Government IT Contractor Partnering

2015 Update: Subs Grade the Primes

RESEARCH CONDUCTED BY: Lodestar
Research • Innovation • Information Management
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Welcome to our Washington Technology Insider Report examining the relationship between subcontractors and their primes.

The prime-sub relationship is a critical component of the competitive environment in the federal market. Our report focuses on subcontractors and what they value about their relationship with prime contractors.

What we’ve found is that when prime contractors perform well in the eyes of their subs, they perform very well, often exceeding expectations, but when we look at the collective group of prime contractors, we find a significant drop off in performance.

It is in that performance gap that we have some of our most important insights into how primes and subs can get the most out of their partnership.

This report builds on the first WT Insider Report we published in 2013 that also examined the prime-sub relationship. In the two years since the first report, we’ve found that the relationship remains strong and vital, but there is still plenty of room for improvement.

We also made some changes from the first report. We’ve expanded the attributes and values we’ve asked subcontractors to consider when evaluating their primes.

We’ll explore these attributes in more detail in the report, but our findings have led us to several conclusions, particularly that “honesty and transparency” is what subcontractors value the most and is the area in need of the most improvement.

But we also track several results that explore the importance of technical expertise and customer knowledge. Some of our findings reinforce commonly held beliefs, but others challenge those beliefs. For example, while mentor-protégé programs are considered attractive, they fall relatively low on the list of attributes subcontractors are looking for.
Our report also included several open-ended questions that looked at what needs to be done to improve the prime-sub relationship and why the relationship is either improving or deteriorating. Believe me, we had plenty of responses on both sides of that question (See Appendices for comments).

The goal of the report is to foster a better understanding of the current state of this critical component of the competitive market and how individual companies can make strategic moves to take full advantage of their prime-subcontractor relationships.

As always, we welcome your feedback on how we can make this and future reports more valuable and useful to your business. Email us at WTInsider@WashingtonTechnology.com.

Nick Wakeman, Editor-in-Chief
Primes Play Dominant Role

How many prime contractors have you partnered with during the last 24 months?

As this chart shows, partnering with prime contractors is an important part of the competitive landscape. While 46.5 percent of respondents said they partner with 2-4, more than a third (36.7%) reported they have worked with five or more primes in the last 24 months.

When you consider the revenue tied to working with primes in the chart below, the importance of managing and improving relationships is critical for subcontractors. A quarter of respondents said they get more than half of their revenue through prime contractors. Another 22.8 percent said that 26 percent to 50 percent of revenue comes through primes. Obviously, managing the relationship with primes and picking the best primes is a priority or should be for a significant number of subcontractors.

How much of your annual revenue comes through prime contractors?
Rating the Primes: Overall

How would you score the collective group of prime contractors with which you work?

<table>
<thead>
<tr>
<th>Rating</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>5 - Excellent</td>
<td>3.8%</td>
</tr>
<tr>
<td>4 - Very good</td>
<td>28.1%</td>
</tr>
<tr>
<td>3 - Good</td>
<td>35.8%</td>
</tr>
<tr>
<td>2 - Fair</td>
<td>24.0%</td>
</tr>
<tr>
<td>1 - Poor</td>
<td>8.0%</td>
</tr>
<tr>
<td>Don't know</td>
<td>0.3%</td>
</tr>
</tbody>
</table>

The overall ratings for prime contractors show a mixed bag. We would describe it as lukewarm. More subcontractors gave a poor rating than an excellent rating, but more ranked them as very good compared to fair. But the highest score was the good rating. The excellent and very good ratings totaled 32 percent, the same combined score for poor and fair.

Our conclusion is that the overall performance of prime contractors is solidly in the middle ground.
Rating the Primes: Key Attributes

Score your overall group of prime contractors according to these key attributes

<table>
<thead>
<tr>
<th>Factors</th>
<th>Not at all important (1)</th>
<th>Not very important (2)</th>
<th>Somewhat important (3)</th>
<th>Important (4)</th>
<th>Very important (5)</th>
<th>Top 2 Box</th>
<th>Total</th>
<th>Mean (1-5)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customer Knowledge</td>
<td>1%</td>
<td>2%</td>
<td>9%</td>
<td>37%</td>
<td>51%</td>
<td>88%</td>
<td>100%</td>
<td>4.4</td>
</tr>
<tr>
<td>Teamwork</td>
<td>1%</td>
<td>1%</td>
<td>10%</td>
<td>37%</td>
<td>50%</td>
<td>87%</td>
<td>100%</td>
<td>4.3</td>
</tr>
<tr>
<td>Technical Expertise</td>
<td>1%</td>
<td>3%</td>
<td>12%</td>
<td>41%</td>
<td>42%</td>
<td>83%</td>
<td>100%</td>
<td>4.2</td>
</tr>
<tr>
<td>Industry Perception</td>
<td>2%</td>
<td>3%</td>
<td>23%</td>
<td>42%</td>
<td>29%</td>
<td>71%</td>
<td>100%</td>
<td>3.9</td>
</tr>
<tr>
<td>Process</td>
<td>1%</td>
<td>4%</td>
<td>27%</td>
<td>45%</td>
<td>22%</td>
<td>67%</td>
<td>100%</td>
<td>3.8</td>
</tr>
</tbody>
</table>

In our research, we focused on five key attributes that subcontractors use when picking their prime contractor. By far, the most important attributes are customer knowledge, teamwork and technical expertise. We'll dive deeper into each of these attributes in the report, particularly as we compare the importance subcontractors put on each of these attributes versus the performance of prime contractors.

You can read about more evaluation factors used by subs, starting on page 29.
Rating the Primes: Key Attributes – Industry Perception

How would you score your collective group of prime contractors based on the attributes of industry perception?

<table>
<thead>
<tr>
<th>Factors</th>
<th>Poor (1)</th>
<th>Fair (2)</th>
<th>Good (3)</th>
<th>Very Good (4)</th>
<th>Excellent (5)</th>
<th>Top 2 Box</th>
<th>Don't Know</th>
<th>Mean (1-5)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reputation among customers</td>
<td>1%</td>
<td>11%</td>
<td>38%</td>
<td>35%</td>
<td>12%</td>
<td>47%</td>
<td>2%</td>
<td>3.5</td>
</tr>
<tr>
<td>Communicating with customers</td>
<td>6%</td>
<td>15%</td>
<td>36%</td>
<td>26%</td>
<td>13%</td>
<td>39%</td>
<td>3%</td>
<td>3.3</td>
</tr>
<tr>
<td>Ease of working relationship</td>
<td>6%</td>
<td>19%</td>
<td>38%</td>
<td>24%</td>
<td>12%</td>
<td>36%</td>
<td>0%</td>
<td>3.2</td>
</tr>
<tr>
<td>Honoring team agreements and commitments</td>
<td>9%</td>
<td>20%</td>
<td>30%</td>
<td>26%</td>
<td>13%</td>
<td>39%</td>
<td>2%</td>
<td>3.1</td>
</tr>
<tr>
<td>Communicating with partners</td>
<td>9%</td>
<td>26%</td>
<td>29%</td>
<td>23%</td>
<td>10%</td>
<td>33%</td>
<td>1%</td>
<td>3.0</td>
</tr>
<tr>
<td>Reciprocity in working with subcontractors (i.e., will sub to those who sub to them)</td>
<td>14%</td>
<td>22%</td>
<td>30%</td>
<td>21%</td>
<td>8%</td>
<td>29%</td>
<td>5%</td>
<td>2.9</td>
</tr>
</tbody>
</table>

When we looked at industry perception, we focused on attributes such as reputation among customers, communication skills and working relationships. What really jumps out in these results are the performance problems subcontractors see in the area of the primes’ reciprocity or their willingness to subcontract with their own subcontractors on later projects. This attribute received the highest poor rating.

As the shading in the chart above indicates, the poor and fair ratings show significant issues in five of the six attributes related to industry perception.

Only reputation among customers fared well for the primes, and even here the results are not stellar with only 12 percent of respondents scoring their overall group of prime contractors as having excellent reputations, but 35 percent did say they were very good.

The good rating was the most common score given and again indicates that the performance of prime contractors is average at best.
Rating the Primes: Key Attributes - Teamwork

How would you score your collective group of prime contractors based on the attributes of teamwork?

