

How to Sell Innovation to the Federal Government

A common myth among government contractors in the federal marketplace is that the government is not interested in innovation. They might say they are but in fact, they are not. That's the prevailing buzz among companies that desire to or have *attempted* to sell an alternative solution to a federal agency.

The federal acquisition decision making environment is in fact risk averse. With few exceptions, decision makers are not incentivized to take chances on new technologies or processes that disrupt the status quo... unless the status quo stinks. Some incumbent contractors report an 80 - 92% success rate on their contract re-competes. And to make matters worse, there are federal agencies still using information technologies from the 1970's.

However, over the last 5 years, there has been increasing pressure on all agencies to innovate. Do more with less. Concentrate on your mission: to serve the American people, but more effectively and with fewer resources.

Best practices among government contractors that have successfully sold alternative or disruptive technologies to the federal government are:

1. Thoroughly understand the job to be done at the federal agency. Focus on solving the client's struggle with the existing solution. What environmental, cultural, political, social, budgetary and emotional challenges are behind the job they are *really* trying to accomplish? Ted Levitt, an American economist and Harvard Professor famously said "Customers buy ¼" holes, not ¼" (drill) bits. What are the agency's ¼" holes? People might not always be able to describe their needs, but they can always describe their frustrations and struggles. Moments of struggle, nagging tradeoffs, imperfect experiences and frustrations are what you are looking for.
2. If the real job that they have uncovered and now understand is not being satisfactorily performed by the agency's current solution, successful contractors know how to convince the to change. The pull of a new solution has to be compelling. It has to help the federal client progress toward making their work lives better. It has to reduce stress

and regulatory pressure, work with limited resources, satisfy multiple decision makers, cost less, perform the job AND achieve the mission of the agency. There are many forces holding clients back, one of which is *habits of the present*. “I’m used to doing it this way or I don’t love it but I am comfortable doing it this way.”

And there is anxiety about doing something new. What if it’s not better? How will I look to my boss and peers if this doesn’t work out? This is the theory of *loss aversion*. In economics and decision theory, loss aversion refers to people's tendency to prefer avoiding losses to acquiring equivalent gains: it's better to not lose \$5 than to find \$5. Some studies have suggested that losses are twice as powerful, psychologically, as the allure of gains. Loss aversion was first identified by Nobel Prize winners Amos Tversky and Daniel Kahneman and describe in Daniel Kahneman’s book [Thinking Fast and Slow](#).
Overcoming customers’ anxiety is a big deal.

3. Understand why agencies that have an apparent need, are doing nothing. Sometimes it’s because they can’t find a solution that satisfies their job. Or they are using a work around. We call this the “spreadsheet” syndrome. Don’t have a CRM to track federal opportunities and customers? Use a spreadsheet. Don’t have a customer service system to track inquires, problems and solutions? Use a spreadsheet. Don’t have a Human Resource or Learning Management System? Use a spreadsheet. With enormous kudos to Excel, spreadsheets have limitations. They are not relational data bases and can’t compare with feature rich CRM, Customer Service, Accounting or Learning Management Systems. To hire a new solution, *the federal client must fire current compensating behavior, or suboptimal solutions including doing nothing.*
4. Successful federal contractors know how to make their product or service attractive to be “hired” to do the real job the client has been struggling with. They look for jobs people *don’t* want to do and take that burden off them. They innovate experiences surrounding their product to overcome opposing forces: staying with the incumbent or doing nothing.
5. They also institute an organizing principle within their organizations to get the job done – the job the CLIENT is trying to do – not just what they *want* to sell.

These principles guide innovation, frame competition in a way that allows for long term competitive advantage, provide a common language for innovative government contractors to

understand federal procurement behavior and enable leaders to articulate their company's purpose with greater precision.

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