

INSIDER REPORT 2015

**GOVERNMENT IT CONTRACTOR
PARTNERING**

2015 UPDATE: PRIMES GRADE
THE SUBS

Government IT Contractor Partnering

2015 Update: Primes Grade the Subs

RESEARCH CONDUCTED BY:



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Welcome to our Washington Technology 2015 Insider Report examining the relationship between primes and their subcontractors.

The interaction of prime contractors and their subcontractors is a critical element of how the government market works. They need each other to win new business and serve their customers.

When the relationship works well the results are a true win-win-win with benefits flowing to the prime, the sub and the customer.

Two years ago we examined this relationship and in this new report, we revisit the performance of subcontractors as graded by primes. While our findings in this update show that most of the time the prime-sub relationship works, our research also reveals several areas for improvement.

As you'll see in the following charts, we asked prime contractors to score their overall group of subcontractors on critical factors such as technical expertise, industry perception, customer knowledge, teamwork and processes.

We also asked primes to think about their single best subcontractor, and we found a gap between the performance of that single best sub and the overall group of subs. That gap is instructive for those subs looking at how to improve their performance as teammates.

Our findings highlight areas for improvement as well as what primes value most about their subcontractors. For subcontractors these benchmarks can be a roadmap for becoming a partner of choice.

This report also complements our 2015 Insider Report on what subs want from their primes. We'll draw some comparisons of the findings of these two reports and explore where both sides of the relationship need to focus their attention.

The bottom line is that primes and subs need each other and the need for strong relationships is paramount. This report will increase your understanding of where the relationship is flourishing and where it needs to be improved.

Be sure to review respondents' comments in our Appendices for great insights and feedback.

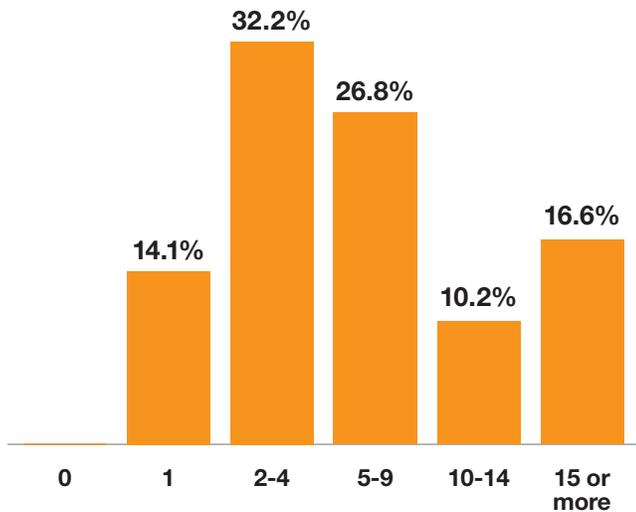
As always, we welcome your suggestions on how we can make this and future reports more valuable and useful to your business. Email us at WTInsider@WashingtonTechnology.com.



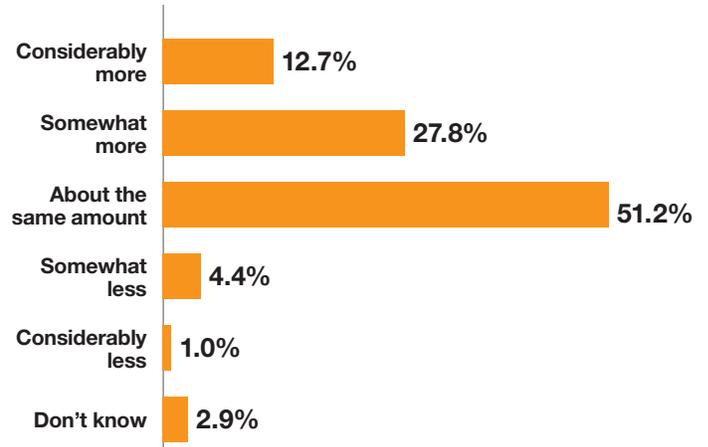
Nick Wakeman, Editor-in-Chief

Working with Subcontractors

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



Do you expect to use subcontractors more, less, or the same amount over the next 2 to 3 years?