<table>
<thead>
<tr>
<th>Factors</th>
<th>Poor (1)</th>
<th>Fair (2)</th>
<th>Good (3)</th>
<th>Very Good (4)</th>
<th>Excellent (5)</th>
<th>Top 2 Box</th>
<th>Don't Know</th>
<th>Don't Know</th>
</tr>
</thead>
<tbody>
<tr>
<td>Responsiveness in addressing issues and concerns as they arise</td>
<td>6%</td>
<td>26%</td>
<td>32%</td>
<td>25%</td>
<td>10%</td>
<td>35%</td>
<td>1%</td>
<td>3.1</td>
</tr>
<tr>
<td>Terms of your agreement reflected in proposals to their customers</td>
<td>7%</td>
<td>18%</td>
<td>36%</td>
<td>23%</td>
<td>8%</td>
<td>31%</td>
<td>9%</td>
<td>3.1</td>
</tr>
<tr>
<td>Clear delineation of work agreement elements (e.g., areas of responsibility, share of work)</td>
<td>8%</td>
<td>25%</td>
<td>37%</td>
<td>20%</td>
<td>9%</td>
<td>29%</td>
<td>1%</td>
<td>3.0</td>
</tr>
<tr>
<td>Honesty and transparency in how they do business</td>
<td>13%</td>
<td>24%</td>
<td>29%</td>
<td>21%</td>
<td>12%</td>
<td>33%</td>
<td>2%</td>
<td>3.0</td>
</tr>
<tr>
<td>Treatment of subcontractors as partners (as opposed to vendors)</td>
<td>16%</td>
<td>27%</td>
<td>28%</td>
<td>20%</td>
<td>8%</td>
<td>28%</td>
<td>1%</td>
<td>2.8</td>
</tr>
<tr>
<td>Mentor-protégé programs</td>
<td>16%</td>
<td>18%</td>
<td>19%</td>
<td>12%</td>
<td>4%</td>
<td>16%</td>
<td>31%</td>
<td>2.6</td>
</tr>
</tbody>
</table>

Prime contractors are consistently failing to deliver a strong performance when it comes to attributes of teamwork. Respondents in our survey reported significant issues with responsiveness, work agreements, honesty and transparency, and treatment of subcontractors. The shaded areas in the chart above show just how poor the performance is.

When compared to the other attributes we examined, teamwork had the weakest scores, which should indicate an area of focus if primes want to improve their performance.
# Rating the Primes: Key Attributes - Process

How would you score your collective group of prime contractors based on the attributes of process?

<table>
<thead>
<tr>
<th>Factors</th>
<th>Poor (1)</th>
<th>Fair (2)</th>
<th>Good (3)</th>
<th>Very Good (4)</th>
<th>Excellent (5)</th>
<th>Top 2 Box</th>
<th>Don't Know</th>
<th>Mean (1-5)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Have professional capture and proposal capabilities</td>
<td>1%</td>
<td>11%</td>
<td>33%</td>
<td>39%</td>
<td>13%</td>
<td>52%</td>
<td>1%</td>
<td>3.5</td>
</tr>
<tr>
<td>Ease of establishing contact</td>
<td>5%</td>
<td>20%</td>
<td>33%</td>
<td>28%</td>
<td>12%</td>
<td>40%</td>
<td>1%</td>
<td>3.2</td>
</tr>
<tr>
<td>Make their payments on a consistent schedule</td>
<td>5%</td>
<td>20%</td>
<td>32%</td>
<td>28%</td>
<td>10%</td>
<td>38%</td>
<td>6%</td>
<td>3.1</td>
</tr>
<tr>
<td>Have established processes to support decision making (instead of winging it)</td>
<td>8%</td>
<td>18%</td>
<td>35%</td>
<td>26%</td>
<td>10%</td>
<td>36%</td>
<td>3%</td>
<td>3.1</td>
</tr>
<tr>
<td>Reasonable Terms and Conditions</td>
<td>6%</td>
<td>19%</td>
<td>39%</td>
<td>27%</td>
<td>8%</td>
<td>35%</td>
<td>1%</td>
<td>3.1</td>
</tr>
<tr>
<td>Report small business goals to the corporate level (as opposed to by contract only)</td>
<td>8%</td>
<td>19%</td>
<td>26%</td>
<td>17%</td>
<td>7%</td>
<td>24%</td>
<td>23%</td>
<td>3.0</td>
</tr>
</tbody>
</table>

When it comes to processes such as establishing contact with your prime, decision making, and making payments, the scores are somewhat better but continue to show weaknesses with respondents reporting significant performance issues in five of the six process attributes.
Rating the Primes: Key Attributes – Technical Expertise

How would you score your collective group of prime contractors based on their technical expertise?

- 5 - Excellent: 14.9%
- 4 - Very good: 37.5%
- 3 - Good: 35.8%
- 2 - Fair: 8.3%
- 1 - Poor: 2.8%
- Don’t know: 0.7%

When it comes to technical expertise, the story is much better for primes with no significant negative scores. Respondents rated the primes’ technical expertise as excellent or very good 52 percent of the time. Poor and fair were only picked 11.1 percent of the time.
Rating the Primes: Key Attributes – Customer Knowledge

How would you score your collective group of prime contractors based on their customer knowledge?

- 5 - Excellent: 11.1%
- 4 - Very good: 39.2%
- 3 - Good: 36.1%
- 2 - Fair: 10.8%
- 1 - Poor: 2.4%
- Don’t know: 0.3%

The story is similar when looking at the customer knowledge of prime contractors. The negative ratings are very modest. Half of respondents rated prime contractors’ customer knowledge as either excellent or very good. Fair and poor were only picked 13.2 percent of the time.
Rating Your Single Best Prime

Among the prime contractors you work with, is there a single contractor who stands out?

- Yes: 45.5%
- No: 47.6%
- I don't know: 6.9%

When we asked respondents if they could name their single best prime contractor, nearly half – 47.6 percent – said No, but 45.5 percent said Yes. What this indicates to us is that perception of prime contractors is very mixed. There are good primes out there, but there also are a lot who fail to stand out from the perspective of subcontractors.

You can see the list of single best prime contractors on page 27.
Rating Your Single Best Prime – Other Standouts

Are there other prime contractors who you feel are especially effective as partners?

Yes 48.9%
No 43.5%
I don’t know 7.6%

Partnering continues to be a challenge for a significant number of primes. Of the subcontractors who said they could name a single best prime contractor, over half either said they couldn’t name a second best prime or they didn’t know of a second best prime.

This finding should not be a surprise given the mixed results we received when we asked about the overall performance of prime contractors. (See page 7.)

You can see the list of additional best prime contractors on page 28.
Rating Your Single Best Prime – Key Attributes

Score your single best prime contractor according to these five key attributes

<table>
<thead>
<tr>
<th>Area</th>
<th>Poor (1)</th>
<th>Fair (2)</th>
<th>Good (3)</th>
<th>Very Good (4)</th>
<th>Excellent (5)</th>
<th>Top 2 Box</th>
<th>Don’t Know</th>
<th>Mean (1-5)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customer Knowledge</td>
<td>2%</td>
<td>5%</td>
<td>10%</td>
<td>34%</td>
<td>48%</td>
<td>82%</td>
<td>1%</td>
<td>4.2</td>
</tr>
<tr>
<td>Technical Expertise</td>
<td>0%</td>
<td>4%</td>
<td>15%</td>
<td>37%</td>
<td>44%</td>
<td>81%</td>
<td>0%</td>
<td>4.2</td>
</tr>
<tr>
<td>Industry Perception</td>
<td>2%</td>
<td>2%</td>
<td>16%</td>
<td>39%</td>
<td>40%</td>
<td>79%</td>
<td>2%</td>
<td>4.2</td>
</tr>
<tr>
<td>Teamwork</td>
<td>0%</td>
<td>5%</td>
<td>17%</td>
<td>40%</td>
<td>38%</td>
<td>78%</td>
<td>0%</td>
<td>4.1</td>
</tr>
<tr>
<td>Process</td>
<td>0%</td>
<td>6%</td>
<td>17%</td>
<td>46%</td>
<td>31%</td>
<td>77%</td>
<td>0%</td>
<td>4.0</td>
</tr>
</tbody>
</table>

The news is very good for the single best prime contractors rated by our respondents. As this chart shows, the negative scores for the five key attributes are negligible. The very good and excellent ratings for the single best prime contractor far outshine the poor and fair ratings.

As the chart below shows, the overall performance of the single best primes as a partner is very strong. When we asked respondents to rate their best prime, 80.1 percent gave either an excellent rating or a very good rating.

