

2020 EXECUTIVE SUMMARY





FROM THE EDITORS

The fourth annual GAUGE is a tool for the government contracting community to gain insights into industry best practices and performance metrics. It can be particularly valuable to contractors striving for constant improvement by learning from others who face similar challenges and opportunities. In the following pages, we share results from our survey to help you address current challenges, identify key performance indicators, and benchmark your organization against your competitors.

This year's GAUGE comes at a time of unprecedented change. Nearly overnight in mid-March, the COVID-19 pandemic turned the world into a different place, drove widespread fear and cost-cutting for some industries, and forever changed the way we work. Government contractors—essential and non-essential—suddenly had to contend with managing the ranks of newly remote workers, subcontractors, vendors, and customers. 2020 continues to be a year of reckoning as government contractors are either reaping the rewards of having laid

a sound business and technology foundation, or paying the price of playing catch-up.

In spite of the disruption, optimism remains high among 74% of our respondents, although 3 of 10 contractors noted cost of compliance as a concern to their business. 80% boasted growing workforces, 2% confessed they were shrinking, and 18% said they were holding steady. Study the following pages for other interesting and helpful strategic highlights. Keep an eye out for our new feature, “Voice of the Experts,” in every section, which shares a nugget of practical wisdom from our interviews with subject matter experts.

Bottom line, the federal government remains a stable industry. Government contractors have the chance to prove yet again how nimble and resilient they are. Our hope is that the insights offered through the GAUGE can serve as a useful guide to navigating the challenges ahead.



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REPORT HIGHLIGHTS

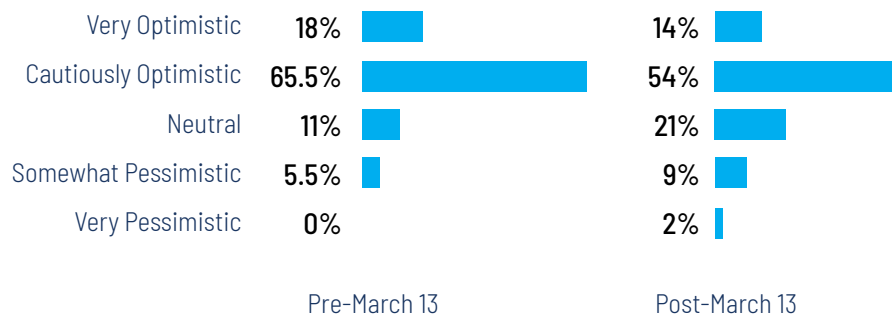
The Impact of Covid-19

Nothing we've seen in recent history has had such deep, course-altering impact on all industries, including government contracting, as the novel COVID-19 pandemic. The government is spending and could be considered over-spending to keep the economy afloat, including keeping government contractors at a "ready state." Government contractors that are doing well are leaning in and embracing the change by empowering teams to be productive in any setting and

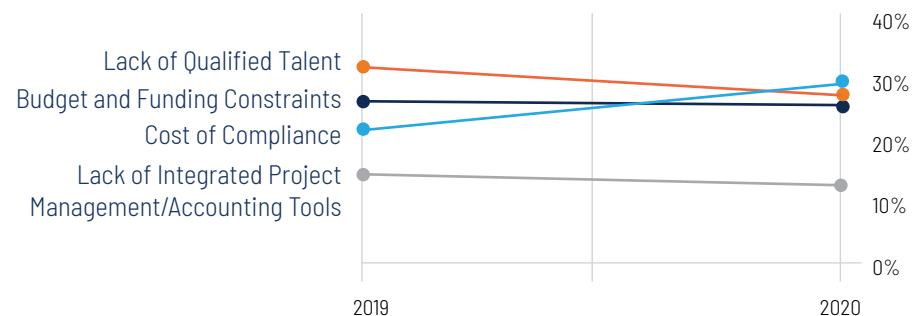
adapting quickly to new ways of operating—and technology plays a big part in their success.

Our survey timing perfectly straddled the highly disruptive pandemic shutdown. It is likely that some responses were impacted by the disruption, for instance, "What is your biggest business development challenge?" We did contemplate in our analysis the impact of a protracted quarantine.

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



What issues are of the most concern to your GovCon organization today?