These two charts leave little doubt that subcontractors are an important part of any prime's go-to-market strategy in the government market.

In the first chart (above left), not a single respondent said they worked with no subcontractors, meanwhile 53.6 percent said they worked with 5 or more.

The most frequent response was in the 2 to 4 range which was picked by 32.2 percent of respondents.

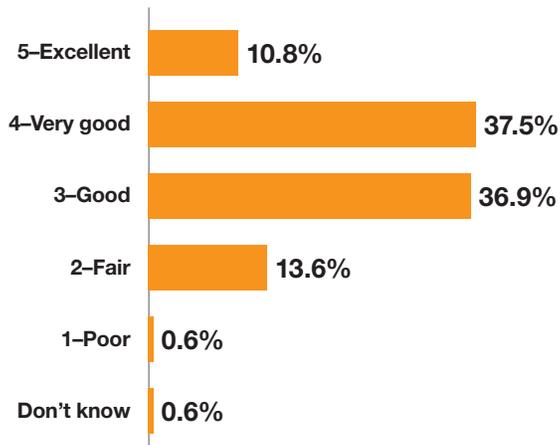
Comparing the percentage who said they only worked with one subcontractor (14.1 percent) to the percent who said they worked with 15 or more (16.6 percent) is another strong indicator that subcontractors play a very important role in the market.

The second chart (above right) also reinforces the importance that subcontractors play in the market. Only 1 percent said they would use subs considerably less and 4.4 percent said somewhat less. Compare that to the 92 percent who answered they expect to work with subs the same or more over the next two or three years.

The majority—51.2 percent—said they expect to use subcontractors about the same amount. Our conclusion is that the use of subcontractors is a constant in the market and isn't likely to change anytime soon.

Overall Performance Rating

Rate your collective group of subcontractors on how they work as partners.



On the previous page, we established that subcontractors play an important role and are relied on by prime contractors, but in this chart we start to explore the relationship and the quality of subcontractor performance.

The results are mixed. While very few rated subs as poor, more said the performance is fair (13.6 percent) compared to excellent (10.8 percent). While the difference between the two isn't great, you would expect more primes to rate subcontractors as excellent than as fair.

On a more positive note, 37.5 percent said the performance was very good and 36.9 percent said it was good.

In the following charts we explore five critical attributes that prime contractors value about their subcontractors: technical expertise, teamwork, customer knowledge, industry perception, and process. As this first chart shows (next page), prime contractors place a high level of importance on these attributes when they are picking their subcontractors.

Overall Performance Rating: Key Attributes

Rate the importance of each of the following attributes in deciding to partner with a subcontractor.

| Factor | Factor Mean (1-5) | Attribute | Top 2 Box | Attribute Mean (1-5) |
|----------------------------|-------------------|--|-----------|----------------------|
| Technical Expertise | 3.8 | | 65% | |
| Industry Perception | 3.5 | Compliant government contractor | 54% | 3.7 |
| | | Past performance | 57% | 3.7 |
| | | Reputation among customers | 56% | 3.6 |
| | | Ease of working relationship | 52% | 3.6 |
| | | Business ethics | 53% | 3.6 |
| | | Honoring team agreements and commitments | 52% | 3.5 |
| | | Maintaining long-term relationships with partners | 49% | 3.5 |
| | | Reciprocity in working together (i.e., subs bring you in as a sub when they are the Prime) | 35% | 3.1 |
| Customer Knowledge | 3.5 | | 52% | |
| Teamwork | 3.4 | Strategic value (has unique expertise/skills my organization does not) | 61% | 3.7 |
| | | Treats Primes as partners | 52% | 3.5 |
| | | Responsiveness in addressing issues and concerns as they arise | 51% | 3.5 |
| | | Understands work agreement elements (e.g., areas of responsibility, share of work) | 49% | 3.5 |
| | | Flexibility | 47% | 3.4 |
| | | Communicates with partners | 47% | 3.4 |
| | | Honesty and transparency in how they do business | 45% | 3.3 |
| | | Participation in proposal process (development and writing) | 36% | 3.2 |
| Process | 3.3 | Ease of establishing contact | 57% | 3.6 |
| | | Business ethics program | 43% | 3.5 |
| | | Reasonable Terms and Conditions | 44% | 3.4 |
| | | Human Resources practices | 34% | 3.3 |
| | | Billing and Accounting processes | 39% | 3.3 |
| | | Pricing | 34% | 3.2 |
| | | Have established processes to support decision making (instead of winging it) | 34% | 3.2 |
| | | Have professional capture and proposal capabilities | 40% | 3.1 |
| Overall | 3.4 | | 48% | |