Score your single best prime contractor according to how well they perform as a partner

- **5 - Excellent**: 32.8%
- **4 - Very good**: 47.3%
- **3 - Good**: 13.7%
- **2 - Fair**: 3.8%
- **1 - Poor**: 1.5%
- **Don’t know**: 0.8%
The Best vs The Rest

Comparing scores of single best prime against the performance of the collective group of prime contractors

<table>
<thead>
<tr>
<th>Area</th>
<th>Mean Importance (1-5)</th>
<th>Collective Group of Primes Overall</th>
<th>Best Prime</th>
<th>Best Prime Minus Collective Group</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customer Knowledge</td>
<td>4.4</td>
<td>3.5</td>
<td>4.2</td>
<td>+0.7</td>
</tr>
<tr>
<td></td>
<td>(-0.9)</td>
<td></td>
<td>(-0.2)</td>
<td></td>
</tr>
<tr>
<td>Teamwork</td>
<td>4.3</td>
<td>2.9</td>
<td>4.1</td>
<td>+1.2</td>
</tr>
<tr>
<td></td>
<td>(-1.4)</td>
<td></td>
<td>(-0.2)</td>
<td></td>
</tr>
<tr>
<td>Technical Expertise</td>
<td>4.2</td>
<td>3.5</td>
<td>4.2</td>
<td>+0.7</td>
</tr>
<tr>
<td></td>
<td>(-0.7)</td>
<td></td>
<td>(no difference)</td>
<td></td>
</tr>
<tr>
<td>Industry Perception</td>
<td>3.9</td>
<td>3.1</td>
<td>4.2</td>
<td>+1.1</td>
</tr>
<tr>
<td></td>
<td>(-0.8)</td>
<td></td>
<td>(+0.3)</td>
<td></td>
</tr>
<tr>
<td>Process</td>
<td>3.8</td>
<td>3.2</td>
<td>4.0</td>
<td>+0.8</td>
</tr>
<tr>
<td></td>
<td>(-0.6)</td>
<td></td>
<td>(+0.2)</td>
<td></td>
</tr>
</tbody>
</table>

These two charts convey two distinct messages.

First, for the most part, the best primes (the teal line in chart at right) are meeting the values subcontractors put in their ratings of the key attributes of customer knowledge, teamwork, technical expertise, industry perception, and process. They exceed expectations in the areas of industry perception and process. They meet the expectation for technical expertise.

Two areas where the best primes fall short – and they fall short by mere percentage points – are customer knowledge and teamwork.

The message here is that the best primes are performing well but can improve in key areas. If they were receiving a letter grade, it would be an A-minus.

But the gap for the overall group of prime contractors (the grey line in the chart above) between performance and value is significant. The overall group of prime contractors falls short in every attribute. Most markedly is the gap in the teamwork attribute.

The gap is also significant when comparing the performance of the best primes to the performance of the overall group of primes. This gap should serve as a sign post for where primes can focus their energy to improve their relationship with their subcontractor teammates.
Where is The Relationship Headed? – Future Partnering

As the next several charts indicate, the prime-sub relationship will continue to be an important one in the government market.

Do you expect to work with prime contractors more, less or the same amount over the next two to three years?

<table>
<thead>
<tr>
<th>Response</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Considerably more</td>
<td>14.2%</td>
</tr>
<tr>
<td>Somewhat more</td>
<td>28.0%</td>
</tr>
<tr>
<td>About the same amount</td>
<td>41.9%</td>
</tr>
<tr>
<td>Somewhat less</td>
<td>10.1%</td>
</tr>
<tr>
<td>Considerably less</td>
<td>3.8%</td>
</tr>
<tr>
<td>Don't know</td>
<td>2.0%</td>
</tr>
</tbody>
</table>

A relatively small percentage expects their work with primes to decrease; only 13.9 percent said they expected somewhat less or considerably less. Meanwhile, 14.2 percent said considerably more and another 28 percent said somewhat more.

Our conclusion is that partnering will increase, which makes improving the relationship between primes and subs all the more important for both groups to be successful.

The need to work on this relationship is highlighted by the following chart, which shows that 20.8 percent think the relationship with primes will become more difficult.

Over the next two or three years, will working with primes become easier or more difficult?

<table>
<thead>
<tr>
<th>Response</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Become much easier</td>
<td>6.1%</td>
</tr>
<tr>
<td>Become somewhat easier</td>
<td>26.0%</td>
</tr>
<tr>
<td>Stay about the same</td>
<td>47.1%</td>
</tr>
<tr>
<td>Become somewhat more difficult</td>
<td>15.9%</td>
</tr>
<tr>
<td>Become much more difficult</td>
<td>4.9%</td>
</tr>
</tbody>
</table>

As the chart indicates, more feel it will become easier – 32.1 percent – than harder, but there is still a significant number who see it becoming more difficult.
Where is The Relationship Headed? – Getting More Difficult

For those respondents who felt that the relationship will be more difficult the most often cited reason was the current negative business environment.

Reasons why working with primes will become more difficult

<table>
<thead>
<tr>
<th>Reason</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Negative business environment forces</td>
<td>57%</td>
</tr>
<tr>
<td>Primes prefer to keep workshare and $$ in house/ have negative attitudes toward subs</td>
<td>21%</td>
</tr>
<tr>
<td>Problems with Primes’ communications, processes, politics, administrative issues</td>
<td>12%</td>
</tr>
<tr>
<td>Changes with the subcontractor (e.g., growing out of being a small business, lack of resources)</td>
<td>4%</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>6%</td>
</tr>
</tbody>
</table>

This was an open-ended question and the answers our respondents submitted offer more specifics on areas where primes are falling short in the relationship with their subcontractors.

Related to the negative business environment was the comment that many primes want to keep more work and therefore more dollars for themselves. When the market is tight, this has been a common strategy for prime contractors looking to improve their financial picture.

There also were comments that were highly critical of prime contractors’ communication skills, processes and administrative capabilities.

As one respondent wrote: “They don’t know what and how to handle the contract business well enough to be prime contractors.”

While that might be harsh, the negatives can help guide primes looking to improve their performance.

You can read more comments on why the relationship will be more difficult, starting on page 37.
Where is The Relationship Headed? – Getting Easier

For the respondents who see the relationship improving, there is recognition that the prime-sub dynamic is a two-way street. As the chart below indicates, these respondents see the relationship building off experience and lessons learned.

Reasons why working with primes will become easier

<table>
<thead>
<tr>
<th>Reason</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Experience/Lessons learned, Familiarity with partners, processes, and the Prime-Sub dynamic</td>
<td>37%</td>
</tr>
<tr>
<td>Better Prime-Sub working relationships</td>
<td>29%</td>
</tr>
<tr>
<td>Subcontractor improvements in capabilities, knowledge, small business program status, outreach</td>
<td>16%</td>
</tr>
<tr>
<td>Favorable business environment forces</td>
<td>12%</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>6%</td>
</tr>
</tbody>
</table>

Respondents to this open-ended question wrote about how they, as subcontractors, improved their own capabilities and how they created better working relationships.

One said there is better management of expectations on both sides. Another wrote about how they have improved their own capabilities. “We have more value to offer,” was what one wrote.

There also is recognition that both sides need to understand the other. “As we get comfortable working with each other we learn the idiosyncrasies of each other making it easier to communicate,” a respondent wrote.

The bottom line is that there is a recognition that both sides need to work at the relationship.

You can read more comments on why the relationship is getting easier, starting on page 34.
Where is The Relationship Headed? – How Primes Can Improve

What actions are most important for a prime contractor to take to be a better partner?

<table>
<thead>
<tr>
<th>Action</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Treatment of subcontractors as partners</td>
<td>71.1%</td>
</tr>
<tr>
<td>Honesty and transparency in how they do business</td>
<td>69.7%</td>
</tr>
<tr>
<td>Reciprocity in working with subcontractors</td>
<td>48.0%</td>
</tr>
<tr>
<td>Ease of establishing contact</td>
<td>42.8%</td>
</tr>
<tr>
<td>Mentor-protégé programs</td>
<td>16.5%</td>
</tr>
<tr>
<td>Other (Please specify)</td>
<td>6.1%</td>
</tr>
<tr>
<td>Don't know</td>
<td>1.7%</td>
</tr>
</tbody>
</table>

When you compare the findings in this chart to earlier charts, the results are not surprising. Subcontractors want better treatment and more honesty and transparency. Those factors top their wish list.

But they also want more reciprocity. If they subcontract to a prime, they want the prime to come back and be a subcontractor to them on another project. That’s how you build a true partnership.

Ease of contact also is important. Subcontractors want to know they can communicate with their primes. That’s an important part of the relationship.

Interestingly, mentor-protégé programs were not high on the list, even though respondents gave these programs poor performance scores.

These findings held up in our open-ended follow-up question where we asked what is the single most important thing a prime can do to improve the relationship.

Again, it was honesty, transparency, treat subs as partners and better communication that topped the list. (Read more feedback starting on page 40.)

As one respondent wrote; “Treat us like a partner, not a vendor.”
Conclusions

It is obvious from our results the prime-subcontractor relationship will remain an important part of the government market for many years to come. It is a fact of life.

But it is far from perfect from the perspective of subcontractors. Primes fall short in multiple areas, but for some primes, working with subcontractors is a core strength.

Much like our 2013 report, our research shows a significant gap between the performance of the overall group of primes versus the single best prime. And it is in that gap that the primes can find opportunities to improve how they work with subcontractors.