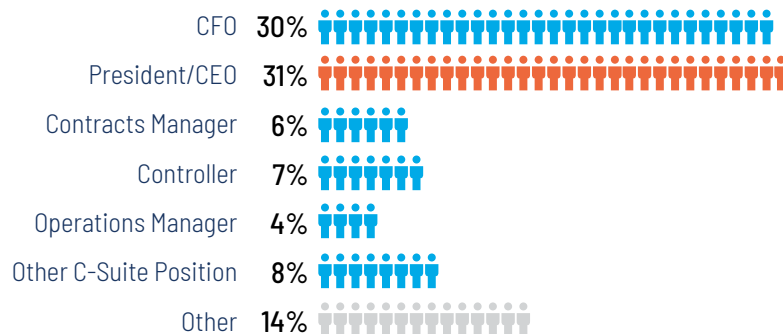
Optimism dropped from 84% prior to the COVID-19 shutdown (pre-March 13) to 68% following (post-March 13), settling at 74% overall. Post-shutdown, responses clearly show consistent downward shifts charted to neutral and even 2% of respondents very pessimistic on the business environment. With the stock market volatility and COVID-19 infection rates on the rise, this was not surprising. Major contractors of >\$50M looked slightly more favorable because of cash reserves and variety of contracts held.

Mid 2020, with the aid of the CARES Act funding and new awards on the rise, many government contractors are reaping the benefits of expenses dropping in some categories, such as travel, lunches, supplies, and other costs associated with having an on-site workforce. All the while, costs for cleaning, technology, and compliance are on the rise. Cost of compliance doubled in our survey over the past three years from 15% in 2018 to 30% in 2020.

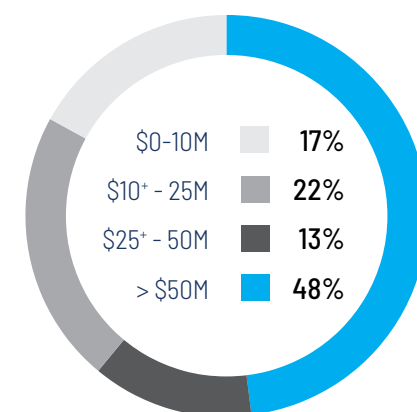
Survey Respondents

Our 2020 GAUGE survey captured responses from 1,468 contributors between January and May of 2020. The diversity of responses spans a broad array of company sizes, titles, and roles, as well as industries and company types.

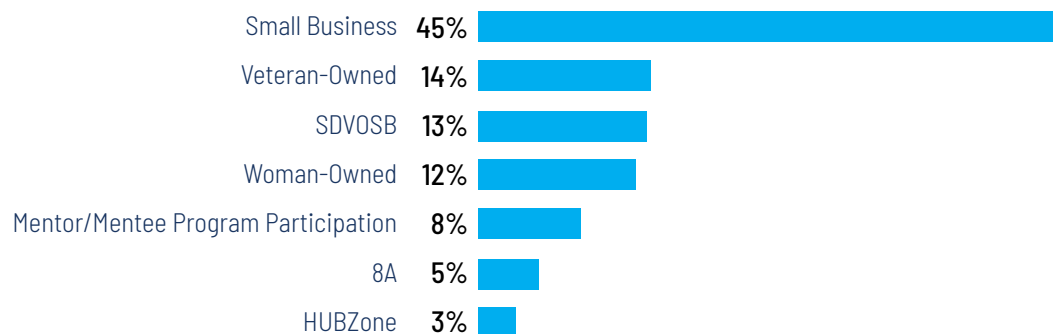
Respondents by Job Title



Respondents by Annual Revenue



Respondents by Set-Aside Designations



Leveraging Technology to Optimize Your Business

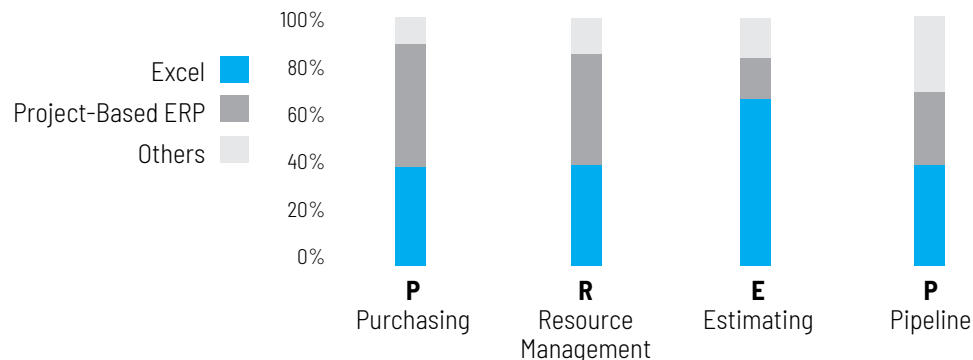
Technology is the theme of this year's GAUGE, and in this season of remote work and operational disruption, technology finally gets its day in the spotlight. By this point, most government contractors use technology to help **run** their businesses. However, only some are using it to run their businesses **better**. What is the difference? One automates a work step, the other improves efficiencies. Winning firms are doing more of the latter, leveraging technology solutions to elevate their businesses.