Rating the Subs: Key Attributes—Industry Perception

Rate your collective group of subcontractors on each of the following attributes of industry perception.

| Attribute | Poor (1) | Fair (2) | Good (3) | Very Good (4) | Excellent (5) | Top 2 Box | Don't Know | Mean (1-5) |
|--|----------|----------|----------|---------------|---------------|-----------|------------|------------|
| Compliant government contractor | 2% | 9% | 26% | 34% | 20% | 54% | 10% | 3.7 |
| Past performance | 2% | 10% | 30% | 34% | 23% | 57% | 2% | 3.7 |
| Reputation among customers | 2% | 11% | 28% | 37% | 19% | 56% | 3% | 3.6 |
| Ease of working relationship | 2% | 11% | 34% | 34% | 18% | 52% | 1% | 3.6 |
| Business ethics | 5% | 12% | 26% | 31% | 22% | 53% | 5% | 3.6 |
| Honoring team agreements and commitments | 5% | 10% | 33% | 32% | 20% | 52% | 1% | 3.5 |
| Maintaining long-term relationships with partners | 2% | 15% | 30% | 32% | 17% | 49% | 3% | 3.5 |
| Reciprocity in working together (i.e., subs bring you in as a sub when they are the Prime) | 9% | 21% | 30% | 25% | 10% | 35% | 5% | 3.1 |

In this chart we start to see some areas where subcontractors are struggling, particularly in the areas of reciprocity and maintaining long term relationships. Business ethics and honoring teaming agreements also reveal some issues with the performance of subcontractors.

Reciprocity, in particular, received a low score with 30 percent of respondents giving subcontractors a poor to fair rating.

These scores point to specific areas where subcontractors should be asking themselves how their companies are performing.

When we compared these findings to 2013's report, we also uncovered a downward trend. In the 2013 report, the Industry Perception overall mean score was 3.8, but in 2015, the mean score fell to 3.5.

Rating the Subs: Key Attributes—Teamwork

Rate your collective group of subcontractors on each of the following attributes related to teamwork.

| Attribute | Poor (1) | Fair (2) | Good (3) | Very Good (4) | Excellent (5) | Top 2 Box | Don't Know | Mean (1-5) |
|--|----------|----------|----------|---------------|---------------|-----------|------------|------------|
| Strategic value (has unique expertise/skills my organization does not) | 1% | 14% | 25% | 37% | 24% | 61% | 0% | 3.7 |
| Treats Primes as partners | 5% | 11% | 32% | 34% | 18% | 52% | 1% | 3.5 |
| Responsiveness in addressing issues and concerns as they arise | 5% | 12% | 32% | 35% | 16% | 51% | 1% | 3.5 |
| Understands work agreement elements (e.g., areas of responsibility, share of work) | 2% | 16% | 33% | 31% | 18% | 49% | 0% | 3.5 |
| Flexibility | 3% | 18% | 32% | 32% | 15% | 47% | 0% | 3.4 |
| Communicates with partners | 4% | 16% | 34% | 34% | 13% | 47% | 0% | 3.4 |
| Honesty and transparency in how they do business | 4% | 15% | 35% | 32% | 13% | 45% | 1% | 3.3 |
| Participation in proposal process (development and writing) | 5% | 17% | 38% | 24% | 12% | 36% | 5% | 3.2 |

The picture is a little rosier in the area of teamwork, but again the results show definite places where subcontractors should focus their efforts to improve, particularly in proposal processes and responsiveness.