Several key takeaways from this report are:

• The need for better communication between primes and subs
• More honesty and transparency
• Better processes for managing the relationship
• More reciprocity

We also found that the amount of partnering will likely increase so primes need to look at the gaps we’ve identified and work to improve in those areas.

With partnering such a critical component of the federal market, primes should strive to be a partner of choice so they can attract the best subcontractors as they pursue opportunities and serve their government customers. Improving skills and capabilities in the critical areas we’ve identified will only increase primes’ likelihood of success in subcontractor partnering.
APPENDICES
Appendix A: Respondent Profiles

### Job Function

<table>
<thead>
<tr>
<th>Job Function</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Senior Executive/Corporate Management</td>
<td>48.3%</td>
</tr>
<tr>
<td>Program/Project Management</td>
<td>17.1%</td>
</tr>
<tr>
<td>Business Development/Sales/Teaming</td>
<td>15.0%</td>
</tr>
<tr>
<td>Technical Management</td>
<td>6.9%</td>
</tr>
<tr>
<td>Systems Analyst/Solutions Architect/Engineering Management</td>
<td>6.6%</td>
</tr>
<tr>
<td>Other (Please Specify)</td>
<td>4.3%</td>
</tr>
<tr>
<td>Procurement/Capture Management</td>
<td>1.7%</td>
</tr>
</tbody>
</table>

### Primary Business Activity

<table>
<thead>
<tr>
<th>Primary Business Activity</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Professional/Consulting/Engineering Services</td>
<td>30.6%</td>
</tr>
<tr>
<td>System Integration (including Network/Comm.)</td>
<td>17.6%</td>
</tr>
<tr>
<td>Systems/Software Development</td>
<td>13.6%</td>
</tr>
<tr>
<td>Aerospace/Defense Contractor</td>
<td>11.6%</td>
</tr>
<tr>
<td>Consulting</td>
<td>11.0%</td>
</tr>
<tr>
<td>Other (Please specify)</td>
<td>7.2%</td>
</tr>
<tr>
<td>VAR (Value Added Retailer)</td>
<td>6.9%</td>
</tr>
<tr>
<td>Distribution/Aggregation</td>
<td>1.4%</td>
</tr>
</tbody>
</table>
Appendix A: Respondent Profiles

Company Markets

- Federal Defense: 64.2%
- Federal Civilian: 59.0%
- Homeland Security: 48.6%
- Intelligence: 38.4%
- Other (Please specify): 20.5%

Participation in SBA Programs

- None of these: 51.2%
- Small disadvantaged: 24.3%
- Woman-owned: 24.0%
- Service-disabled veteran-owned: 20.2%
- 8(a): 13.9%
- HUBzone: 10.7%
- Alaska Native Corporation or Tribally-owned: 5.5%
Appendix A: Respondent Profiles

**Total Employees**

<table>
<thead>
<tr>
<th>Category</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than 100</td>
<td>49.4%</td>
</tr>
<tr>
<td>100-499</td>
<td>22.8%</td>
</tr>
<tr>
<td>500-2,499</td>
<td>7.2%</td>
</tr>
<tr>
<td>2,500-4,999</td>
<td>4.9%</td>
</tr>
<tr>
<td>5,000-9,999</td>
<td>3.8%</td>
</tr>
<tr>
<td>10,000-19,999</td>
<td>3.2%</td>
</tr>
<tr>
<td>20,000 or more</td>
<td>8.4%</td>
</tr>
<tr>
<td>I don’t know</td>
<td>0.3%</td>
</tr>
</tbody>
</table>

**Total 2014 Revenue**

<table>
<thead>
<tr>
<th>Category</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Under $10 million</td>
<td>39.3%</td>
</tr>
<tr>
<td>$10-$25 million</td>
<td>14.5%</td>
</tr>
<tr>
<td>$26-$50 million</td>
<td>7.5%</td>
</tr>
<tr>
<td>$51-$100 million</td>
<td>3.8%</td>
</tr>
<tr>
<td>$101-$250 million</td>
<td>7.2%</td>
</tr>
<tr>
<td>$251-$500 million</td>
<td>3.8%</td>
</tr>
<tr>
<td>$501-$999 million</td>
<td>3.8%</td>
</tr>
<tr>
<td>$1-$4.9 billion</td>
<td>6.1%</td>
</tr>
<tr>
<td>$5 billion or more</td>
<td>5.8%</td>
</tr>
<tr>
<td>I don’t know</td>
<td>8.4%</td>
</tr>
</tbody>
</table>
Appendix B: Verbatim Comments From Respondents -
Best Primes by Company

If you would be willing to share the name of your best prime contractor, please enter it in the box below

Accenture
Acentia
Adjoiner.com
Agilex Technologies
AT&T
Avaya Unity Connected
BAE
BAE and TSolutions
BAE Mission Solutions
Basic Industries
Bell Helicopter - Textron
Booz Allen Hamilton
CACI
CGI
Companion Data Services
Compass Inc.
Crowe Horwath
CSC
CSC (Dumfries, VA Office)
D R Anderson
Deloitte
Dennis Fortune
Federal Market Group
Federal Resources
Four Points
General Dynamics IT
Harris Corporation
Jacobs Engineering
JHU/APL
Johnson Controls
Kiewit
L-3 National Security Solutions
Leidos
Lockheed Martin
ManTech
Microsoft
Northrup Grumman
OGSystems
Pratt & Whitney
Praxis Engineering
PROVA
Quarterline Consulting
RGS Associates
SAIC
Serco
Shapiro & Duncan
SITACorp
SMS
SRA International
Subsystem Technologies, Inc.
Systems Made Simple
Tatitlek
Tetra Tech
Unisys
URS
VarIQ
WBB
Wyle
### Appendix B: Verbatim Comments From Respondents - Best Primes by Company

What other prime contractors do you feel are particularly effective in working as a partner with subcontractors? (Please list up to four additional prime contractors.)

<table>
<thead>
<tr>
<th>Prime Contractors</th>
</tr>
</thead>
<tbody>
<tr>
<td>ACADEMI</td>
</tr>
<tr>
<td>Accenture</td>
</tr>
<tr>
<td>ADAMS</td>
</tr>
<tr>
<td>AECOM</td>
</tr>
<tr>
<td>ASA</td>
</tr>
<tr>
<td>ASM Research</td>
</tr>
<tr>
<td>BAE</td>
</tr>
<tr>
<td>Booz Allan Hamilton</td>
</tr>
<tr>
<td>BRAC</td>
</tr>
<tr>
<td>CA Technologies</td>
</tr>
<tr>
<td>CACI</td>
</tr>
<tr>
<td>Camber</td>
</tr>
<tr>
<td>Carahsoft Technologies</td>
</tr>
<tr>
<td>CDW</td>
</tr>
<tr>
<td>CGI Federal</td>
</tr>
<tr>
<td>Client Solutions Architects (CSA)</td>
</tr>
<tr>
<td>Constellation Inc.</td>
</tr>
<tr>
<td>CRGT, Inc.</td>
</tr>
<tr>
<td>CSC</td>
</tr>
<tr>
<td>Data Impressions</td>
</tr>
<tr>
<td>Dell</td>
</tr>
<tr>
<td>Delta Resources</td>
</tr>
<tr>
<td>DHA Group</td>
</tr>
<tr>
<td>DynCorp International</td>
</tr>
<tr>
<td>Easter Seals, Inc.</td>
</tr>
<tr>
<td>Epsilon</td>
</tr>
<tr>
<td>Fire Protection Services</td>
</tr>
<tr>
<td>Flat Iron</td>
</tr>
<tr>
<td>Fulcrum IT</td>
</tr>
<tr>
<td>General Dynamics IT</td>
</tr>
<tr>
<td>Granite</td>
</tr>
<tr>
<td>Harris Corp</td>
</tr>
<tr>
<td>Honeywell Technical Services Inc</td>
</tr>
<tr>
<td>Hewlett Packard</td>
</tr>
<tr>
<td>IBM</td>
</tr>
<tr>
<td>IEA</td>
</tr>
<tr>
<td>Immix</td>
</tr>
<tr>
<td>InfoPro</td>
</tr>
<tr>
<td>Intelligent Waves a SDVOSB</td>
</tr>
<tr>
<td>ITPG</td>
</tr>
<tr>
<td>J F Taylor, Inc.</td>
</tr>
<tr>
<td>Kalman &amp; Company</td>
</tr>
<tr>
<td>Leidos</td>
</tr>
<tr>
<td>Lenovo</td>
</tr>
<tr>
<td>Lockheed Martin</td>
</tr>
<tr>
<td>Massman Construction Co.</td>
</tr>
<tr>
<td>Mythics</td>
</tr>
<tr>
<td>Noblis</td>
</tr>
<tr>
<td>Northrop Grumman</td>
</tr>
<tr>
<td>Performance Systems Integration</td>
</tr>
<tr>
<td>Precise</td>
</tr>
<tr>
<td>Primescape</td>
</tr>
<tr>
<td>PROVA</td>
</tr>
<tr>
<td>PSI</td>
</tr>
<tr>
<td>PWC</td>
</tr>
<tr>
<td>Quadrant Systems</td>
</tr>
<tr>
<td>Rylex</td>
</tr>
<tr>
<td>SAIC</td>
</tr>
<tr>
<td>San Diego City College</td>
</tr>
<tr>
<td>SDC</td>
</tr>
<tr>
<td>Security Professionals</td>
</tr>
<tr>
<td>SRA International</td>
</tr>
<tr>
<td>SRC</td>
</tr>
<tr>
<td>Systems Made Simple</td>
</tr>
<tr>
<td>TechTrend</td>
</tr>
<tr>
<td>Telecommunication Systems</td>
</tr>
<tr>
<td>Telos</td>
</tr>
<tr>
<td>VaxInnate, Inc.</td>
</tr>
<tr>
<td>Williams Restoration</td>
</tr>
<tr>
<td>Zeiders</td>
</tr>
</tbody>
</table>
Appendix C: Verbatim Comments From Respondents - Other

What other factors, if any, do you find important in evaluating partnering opportunities with prime contractors?

