



Federal Procurement and the Middle Market: Examining Competition, Subsidies, and Growth

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Research Motivation

- Mid-size suppliers are too big to qualify for set asides, yet do not have parity with large firms against whom they are competing for procurements.
- Anecdotal evidence of this disparity exists, but there is little empirical evidence on the both the structural barriers that exist for middle market firms and the effects of their competitive disadvantage.
- In 2011, Center for Strategic & International Studies found that mid-size market share of federal professional services contracts is shrinking. Mid-sized contractors claimed 40% of the total value of federal professional services contracts in 1995, but only 30% in 2009. During the same time period, large contractors have increased their market share from 41% to 48% and small business market share increased from 19% to 22%.
- We want to understand the barriers to competition, purported disparities, and structural policy effects that impede the middle market firms' ability to compete for federal contracts.
- The results of this study will help us to understand mid-size suppliers' capacity to capture market share, grow business, and deliver value to federal agencies.

Research Questions

- To what extent are mid-size suppliers disadvantaged in the public procurement market?
- What are the effects of the purported "benefit cliff" as small firms attempt to grow into the middle market?
- What factors contribute to successful emergence into the middle market?
- What are the implications of this disparity for mid-size suppliers, the federal procurement market, and the U.S. economy?

Methodology

- Interview a) small businesses on the brink of the mid-size threshold; b) mid-size suppliers competing in the federal market; and c) federal procurement officials.
- Track the performance of 1,000 randomly selected small businesses over a 10-year period (FY2005-FY2014) to determine attributes of firm growth and emergence into the middle market.

Professors Brown and Girth are Fellows of the National Center for the Middle Market at the Fisher College of Business, Ohio State University, and acknowledge the Center's support for this research (<http://middlemarketcenter.org>).



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Trevor L. Brown is Professor and Dean of the John Glenn College of Public Affairs at The Ohio State University. Professor Brown's research on public procurement and contract management has been published in a variety of peer-reviewed academic outlets (e.g., Cambridge University Press, *Journal of Policy Analysis and Management*). He has also produced numerous consulting and project reports for the U.S. Navy, the Pew Center on the States, and the IBM Center for the Business of Government. Professor Brown served for 20 years in a variety of contract management capacities for a technical assistance contract with the U.S. Agency for International Development.

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