The quality of subcontractors' teamwork also dropped from 2013's report, when the mean score was 3.7. For 2015, the overall mean score is 3.4.

This represents an opportunity for subcontractors to stand out from other subs by improving how they meet the demands for teamwork around factors such as flexibility, communication, participating in the proposal process, and being honest and transparent in how they conduct their business.

Rating the Subs: Key Attributes—Process

Rate your collective group of subcontractors on each of the following attributes of process.

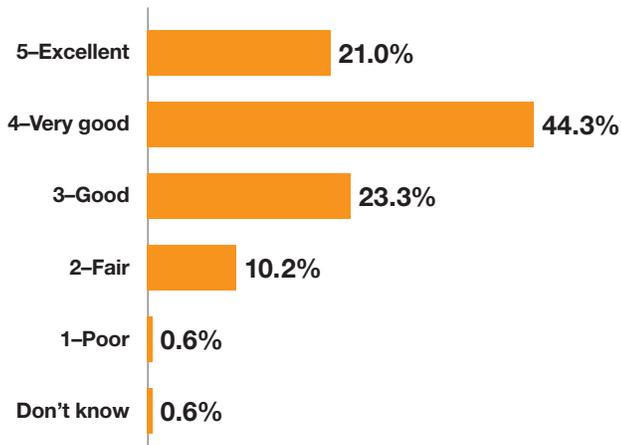
| Attribute | Poor (1) | Fair (2) | Good (3) | Very Good (4) | Excellent (5) | Top 2 Box | Don't Know | Mean (1-5) |
|---|----------|----------|----------|---------------|---------------|-----------|------------|------------|
| Ease of establishing contact | 3% | 10% | 30% | 38% | 19% | 57% | 0% | 3.6 |
| Business ethics program | 3% | 14% | 26% | 28% | 15% | 43% | 15% | 3.5 |
| Reasonable Terms and Conditions | 2% | 13% | 39% | 32% | 12% | 44% | 2% | 3.4 |
| Human Resources practices | 2% | 17% | 31% | 22% | 12% | 34% | 16% | 3.3 |
| Billing and Accounting processes | 2% | 18% | 36% | 30% | 9% | 39% | 6% | 3.3 |
| Pricing | 1% | 22% | 39% | 26% | 8% | 34% | 5% | 3.2 |
| Have established processes to support decision making (instead of winging it) | 6% | 19% | 35% | 22% | 12% | 34% | 6% | 3.2 |
| Have professional capture and proposal capabilities | 9% | 21% | 28% | 30% | 10% | 40% | 3% | 3.1 |

This chart shows several areas where subcontractors can improve their performance around processes such as human resources practices, billing and accounting, pricing, and processes for making decisions. In other words, prime contractors value subcontractors who operate as a real business, not a mom and pop shop. Prime contractors want consistency and professionalism.

When compared to 2013's report, the overall mean score moved from 3.4 to 3.3.

Rating the Subs: Key Attributes—Technical Expertise

Rate your collective group of subcontractors on technical expertise.



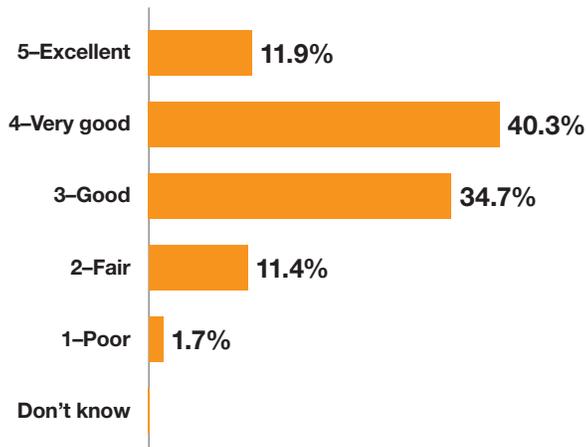
This was a new attribute for 2015 so we don't have a comparison to 2013, but the results are still informative for subcontractors looking to improve their performance.