“Cultural fit”
Ability to provide professional services specific to my industry.
Ability to win a contract with a prime instead of on our own.
Actually issue work to subs upon award
Are they going to give us a fair break
Availability of key technology and R&D
Capability to trust them when it comes to actual workshare.
Communication
Communication procedures
Communication, real-time and asynchronous team
Communication methods
Communication, transparency, collaboration
Communication.
Contracting vehicles
Cooperation and cohesion of team
Cost
Credibility, reliability, realistic
Culture and personalities
Customer knowledge
Customer penetration.
Dedication to winning the work, sharing the work with subs, not just use us a glittery window dressing because we bring unique capabilities and expertise
Degree to which they share information with subs, treating the sub like a partner and not a second class citizen
Demonstrating that they value the contributions, insight and experience of their subcontractors by making the subs an integral part of their bid teams and project teams
Do they play fair? Do they view the SB’S as a true partner?
Do your homework, talk to other contractors who have partnered with them in past. Talk to past employees. Really dig in and understand their culture and how the board/executive staff establish ‘relationships’.
Early and often communication during the proposal process, especially pricing
Effort to position and win
Engaged in the tasks
Established relationships are most important. I also factor in whether the decision maker (and the person with whom I have the relationship) is, like me, a woman. In my relatively short time as a company owner, I’ve found the women to be more trustworthy in the sense that they will honor their commitments, whether verbal or contractual.
Executive management team strength, Financial strength, Domain expertise in the specific area of contract.
Fair opportunity to subcontractor, good communication with subcontractor
Fair pricing to subs
Fairness of terms. Payment timeliness. Integrity. Reasonable application of processes.
Financial Stability, Technology Innovation, Diversity & Range of Capabilities
Flexibility
Future opportunities
Genuine recognition of value in subcontractor.
Appendix C: Verbatim Comments From Respondents - Other

What other factors, if any, do you find important in evaluating partnering opportunities with prime contractors?

Not interested in teaming with a large prime ONLY because they need to meet a goal. If there is not a fit, I appreciate knowing that up front, from both parties.

Goals, vision, communication, best of breed technology, accurate data, intelligent and perceptive partners, funding, out of the box thinking, being fearless...

Good character; clear communication; no drama
Honesty
Honesty
Honesty
Honesty
Honesty about roles and opportunities (good and bad).

“Honesty and Integrity, which all too often is lacking. Also, large businesses often espouse a level of arrogance that suggests “we are smarter than you”’ when large business “top cover” cannot overcome stupidity and lack of business acumen.”

Honesty and open relations with project knowledge
Honesty and Past Performance with subs
Honesty in work-sharing between prime and subs

Honesty, fairness, and following through during contract execution with promises that were made during pre-proposal and proposal.
Honesty, follow-through
honesty, integrity and reliability
Honesty, Integrity, doing more than the bare minimum of checking a box...

Honesty, integrity, passion for the program
Honoring Teaming Agreement commitments - not just using you to “get in the door”
Honoring teaming agreements
If they are the incumbent
If we find them painful to work with, so will the client
Integrity

Integrity…following thru with the terms of the Teaming Agreement
Invoice Period Term: Payments to Small Businesses

Keeping their promises for workshare and helping team members after contract award
Key is for our company to truly fill a Gap for the Prime - either pre-award or in a niche capability,

Key Personnel/Decision-Makers
Knowledge and access specific to each opportunity - and even incumbency.

Knowledge and price
Knowledge of and respect for subcontractor technical abilities, knowledge of a particular customer and demonstrated past performance.

Labor categories and rates.
Lack of arrogance
Living up to their payment terms.
Management integrity / commitment / participation

Matching customer needs and partner relationships
On time completion of project
Open communication
Open communications at all times!
Open lines of communication, response to issues.
Overall organizational structure

Participation in outreach opportunities with PTAC’s!
Appendix C: Verbatim Comments From Respondents - Other

What other factors, if any, do you find important in evaluating partnering opportunities with prime contractors?

Past Experience; Reliability
Past history with subcontractor work share over the life of the contract, i.e. does the Prime Contractor rebadged everyone on the contract to work for the Prime? The sub has no work share entering option year 4 of a 5-year POP.

Past performance in honoring sub agreements

Payment

Payment reputation

Payments to subcontractors!

Personal relationships

Personal relationships and teamwork

Previous experience with us -- if they screwed us out of a deal after using our quals to secure the work. Yup, they do that

Price

Price

Pricing and rate structures

“Pricing

Past Performance”

Prime contractor willingness to consider our desires beyond just teaming opportunities

Prior history in delivering and having the specific background for the proposed work instead of being a generalist that incorporates additional capabilities and learns on the fly.

Prior or existing relationships

Prompt payment terms

“PWIN

Strategic alliance potential”

Reasonable terms

Reciprocity in teaming for task orders

Regular communication. When the Project Manager, Sales and Technical Team work collectively and communicate consistently issues can be addressed before they impact the customer. Working as a single team evens the playing field and the focus turns to customer service and customer satisfaction not which company is the prime and which is the sub.

“Relationship Building

Communication”

Reliability

Reputation for honoring teaming agreement scopes of work with small business subs.

Reputation for properly sharing work with subcontractors

Reputation in the marketplace!

Reputation working with, or screwing, their subs.

Respect; transparency; ability to execute

Safety proactiveness

Safety Requirements & Equipment

Security

Self (or company) evaluation esteem or perception.

Shared Marketing, Shared customer stories and evangelism.

Socio-economic status

Solution immersion and knowledge to fulfill requirements

Stability

Stability -- “Partner’s” long-term employee base and relationships with other partners

State Agency Relationships and existing contracts
Appendix C: Verbatim Comments From Respondents - Other

What other factors, if any, do you find important in evaluating partnering opportunities with prime contractors?

Subs are treating very poorly on the whole - payments are always late - and the subs have all the industry expertise because the subs innovate - the only thing the primes have are the contract vehicles and the government relationship - very poor system - I have been doing it for 20 years and its definitely broken.

Successful Past Performance with similar contracts, initiatives and projects.

Teaming works best when the Primes are already embedded in the agency; sometimes we bid work just for the sake of bidding, which often is unfruitful.

Technical Currency

The Prime we teamed with needed our technology.

The primes are “business” and they do whatever is best for THEIR business - the process lacks accountability by the primes (the government can easily fix that) - the goals are for using subs not for the DOLLAR value/share actually given to the subs. As a result small business in particular- as subs are “USED” to get/ win the contracts - and from there on -it is a lost to the subs. In addition, the larger the prime the more costly is the proposal process for the sub.

Their reputation within the small business community for being fair and trustworthy.

Their willingness to engage in a reciprocal partner relationship vs a vendor relationship

They are usually the prime that my clients ask me to work through. There’s no choice in the matter.

They focus on delivery.

They were just a body-shop with not enough about customers, processes required as the only concern that they had were how much money they made instead of subcontractors treatment in prompt payment, etc.

Transparency, and equal/fair treatment.

Trust

Trust and industry knowledge.

Trust and proactive capture process

Trust and Respect

Trust and transparency

Trust. Integrity. Living up to their agreements

Trustworthy

Understanding the Educational System

Upfront and fair contract negotiations re ensuring both sides benefit and there is goodwill to want to continue to partner in the future.

Usually it is waiting for the Primes to choose you. Most processes they have is to gather your information and eventually weed you out or not allow any work to be passed down.

Value and Savings to Company

Visibility with customer

What procurement vehicles of theirs we can use.

