



The Four Stages of a Public Sector Business

By Robert Silverman

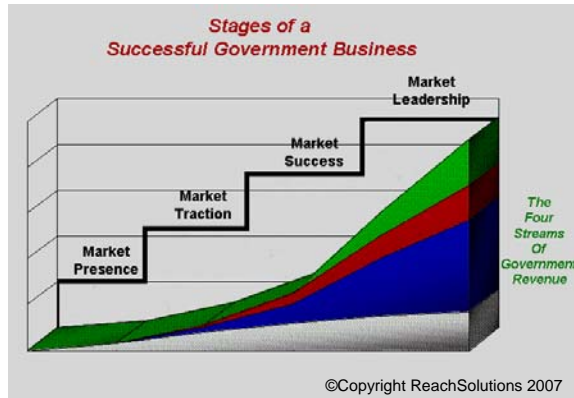
Business is not revolutionary; it is evolutionary.
Successful businesses do not just rise out of nowhere; they are built over time, with the proper blend of strategy, organizational development and operational excellence applied at each stage of their evolution.

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Successful public sector businesses evolve through stages, reaching new levels of maturity along the way. At every level, they face unique opportunities and challenges and must further hone their capabilities, adapt their approaches, and learn to tap into the broad range of government revenue streams in order to reach the next level. The four primary stages of a government market business are:

- the initial Market Presence stage;
- the Market Traction stage;
- the Market Success stage; and,
- the Market Leadership stage.



The following paragraphs describe each stage and outline the typical challenges companies at each stage face in evolving to the next level.

Market Presence Stage

Companies trying to enter and create a presence in the government market operate in start-up mode. While nearly all focus their efforts on getting initial contract vehicles in place and hiring an initial sales function, most only focus tactically on trying to generate sales activity wherever they can. However, the companies that succeed past this stage are the ones that address the market strategically by carefully focusing, making the right investments and laying a foundation for repeatable success. A large number of companies that enter the marketplace never progress past Market Presence to Market Traction, despite significant expense.

Typical challenges at this level include:

- Focusing on the right targets and activities that will generate traction
- Generating qualified opportunities and avoiding “empty envelopes”
- Gaining marketplace visibility
- Making optimal use of limited market development dollars
- Gaining partner/channel mind share
- Winning initial deals
- Laying the foundation to leverage early success

To successfully launch a public sector business, it is critical to have a well-defined business strategy that reflects the unique characteristics of the government marketplace, provides the proper blend of tactical and strategic focus, and lays a scalable foundation for future growth. This planning is critical in the early stage of a public sector business to ensure sustainable success and growth beyond the initial low-hanging fruit. The real challenge for firms at this level is reaching the next level of Market Traction and achieving repeatable success.

Market Traction Stage

Companies that make the step from the early Market Presence stage to the Market Traction stage typically have established reasonable demand for their products and have achieved some sales success. They have begun to build a pipeline of qualified opportunities and have growth objectives that require a more developed sales force and management structure.

Companies in the Market Traction stage typically face the challenge of sustaining and accelerating early success. In general, there are five important things that companies in the early “Market Traction” stage need to do to move to the next, “Market Success” stage:

1. They need to leverage their early success to gain reputation as a player and build a growing sense of momentum in the marketplace;
2. They need to develop the capability to generate a pipeline of large, programmatic deals
3. They need to build a strong, growth-generating partner channel
4. They need to develop a more proactive, systematic, and focused approach to their market that will drive repeatable success and reduce the cost of sales; and,
5. They need to build a scalable organization that can sell and execute in a repeatable manner, as well as support growth to the next level.

Graduating past this stage to the Market Success stage is a critical transformation for a public sector program; however many companies do not make the transition because the proper foundation has not been laid early. Public sector businesses that are not designed to evolve past this point are highly costly and result in a poor ROI.

Market Success Stage

Public sector businesses that reach the Market Success stage typically have developed profitable businesses that generate both tactical and longer-term programmatic revenue streams as well as some recurring revenue streams. Businesses in the Market Success stage typically have success in certain product or service areas. They generally win a reasonably good proportion of opportunities, but may not be yet be able to dominate their markets, generate optimal margins, command higher rates or differentiate themselves clearly from competitors. Typical challenges include:

- Establishing and leveraging clear market leadership
- Generating optimal prices/rates/margins
- Achieving efficiencies in their channel, supply chain and operations
- Driving partner relationships and influencing their ecosystem
- Priming major deals versus continually bidding as a subcontractor
- Establishing clear differentiation from competitors
- Leveraging success in select business areas into other related business areas
- Achieving critical mass of leadership and key personnel

Companies looking to graduate from the Market Success stage to the Market Leadership stage generally need to develop strategies for establishing dominant positions in areas of strength, achieve the scale required to influence the market and to institute and implement operational solutions and programs required for an organization to act as a Market Leader.

Market Leadership Stage

Only a select few companies that sell to the government market reach the Market Leadership phase. Market Leaders have firmly established dominance over their primary market sectors. They generally can command higher rates and margins; generate recurring revenue streams, have repeatable processes that provide a competitive advantage; and win a predominance of their proposals in their primary product/service sector. They can usually prime deals and sometimes even influence them before they come out for bid.

The primary challenge for Market Leaders is sustaining and continually expanding their leadership position as the market evolves or matures. They need to continually ensure that their competitive position is defensible against new entrants and that they can drive continued efficiencies and influence over their ecosystem. They need to identify new growth engines that enable them to leverage their existing leadership position into new areas.

Evolve or Dissolve

As in any evolutionary model, public sector programs must evolve or face the consequences. At each level, public sector businesses need to refine their strategy, evolve their organization and implement new levels of operations in order to address these unique opportunities and reach the next level. Public sector programs that do not continually evolve in this way either stagnate or dissolve. Whether this takes the form of redirecting, replacing or rebuilding the program, this outcome is ultimately quite costly in dollars, momentum and lost opportunity.

The Public Sector Business Maturity Model™

Over the past twenty years, I've worked with and analyzed product and services companies of all sizes and levels of maturity. Through careful analysis, I've found that companies generally evolve along a continuum of measures I have used to frame a Public Sector Business Maturity Model™ that can help measure which stage a company is at and what actions they need to take to get to the next level. Based on a series of over one hundred evaluative factors in categories ranging across sales, alliance management, marketing, product/service delivery, organizational maturity and infrastructure, the model provides a framework for benchmarking a company's public sector business. Whether by use of this systematic process or by other self-analysis, public sector programs owe it to themselves continually assess and further develop their maturity so that they can successfully reach the next level.

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