The combined excellent and very good scores indicate that 65.3 percent of respondents feel very good about their subcontractors. Less than 1 percent said the technical expertise was poor. That is a very healthy gap between the top and bottom.

On the negative side, 10.2 percent said that the technical expertise was only fair. Good came in at 23.3 percent. So there is room for improvement, which we'll track moving forward in future reports.

Rating the Subs: Key Attributes—Customer Knowledge

Rate your collective group of subcontractors on customer knowledge.

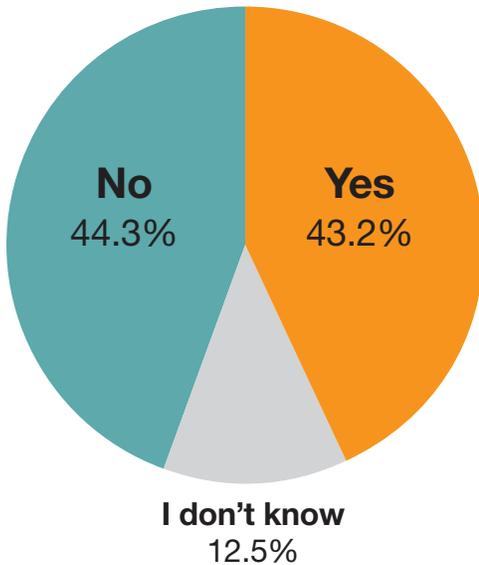


Like the technical expertise chart, this is the first year we've broken this question out. The results are lukewarm with the excellent and very good scores combining for 52.2 percent. In an industry built on relationships, the expectation would be that customer knowledge should be much stronger.

While only 13.1 percent said that their subcontractors' customer knowledge was poor or fair, those negative scores show that subcontractors can do much better.

Rating Your Single Best Subcontractor

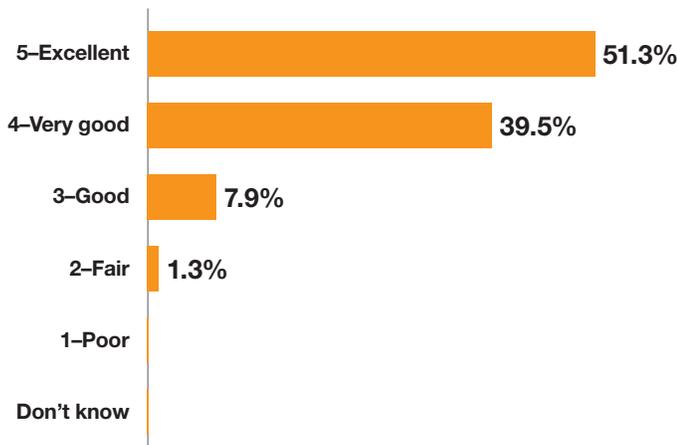
Among the subcontractors you work with, is there a single contractor who stands out?



As the chart shows, when we asked prime contractors if they could name a single best subcontractor, we found that over half could not: 44.3 percent said no and another 12.5 percent said they didn't know. But 43.2 percent said they could pick a single best sub. These findings are consistent with what we uncovered in 2013.

For those primes who could name a single best sub, we begin to find specific areas for improvement by identifying where the best subs performed when compared to how the overall group of subs performed.

Rate your best subcontractor on how they work as a partner.



The strong excellent and very good scores reinforce the findings that the best single subcontractors deliver great value to their primes. There was slight erosion from 2013 with the overall best subcontractor mean score moving to 4.4 from 4.5.

You can see the list of single best subcontractors (as named by our survey respondents) in Appendix B.