When there is no intermediary to the relationship (MSP-managed service provider)

Willingness to establish workshare up front

Willingness to give a a little extra

“Willingness to give workshare

Standing by their workshare in execution”

Willingness to openly share bid strategy and final proposal review

Word from other subs on the ethics and morals of the team within the primes groups
Appendix C: Verbatim Comments From Respondents - Other

What other factors, if any, do you find important in evaluating partnering opportunities with prime contractors?

work share and sticking to it after the contract is awarded

Workshare agreement and allocating work to new small business partners to build past performance and cultivate a successful working relationship.

Workshare and reciprocals

Workshare percentages
Appendix C: Verbatim Comments From Respondents - Other

Why do you expect it to be easier for your company to work with prime contractors over the next two to three years?

A lot of them we will have a relationship with already.

Anything you do consistently you become better at. Over the last 4 years we have been tuning our engagement and developing a team that is unified and seamless to the customer. Customer facing they perceive a single support group each with clearly defined responsibilities; this removes finger pointing and a united focus on the success of the project and that focal point equals customer satisfaction.

As more contracts are set aside for small business and 8a disadvantage business, many of the large Prime Companies today will look to partner with SBs.

As we “settle in” the federal space, we hope to become more well versed in contracting

As we get comfortable working with each other we learn the idiosyncrasies of each other making it easier to communicate.

Because I know now what the expectations are and it makes it easier knowing what I can expect.

Because of their knowledge

Because they perceive the value of our relationship

Better competitive analysis among contractors

Better management of expectations on both sides

Better teamwork

Broader IT coverage within company, expanding capabilities

Budget constraints easing

Building longer term relationships

Coordination Effort have increased.

Ease of service

Establishment of agreements, expectations and working relationships with specific primes so cohesive of work will be clarified and streamlined.

Expectation set at time of combining proposals, expectation of appropriate communication and processes

Experience

Experience and systems put in place.

Experience gained.

Experience in dealing with project management and contract deliverables as well as deployed technical teams supporting customer sites.

Familiar with person

Familiarity and experience with partners.

Familiarity with process

Fewer contractors


General familiarity with the prime / sub dynamic.

Heuristic systems Personnel, packaging and easier access to data, powerful listening to new ideas and concept evolution.

I think that there will be more qualified people available for us.

Industry experience with Partnerships and Leveraged Relationships is maturing. Major Primes have dedicated programs to understand the needs of Partners and have come a long way to demonstrate that this is a priority in their business. This Initiative will allow it to become easier to work with Prime Contractors, however it is still tough & difficult to get into the game.

Internal evaluation process to establish which Prime we want to go after (vice Prime coming after a sub)
Appendix C: Verbatim Comments From Respondents - Other

Why do you expect it to be easier for your company to work with prime contractors over the next two to three years?

Just stay out of those who do not - delivered on their commitments earlier.

Key to new business capture

Knowledge of the Facility and Individuals they are working with and for

Learning each others ways and expectations.

Less primes, established processes and expectations with known SIs

Less red tape

Lessons learned and growing SB opportunities

Lessons learned from previous relationships.

More contract work in the very near future.

More experience

More experience on what to expect from them

More experience.

Less information available on the web, contractors learn quicker, more knowledge, data and availability of cloud services coupled with better usage and connectivity of the Internet of Things where the lines between retail, consumer and wholesale becomes blurred. The prime contractors will be those who best mine the data and use it to improve the world in general and solidify their position in their chose field through any avenue available for which customers can easily and quickly find them specifically.

More opportunities

More opportunities and government cost controls are dictating less costly (subcontractor) responses

More project managers onsite to work the process.

My company is better focusing on the niche role(s) we can play on an industry team. Therefore, our relationships are becoming more value-driven. It’s becoming evident when our value is recognized -- all the “relationship” factors are very dependent on the recognition of value in the relationship.

My experience with the process

Needs more time to become easier to work,

One to one teamwork!

Our experience will increase and be useful to us and our prime contractors.

Our familiarity and experience with subbing will continue to develop, achieving specific DoD/Federal clearances makes us more attractive and opens more opportunities, completing 8(a) certification and WOSB certification should also make us more attractive as a partner

Our selection criteria is more refined.

Past history working and trusting each other.

Policies & Procedures has improved

Pricing models

Primes will have more practice in partnering effectively

Primes will respect us more when they fully understand our capabilities, customer relationships, advantages of our corporate infrastructure and resources, and the competitive advantage we bring them.

Processes and dealing with internal communications between the teams.

Processes will become common language, Common knowledge will grow.

Processes will evolve to be lot simpler

Proven, customer base expanding, revenue generation benefits all

Relationships established
Appendix C: Verbatim Comments From Respondents - Other

Why do you expect it to be easier for your company to work with prime contractors over the next two to three years?

Reputation should make the logistics and communication easier

Size difference is usually a contentious point, and usually leads to a take-it-or-leave-it attitude.

Submitted 8a paperwork so more contractors will want to work with us.

Technological improvement makes working with Prime Contractors much easier.

Technology

The government is letting contracts that are more and more small business. Policy, Oversight, and Conformance to small business reporting requirements by the government will be paramount.

The more times you do something and have a positive result, the more you can improve the process.

The relationship has matured the foundational paperwork to do business has been finished (sometimes that is the long pole in the tent!!)

They understand us better

We are a new company (under a year old) and the process and our experience from which to draw upon will increase

We have expanded our outreach and also diversified a bit, so we can work with Primes that WANT to work with us. Motivation makes things easier.

We will have more value to offer

We try to engage Primes that we currently have relationships with rather than seeking out new partners.

We will be more selective with the companies we partner with

We will have past performance and they will be wooing us.

We will help them become better.

With continuing shrinking of budget in DoD, largies become more easier to work with

With each engagement and teaming the process and level of trust continues to improve ... and as past performance and demonstrated capabilities are built - the affinity between the primes and subs should improve. Conversely, the amount of work that the “Primes” may end up doing as subcontractors to smaller organizations with the emphasis on small business turns the table to a certain extent; and the Primes are more sensitive to how they treat small organizations.
Appendix C: Verbatim Comments From Respondents - Other

Why do you expect it to be more difficult for your company to work with prime contractors over the next two to three years?

Economic pressures
Government’s push to use large GWACs with small % of small business primes
Lack of small business mandates vs. small business goals"
As margins tighten, primes will want more work-share.
As rates continue to drop Primes will need to cut rates to their subs and bring more work in house. I expect they will force their subs down on rates to allow them to keep theirs reasonable.
As you go from a small to large, the large business partners are now competitors.
Available work is shrinking, therefore primes will want to keep most of the available work.
Because smaller budgets and more competition, breeds greed, loss of integrity and a higher sense of arrogance that we can’t live without them. Small business set asides are leveling this playing field and will prove to be an equalizer.
Brand awareness
Budgets are getting reduce so the Prime Contractors are going to want to keep more of the positions.
Budgets will continue to tighten; primes will keep more in-house; fewer opportunities
Changes in technical needs and politics internal to an organization
communication, language
Company perception
Competition will make the overall process more mercenary.
Continued budgetary issues make opportunities more difficult to find, along with more pressure from primes to maintain margins at the expense of subs.
Contracts are getting tighter there’s not enough to share landscape is getting too competitive
Costs in direct relationship to service offered
Decreasing budget of Federal organizations.
Degree of competition in a budget constrained market place will make it harder for the primes to partner except to meet SB goals.
Federal Compliance Standards
Gov. rules.
Government wants more small business participation and less large business inputs.
Increased Government Regulations
Incumbents are losing recompetes so when large businesses win, they want more of the work. There will be less work share guarantees or they may give it at the beginning and take it all away in task orders so they get all the revenue.
It seems that there is no oversight into the subcontracting plans of prime contractors, and they do not adhere to their partnership requirements with small businesses. Unless the government steps in, I only see this situation becoming worse for the subs.
It’s already difficult. They stick with their regular subs instead of venturing out and trying others.
Labor rates and hardware/software margins are becoming smaller through competing on a Lowest Price Technically Acceptable (LPTA) basis.
“Less market share
More work going to smalls”
Less new work more incumbent recompetes more competitors for less work
Appendix C: Verbatim Comments From Respondents - Other

Why do you expect it to be more difficult for your company to work with prime contractors over the next two to three years?

