5 and 10 years (see Table 16).

- For us and other advocates of small businesses, we are pleased to see that almost half (45%) of the 47 businesses who had Federal Contracting experience have 1-10 employees and 75% have 1-100 employees (Table 17).
- They represent several industries or economic sectors. Although 19% are in the construction business, other sectors making up significant shares of 16% and 14% are “Professional/Scientific/Technical Services” and Retail Trade, respectively. This debunks the view that only construction businesses have an opportunity or experience to pursue Federal Contracting (Table 18).

It is important to highlight that of the 84 participants only 56.63% indicated they had ever done business with the federal government with 34.69% indicating a highly satisfied experience and 44.9% reporting their experience was okay. Considering the 43.37% who never conducted business with the federal government, it is recommended that small business support agencies recognize the following implications resulting from this study:

- Federal contracting opportunities are not limited to construction and engineering projects as perceived with the planned military buildup.
- Federal contracting opportunities are not limited to Department of Defense needs.
- As provided by the Fleet Industrial Supply Center and the General Services Administration, small businesses can provide an array of support services and goods to just about all federal government agencies, similar to what any community would need

These points imply a new market development opportunity for small businesses that have never even attempted to engage in federal contracts and may be seeking ways to expand their respective business.

Table 15: Profile of businesses that have done business with the U.S. Federal Government-Part 1

Annual Sales/Revenue	Frequency	
Less than \$100,000	7	15.22%
\$100,000 to \$249,999	5	10.87%
\$250,000 to \$499,999	2	4.35%
\$500,000 to \$999,999	7	15.22%
1 million to \$1,999,999	6	13.04%
\$2 million to \$4,999,999	6	13.04%
\$5 million to \$10 million	2	4.35%
Over \$10 million	11	23.91%
TOTAL RESPONSES	46	

Table 16: Profile of businesses that have done business with the U.S. Federal Government-Part 2

Length of Business Operation on Guam	Frequency	
Less than 1 year	2	4.26%
More than 1 year, but less than 3	10	21.28%
3 to 5 Years	5	10.64%
More than 5 years and less than 10 years	10	21.28%
More than 10 years	20	42.55%
TOTAL RESPONSES	47	

Table 17: Profile of businesses that have done business with the U.S. Federal Government-Part 3

Number of Employees on Guam-based business	Frequency	
1-10	20	45.45%
11-20	7	15.91%
21-100	6	13.64%
101-250	5	11.36%
251-500	2	4.55%
More than 500	4	9.09%
TOTAL RESPONSES	44	

Table 18: Profile of businesses that have done business with the U.S. Federal Government-Part 4

Industry/Economic Sector	Frequency	
Mining	0	0.00%
Retail Trade	9	14.52%
Public Administration	0	0.00%
Health Care/Social Assistance	1	1.61%
Transportation/Warehousing	3	4.84%
Agriculture/Forestry/Fishing/Hunting	0	0.00%
Utilities	0	0.00%
Manufacturing	3	4.84%
Educational Services	0	0.00%
Accommodation/Food Service	2	3.23%
Professional/Scientific/Technical Service	10	16.13%
Information	0	0.00%
Finance/Insurance	3	4.84%
Real Estate/Rental/Leasing	3	4.84%
Construction	12	19.35%
Wholesale Trade	5	8.06%
Arts/Entertainment/Recreation	1	1.61%
Management of Companies/Enterprises	1	1.61%
Water Management/Remediation Service	0	0.00%
Administration & Support	2	3.23%
Other Services (except Public Administration)	7	11.29%
Not In Business	0	0.00%
TOTAL RESPONSES	62	

The reasons offered by the survey participants who reported levels of dissatisfaction provide meaningful feedback for federal government representatives and more importantly, for small business support agencies who interact directly with small businesses. The factors to encourage small businesses to pursue federal contracts provide a basis for addressing potential underlying reasons why small businesses may demonstrate reluctance to do business with the federal government and address potential issues that often lead to levels of dissatisfaction.

Findings imply the following:

- Small business support groups should identify more robust ways to reach small businesses to address their need for assistance in registering or applying for certification to do business with the federal government as well as training on how to access and use the federal government website.

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- Need for easier access to a federal government representative and ease in registering or applying for certification to do business with the federal government (or assistance with such) may be an issue arising from only 43.37% of participants doing business online. Future research is suggested to identify reasons why more small businesses are not utilizing online technology.
 - Issues of unfair competition with Alaska Native Corporations, federal government not working to expand businesses with local wholesale distributors of U.S. brands, and concern that off-island vendors may takeover local opportunity suggest the need for more fluid communication and transparency among small businesses, local entities that provide support to small businesses and the federal government.

CONCLUSION

Overall, this study provided some meaningful information that paints a different view of the situation on Guam in regards to small businesses – who they are, the industries they represent, their concerns, and their needs. The survey results present some thoughtful content for those entities providing support to small businesses and how they may enhance their processes to meet the needs of their clients. The survey results also highlight areas that the federal government may address to continue enhancing customer satisfaction in the areas of responsiveness, accessibility, timeliness, and convenience. In addition, this survey provides a good indication that most small businesses have had a positive experience with the federal government and those who have not yet engaged should pursue the opportunities offered to them.

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