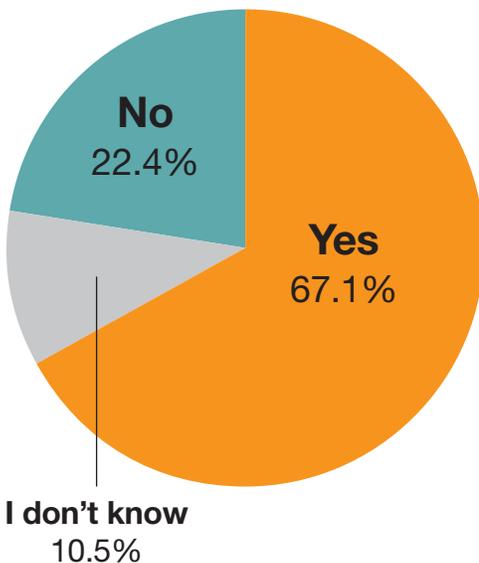
Rating Your Single Best Subcontractor—Key Attributes

Rate your best subcontractor on each of the following attributes.

| Area | Poor (1) | Fair (2) | Good (3) | Very Good (4) | Excellent (5) | Top 2 Box | Don't Know | Mean (1-5) |
|---------------------|----------|----------|----------|---------------|---------------|-----------|------------|------------|
| Technical Expertise | 0% | 0% | 7% | 34% | 59% | 93% | 0% | 4.5 |
| Teamwork | 0% | 3% | 13% | 29% | 54% | 83% | 1% | 4.4 |
| Customer Knowledge | 0% | 3% | 13% | 33% | 50% | 83% | 1% | 4.3 |
| Industry Perception | 0% | 1% | 14% | 41% | 39% | 80% | 4% | 4.2 |
| Process | 0% | 5% | 17% | 36% | 39% | 75% | 3% | 4.1 |

When we look at the five attributes that prime contractors said they value the most, their best subcontractors delivered strong performances across the board. There are no poor scores and fair barely registered, except for process, which had the lowest overall score. So the best subcontractors aren't perfect but they are very good.

Can you name other subcontractors who are especially effective partners?



The good news here is that 67.1 percent of the primes who could name a single best subcontractor could also identify a second best of breed. That bodes well for subcontractors, but it also might indicate that primes know how to find good subs.

You can see the list of additional best subcontractors (as named by our survey respondents) in Appendix B.

The Best vs The Rest

Comparing scores of single best sub against the performance of the collective group of subcontractors.

| Area | Mean Performance (1-5) | | | |
|---------------------|------------------------|--|------------------------|---|
| | Mean Importance (1-5) | Collective Group of Subcontractors Overall | Best Subcontractor | Best Subcontractor Minus Collective Group |
| Technical Expertise | 4.5 | 3.8 (-0.7) | 4.5 (no difference) | 0.7 |
| Teamwork | 4.2 | 3.4 (-0.8) | 4.4 (+0.2) | 1.0 |
| Customer Knowledge | 4.2 | 3.5 (-0.7) | 4.3 (+0.1) | 0.8 |
| Industry Perception | 3.8 | 3.5 (-0.3) | 4.2 (+0.4) | 0.7 |
| Process | 3.7 | 3.3 (-0.4) | 4.1 (+0.4) | 0.8 |

These two charts convey two distinct messages.