Less work and sequestration
Limited budgets, small business subs used for quals but corporate amnesia sets in after award and teaming agreements are seldom honored in spirit or letter.
Many of the primes have been forced to be driven by ROI factors, which causes them to break teaming agreements, and treat their subs much worse.
More and harder competition
More competition, less overall budgets.
My company is a prime for over 90% of its business. No interest in subbing
Not enough communication/assistance
Open communication, timing
Opportunities
Overall reduced customer (US Govt) funding available, primes are beginning to attempt to meet customer requirements even if they do not have sufficient knowledge/technical expertise in-house by using consultants on short term or as needed basis.
Policies
Prime contractors are trying to keep more of the market share for themselves
Prime is taking our over 50% of our work share and hiring the individuals to work for themselves
Primes are competing for smaller task orders
Prime’s are looking to hold margins and meet growth targets. That usually means they’ll take it out on the subs.
Primes sit at the head of the table. They will purchase small companies, strip out what they want and get rid of the rest. They also do not like sharing any FTEs with the Small subs but prefer to send you work for 1/4 of a person for a year. Or for positions that are so hard to fill based on skill sets and the lack of labor dollars they eventually claim you cannot fulfill your role and bring in another small company who they are ingrained with in the first place but could not use them in the Proposal process. Seems like in the future it will only be about a dozen very large Primes winning everything and small business will have to fight for any scraps they will throw our way. It is like that now with some of the Primes we are involved with. Very frustrating.
Reduced Government spending will require Prime Contractors to reduce work share with subcontractors, while sustaining established SB goals. Thereby, maintain or increase revenue stream in fiscal constrained environment.
Shrinking budgets and pressure on revenue/margin
Shrinking DoD budget is forcing Primes to take back work share.
SI firms are going thru massive change and do not know how to deal with the changing business environment. They understand butts in seats, not solutions delivery with superior but limited numbers of staff
Team sizes are increasing due to consolidated, larger IDIQs...this makes team competition harder to get work on an awarded contract
The business base in many areas is shrinking, and primes are less willing to share it with subs unless they really, really need the subs
The large integrators continue to muscle out subs as they push for direct labor.
The market is becoming increasingly saturated and there is less budget and opportunities.
Consequently prime contractors (BD and Operations
Appendix C: Verbatim Comments From Respondents - Other

Why do you expect it to be more difficult for your company to work with prime contractors over the next two to three years?

Execs) have to meet increasing demands to win (increase revenues and profit margins). Therefore, they will increasingly find it in their best interest to keep as much revenue in house (less teaming or just option period teaming with goal of more work for prime later).

The market is shifting. Companies are vested not in partnerships but rather growing the work share as a prime. Small business primes are notorious for this in where the leverage the LB team and PPF but after the win, unless there is a strong client value with the customer from the sub and or relationship, all too often the subs are “squeezed” out. That is not to say it is every relationship but the facts are the facts.

The trend has been going downhill and with the shrinking federal market primes are going to get worse in an effort to protect their direct labor.

They do not know what and how to handle the contract business well enough to be the prime contractors.

They don't honor their agreements
They use small contractors to bill hrs and delivery is poor to the client and then blame the subs.
They use us to win proposals then steal our work over time
They want larger workshare
Tougher landscape means more competition among companies.
We are growing out of being a small business and will be seen as more of a threat
We are no longer a small business but can't prime the big contracts by ourselves. It is more difficult for a prime to give us better payment terms or allow us to team.

We don't have enough resources to support significant capture management efforts with Prime contractors at one time

We expect the competitive environment to become more challenging and as that happens we expect the ability to gain relevant work share as a subcontractor to become more constrained.

With constricting budgets it is harder to get a representative share of the pie unless a solid partnering agreement defining workshare is reached up front.

Work share to subs
Appendix C: Verbatim Comments From Respondents - Other

In general, which of the following actions are most important for prime contractors to take to improve their performance as partners?

- Ability to speak and understand language
- Adherence to work-share post award.
- Allow direct contact & communications to customers while being a sub
- Consistency and stability/predictability in all facets of partnership relations/business dealings
- Don’t steal their data or claim sub work product as their own.
- Early involvement in strategic planning
- Fearlessness
- Flexibility in applying processes to the project at-hand.
- Follow through on commitments
- Identify their point of contact for potential subcontracting partners.
- More frequent communication
- Not asking for financially punitive requirements
- Performance Analysis (from both parties perspective) to support the relationship. More feedback regarding sub-contractor performance from the real, end-user standpoint.
- Primes need to stop treating subs as second class citizens - its not right - subs are not seeking to be treated great - but businesslike and to like serfs - very poor arrangement - and considering how little primes invest in keeping up with new technology, the government customer is the one that gets screwed.
- Recognition that pricing models don’t always line up with Prime labor rate models
- Specific Work Share spelled out in Agreements.
- Stop being arrogant to your teammates.
- Transparency into opportunities earlier in the process and earlier commitment
- Treat subcontractors much more equally as they would like to be treated.
- Willing and able to definitize work scope and work share.
- Willingness to add labor categories appropriate to the expertise sought
Appendix C: Verbatim Comments From Respondents - Other

What is the single most important thing a prime contractor could do to partner more effectively with organizations such as yours?

A willingness to above and beyond any agreement or contract terms in a honest, legal and ethical manner, including recommending another contractor better suited for the task.

Actually utilize their small business partners!!!

Allow the sub to sit in the same bldg and work literally alongside the prime

Approach “partnering” relationship as a win-win for both/all parties to the partnership.

Assign one point of contact that oversees all aspects of contract

Attend outreach events!

Be a better partner and add value

Be a little more transparent.

Be a true partner

Be available to consider companies they have not teamed with in the past. Follow up with providing contact information on Capture/BD/Operations decision makers so that new companies can be vetted properly according to their pipelines.

Be businesslike and professional - not treat their suppliers - subs - like crap. Ultimately, what you get is what you have now - Just Booz Allen hamilton system suppliers to the government without any innovation, commitment to getting the job done at less cost with innovation where it cuts into their labor - if the labor lasts forever - then everyone is happy - except the tax payer - very poor system.

Be clear and upfront on the lines of service they offer to their clients; and, the services they are looking to obtain from a sub to complement them.

Be fair

Be fair and honest.

Be fair in representing our contributions to the customer.

Be honest about your strengths you bring to the table dealing with subcontractors and clients.

Sooner or later, the cream always rises to the top.

Be honest about the work that we will get

Be honest in the business opportunity, work share requirements, and technical abilities.

Be honest in their discussions. One the NDA’S are signed, simply be honest on what you can and can’t deliver to the effort!

Be honest.

Be more open to thoughts that may not be consistent with their past practices

Be more transparent.

Be open, honest, and treat as equal partner

Be responsive, flexible, professional

Be transparent.

Be truthful about their ability to win business

Be very clear on their expectations from the outset. There is no room for massaging the deals as they progress. Too often the prime “rethinks” their approach/strategy and starts jerking around subs.

Better communication; faster responsiveness.

Better communications around performance expectations

Better written Exhibit A’s as part of Teaming Agreements that clearly articulate expectations and approach to work share.

Clarity and speed of communications
Appendix C: Verbatim Comments From Respondents - Other

What is the single most important thing a prime contractor could do to partner more effectively with organizations such as yours?

Clear delineation of work share and then honoring that delineation
Communications
Communicate
Communicate clearly, reach out during security vetting process
Communicate expectations better
Communicate honestly and opening about needs, schedule, and opportunities.
Communicate more
Communicate openly and honestly.
Communicate vs negotiate (first)
Communicate, involve in process.
Communication
Communication and ensuring an understanding of their processes as it relates to the contract fulfillment.
Communication as it relates to expectations, performance, insights, knowledge, key performance indicators
Cost effectiveness
Create a reasonable path to start and grow partnership
Define scope and hold to their commitments throughout the pursuit process
Define scope to allocated to sub during execution upfront.
Define work share better
Deliver what they promise and what’s in the teaming agreement/subcontract

Develop a true, long term partnership that is not opportunity-centric
Dig-in to understand and relate to the full-capabilities of the Partner - assure that the need matches the competence/capabilities.
Do not treat the sub like a Red Headed Step Child
Do what they said they would do.
Do what you say say what you do
Don’t rule out my company simply because of lack of past performance. As a newly established company, we don’t have past performance, but we do have customer relationships and deep insights into the customer environment. We also will pull a heavy weight in the proposal process.
Early contact and agreement
Ease of establishing contact
Ensure that subcontractors actually get to work and bill for the hours agreed in the proposal
Equal opportunity for work
Establish good work ethic/teamwork reliability in industry as a reference.
Establish partnership support program
Establishing a open line of communication
Establishing a sense of honest business relations, executing to the deal signed, and stop the business of “hiding until the catch me” nonsense.
Expertise
Fair and Honest in how they do business
Fairness
Flexible timetable
Flexibility in process application.
Appendix C: Verbatim Comments From Respondents - Other

What is the single most important thing a prime contractor could do to partner more effectively with organizations such as yours?