The 2020 GAUGE responses indicate there is still work left to do for many government contractors in the area of technology. Excel remains the technology of choice for what many consider to be the four key functions (outside of Accounting): Purchasing, Resource Management, Estimating, and Pipeline (PREP). Excel is inexpensive, and is universally understood and available. However, as workers are forced to work remotely for an extended period of time, and as the pressure mounts to squeeze every ounce of efficiency out of their operations, companies may soon collide with the limitations of trying to push Excel to replicate what project-based software can deliver.

VOICE of the EXPERTS

Leading companies have stopped asking, "Do I need this technology?" Instead, they are inspecting every challenge and obstacle throughout their operations and asking, "How can technology help me address this?" Technology adoption and optimization will be a defining factor for leaders and laggards in the coming age.

What technology do you use in the areas we call PREP?

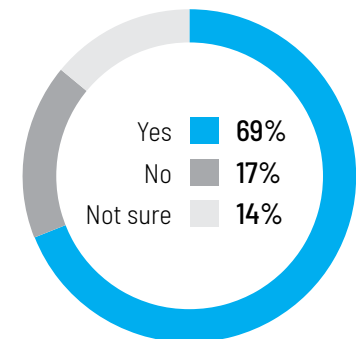


With increased technology adoption comes elevated concerns about security. CIOs will be pushed to embrace key NIST security controls, and today over two-thirds report success here. Government contractors will also be asked to meet DOD's Cybersecurity Maturity Model Certification (CMMC), a framework that verifies contractors have adequate cybersecurity safeguards to protect Federal Contract Information (FCI) and Controlled Unclassified Information (CUI). In some cases, a required CMMC level will be specified in RFP sections L & M and will drive a "go/no-go decision" for a contractor to propose. Compliance with CMMC will be challenging for some contractors.

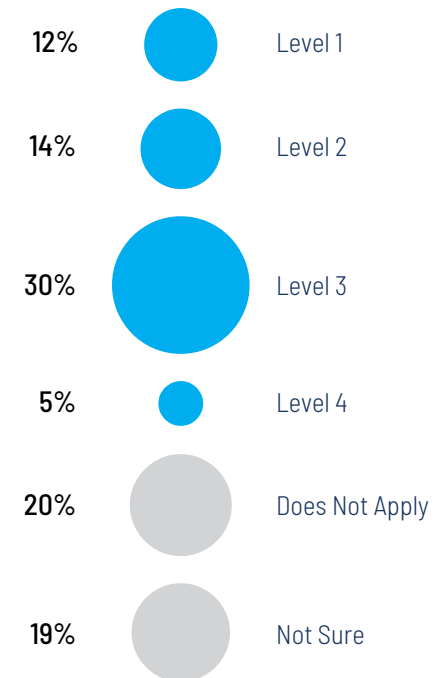
Nearly one-third of companies in this year's survey rate themselves CMMC Level 3—an indicator of good cyber hygiene and the baseline for DOD contractors. Going forward, as more defense contractors recognize the competitive advantage a higher CMMC rating provides, we expect to see contractors continue to invest to climb the maturity scale.

In this report, we dive into how government contracting leaders need to leverage technology to best position their companies for the next five years. Within each of our report findings, technology is a game-changer and highlights what the winners are doing to offer insights into their own digital process transformation. For those feeling behind the curve, it's not too late. Many companies are telling the story of quickly evolving from spreadsheets and pen-and-paper processes into high-performing, technology-driven engines. We are here to shed light on what's possible through the intelligent use of technology in contractors today.

Has your organization implemented security controls using NIST 800-171/171B or NIST 800-53?



What CMMC level would you assign to your company?





Want to know more?

The complete GAUGE 2020 contains an expansive range of valuable insights about how government contractors are utilizing technology to optimize business in the face of remarkable new pressures.

Plus, this year's GAUGE also features:

- “Voice of the Experts” callouts identifying key takeaways and predictions
- Survival Guide for continued COVID-19 impacts
- Industry Insights from KippsDeSanto & Co.
- Access to our new Benchmarking Tool, launching in September

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