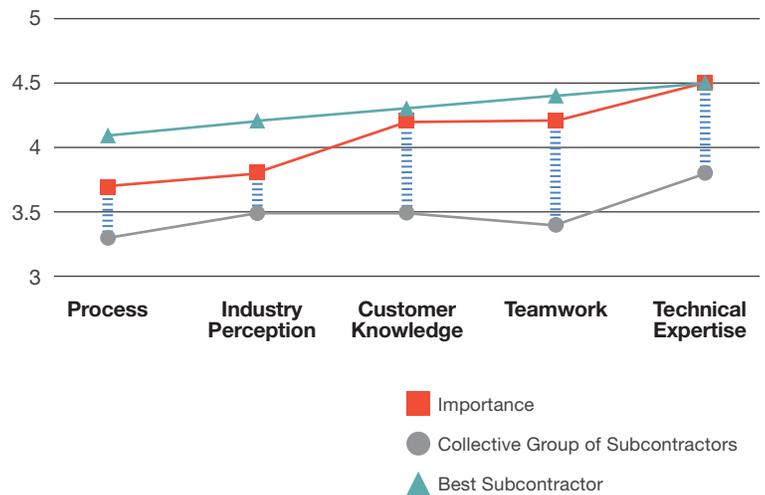
What these two charts illustrate is the gap between the single best subcontractor and the collective group of subcontractors when compared to the importance primes put on the five attributes of technical expertise, teamwork, customer knowledge, industry perception, and process.

In all the categories but one, the single best subcontractor exceeds the importance placed on the attribute by the primes. Only in technical expertise did the single best not exceed the importance placed on that attribute by the primes.

But the picture gets ugly when you compare the performance of the overall group of subcontractors with the importance placed on the attributes. The overall group fell short across the board.

We compared the scores of the single best and the overall group and the performance gap there is also significant.

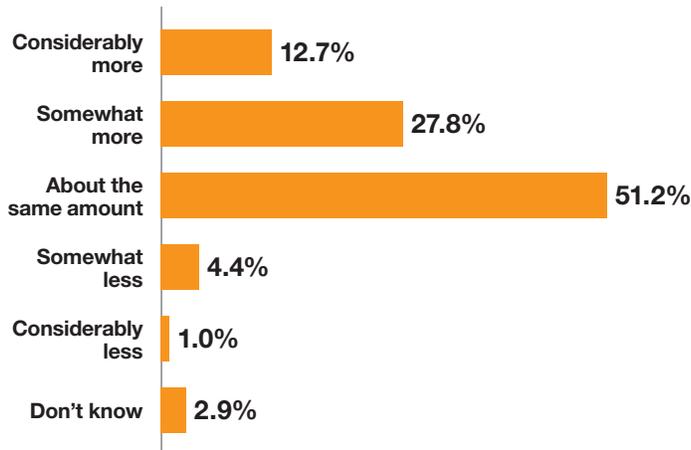
The lesson here is that subcontractors need to perform well across the board if they want to meet the expectations of, and establish future opportunities with, their prime contractors.



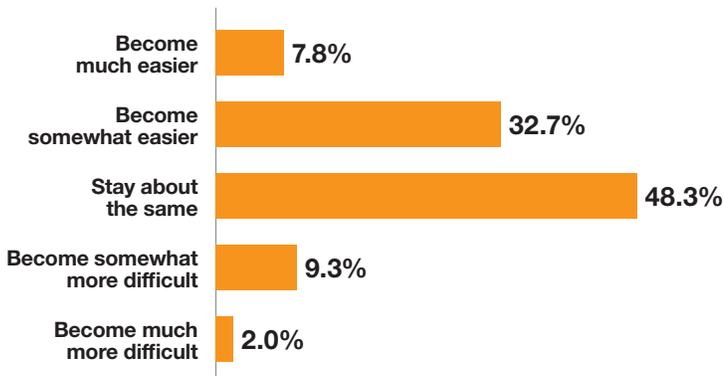
Moving Forward

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 use subcontractors more, less, or the same amount over the next 2 to 3 years?



Will working with subcontractors become easier or more difficult?



These two charts emphasize the importance of subcontractors to the primes, and the good news is that despite some of the performance gaps noted in this report, only 11.3 percent of primes expect the working relationship to become more difficult.