Focus on mutual success in serving the customer’s needs
Follow through on the terms agreed to.
Following through on their commitment to the subs
Fulfill their teaming agreements
Get out of the way.
Give access to their capture and BD personnel
“Give us a chance (even without past performance) by including us in IDIQs teams
Its all about finding the right people and we can do that and give the prime small business credit”
Good reputation and transparency.
Have an objective implementation plan for new/modified processes/products.
Have more Alliance managers
Have representative who concentrate on collective engagement. Companies who have representative who are compensated for working with subs are more open to doing so.
Have separate meeting to provide their product plans, technology direction and what they would like to send to partners vs, keep in house? Provide Time frame to do R&D prior to customer need dates/RFPs. The CTO/customer marketing should provide some direction.
Help me control costs
Hire more from the USA.
Hire people with expertise even if they have to pay more.
Honest communication and honoring their TAs.
Honesty

Honesty about strengths and weakness.
Honesty and open communications!
Honesty and Transparency
Honesty and transparency in how they do business
Honesty. Just be honest about their intentions.
Honor agreements
Honor commitments for positions, and not to then take over the slots or poach employees
Honor commitments.
Honor teaming agreements
Honor their agreements and work share commitments
Identify needs early in process.
Identify opportunities
Identify opportunities on their website.
Identify projects that small business can have workshare in.
Improve Processes related to project engagement
Include subcontractors in planning sessions and meetings
Include us in as they bid on new contracts upfront.
Inclusion in planning earlier to get the most out of our capabilities. ...not having to chase and “resell” capability every time.
Integrate effectively and seamlessly with existing operations while providing a high level of service
Integrity
Involve us in the strategy part of the proposal process.
Keep commitments.
Appendix C: Verbatim Comments From Respondents - Other

What is the single most important thing a prime contractor could do to partner more effectively with organizations such as yours?

- Keep lines of communication open and offer frequent updates on the project or initiative we are partnering on.
- Keep things simple
- Knowledge of project
- Learn our strengths and how we can complement their abilities
- Learn to draft clear statements of work/division of responsibility.
- Listen to areas of their expertise
- Listen to us when we bring specific customer knowledge and expertise instead of just using us as a type of partner that they need to meet SB goals
- Long term (12 months +) Pipeline Planning
- Make an honest assessment about how we as a small business subcontractor will contribute to their effort and then be honest about what their intent is, with regard to how we could or would be utilized on a contract.
- Make it easy to partner
- Make partnering decisions at lower levels as the “Corporate” BD make decisions on political favors and other factors vice boots on the ground experience.
- Meet or exceed their small business subcontracting requirements
- More of a partnership less of a transaction.
- More open to discussing opportunities
- More openness with client
- More transparency with the customer and recognizing the patterns and whole team for their success
- Not to pigeon hole us into their pricing model.
- Offer a fair and competitive price based on experience of subcontractors. In my experience, some prime partners want the most experienced person for the cheapest price. I can understand their need to watch their budget but when no good will is built, the ongoing projects will attract less and less quality subcontractors, as we now have the ability to speak to each other through a variety of online networks which will not help prime contractors who do not deal with subcontractors honestly, openly and with respect.
- Offer the support we need.
- Open and honest communication
- Open communication
- Open communication between each other.
- Open to project information on end user
- Partner vs vendor
- Partnership
- Pay on time.
- Pay the subcontractors on a timely basis. If the Prime Contractor is provided an accurate invoice internal delays should not be a process problem.
- Pay their bills
- Plan Better
- Price competitively
- Proactively reach out and consider going to market together.
- Proactively share pipeline opportunities (goes both ways) and customer requirements
- Provide a forum to establish relationships
Appendix C: Verbatim Comments From Respondents - Other

What is the single most important thing a prime contractor could do to partner more effectively with organizations such as yours?

Provide a level playing field in assessing our resumes so that we can provide high quality people and not be beaten out by their average people.

Provide business opportunities

Provide clear understanding of job and bid details. Understanding of all specs of the contracts and is able communicate clearly to all subs.

Provide revenue. do not remove sub staff as recompete nears

Provide strategic outlook exchange meetings once annually to share perceptions on customer priorities and budgets, issues in house that might constrain work share allocated to teaming partners.

Reach out to us, use our strengths, help us grow

Reciprocity

Reciprocity in working with subcontractors

Reciprocity on working new opportunities

Reciprocity, bring me into something. Now its I do for you.

Reciprocity. Most Prime’s do not perform well in this area. Most will obtain several small businesses who offer the same products or services and have them compete for orders among them. On new opportunities, most Primes do not perform well at reaching out to past partners on new requirements.

Recognize that the sub spend money to be a partner and therefore it needs to be financially compensate it for.

Recognize the role we would play, document that role in a teaming arrangement (or subcontract), and when applicable, give us fair opportunity to compete for a definitive team role.

Reduce the number of organizational interfaces that are required - i.e. develop better mechanisms for alignment between the business practices of the sub and the prime so that a single or minimal persons can manage the interface between the two businesses

Regular communications on contracts and task orders.

Reliability

Respect for identified work share for length of contract

See us a strategic not just tactical filler for a requirement

Share the work level decision making effort.

Share the work. Without work the small companies wither and die.

Single point of contact with authority to make decisions and commitments.

Stop asking for outrageous business requirements, like unemployment insurance for a single-member LLC or E&O insurance that is in NO WAY warranted by the type of work.

Subcontractors as partners

Talk to them.

They could have more flexibility.

They know adequately about the business itself.

Timely delivery of contract artifacts.

Transfer knowledge

Transparency

Transparency and Advocacy as a partner to the customer.
Appendix C: Verbatim Comments From Respondents - Other

What is the single most important thing a prime contractor could do to partner more effectively with organizations such as yours?

- Transparency in teaming on other opportunities
- Transparency in what opportunities are coming out and level of workshare small business can expect
- Transparent and foster partnerships
- Transparent honesty
- Treat as an equal partner especially when dealing with the customer.
- Treat others as you would like to be treated.
- Treat us as a valued partner
- Treat us as equals, independent of our size
- Treat us like a partner, not a vendor.
- Treat us with respect
- Treating as a partner and providing good price for subcontractor.
- Treatment as partners
- Treatment of partners
- Treatment of subcontractors as partners
- Treatment of subcontractors as partners.
- Treatment.
- Trust, Reliability, Knowledge
- Try other companies more.
- Two way communications.
- Understand each other
- Understand how we do business and support
- Understand that the small contractor has expertise and can help the large contractor deliver on time and budget. Respect.
- Understand the value small businesses can bring to a relationship.
- Understand what we do
- Visible interest in subcontracting.
- Well defined workshare in exchange for sweat equity in the process.
- When bidding, include us in project scoping and pricing so that our experience and insight are incorporated into the project plans prior to actually starting the work
- With this particular situation, the most important factor would be to treat the sub contractors as a partner and not a “vendor”.
- Work share as defined by FAR
- Work share transparency
- Working as partners
Appendix D: Methodology and Respondent Demographics

A survey instrument with 28 questions – 23 fixed-response and 5 open-ended – was jointly developed by Lodestar and the Washington Technology teams.

A total of 50,755 email invitations were sent out by Washington Technology to the entire 1105 Media contractor database across the Washington Technology, FCW, Defense Systems, and FOSE brands.

Washington Technology was identified as the survey sponsor, Lodestar as the survey administrator. Contractors received an invitation to participate from Nick Wakeman.

To boost cooperation, respondents were offered automatic eligibility to win one of five $50 Amazon.com gift cards upon submission of their completed survey.

Data were collected from 2/11-2/22, 2015, with one reminder.

Ultimately 642 respondents began the survey for a response rate of 1.3%. After question #1, 139 respondents exited the survey after reporting that they have not partnered with any Prime Contractors during the last 24 months. A total of 346 of the remaining respondents went on to complete the entire survey.

5 open-ended questions generated 667 respondent comments.
Appendix E: About Lodestar

Washington Technology is proud to partner with Lodestar for our survey-based Insider Reports. Lodestar is a B2B consulting firm headquartered in Princeton, New Jersey. They offer a collaborative approach resulting in evidence-based recommendations that help our customers tell their story, develop new products and growth strategies, measure the impact of their investments and maximize their use of information resources.

Founded in 1998 by Dr. Tom Nelson, the firm has grown to now serve over 150 clients across a variety of industry verticals, including media and publishing, financial services, technology, and healthcare. Dedicated to three major practice areas — Marketing Sciences, Innovation and Information Management — the firm has also developed a rich portfolio of intellectual property, and expanded its domestic and international footprint.

Lodestar consists of 45+ associates with advanced competencies in research, strategy, innovation, technology, and information management – and a worldwide network of thought leaders, content specialists, futurists, and alliance partner agencies. Notably, our workforce is a highly diverse one, with associates bringing a variety of personal backgrounds, academic records, and professional histories to their work. We believe this is one of our core strengths, enabling an un-matched multidisciplinary perspective and approach in collaborating with our clients to solve real-world challenges.

To learn more about Lodestar visit: http://www.lodestarlink.com/