Moving Forward

Reasons why working with subcontractors will become easier or more difficult.

| Reasons Working With Subcontractors Will Become Easier | Frequency (n=65) | Representative Verbatim Responses |
|---|---|---|
| Experience/Lessons learned, Familiarity with partners and processes |  35% | "Practice makes perfect." |
| Better Prime-Sub working relationships |  25% | "Developing a group of strategic teaming partners." |
| Prime improvements in processes, selectivity, and knowledge |  25% | "Re-thinking our process and approach." |
| Favorable business environment forces |  9% | "They need to win the work (the size of which is diminishing overall) and thus become much more cooperative." |
| Miscellaneous |  6% | |

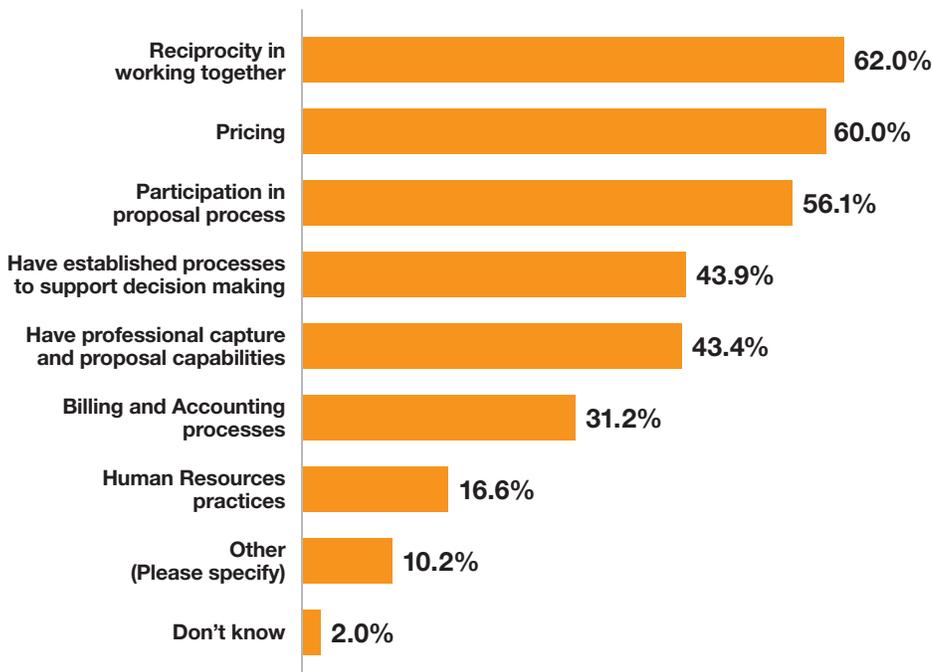
| Reasons Working With Subcontractors Will Become More Difficult | Frequency (n=20) | Representative Verbatim Responses |
|---|---|--|
| Negative business environment forces/ Government rules and regulations |  60% | "New rules on limitations on subcontracting, which no one understands." |
| Problems with Subs' quality, knowledge, attitude |  25% | "The customer knowledge level of the subs seems to be decreasing." |
| Prime will need to work with a larger number of Subs |  15% | "With our recent contract awards, we will be teaming with a much larger number of subcontractors. The management will be a challenge." |

You can see more verbatim responses on both easier and more difficult assessments in Appendix C.

Where is The Relationship Headed? – How Subs Can Improve

This chart includes some valuable suggestions on how subcontractors can lift their game, particularly the top three actions—reciprocity, pricing, and participation in the proposal process. What this tells us is the prime contractors are looking for true partners.

What are the most important actions subcontractors can take to improve their performance?



You can see verbatim responses for subcontractor improvements in Appendix C.

Comparisons and Conclusions

We've already published our 2015 Insider Report looking at the prime-sub relationship from the subcontractors' perspective, and with this report we examine the relationship from the primes' perspective.

The overriding conclusion to be drawn from the two reports is that the relationship is crucial to success in the government market. Both sides see its value and take it very seriously.

In both reports, we identified gaps in performance when we compared the overall group of primes or subs and the single best prime or sub.

In this report on the performance of subcontractors, teamwork and process stood out as areas in greatest need of improvement. But customer knowledge, industry perception, and technical expertise need attention as well.

How a subcontractor closes the gaps will vary depending on their sector of the market, their size, and their capabilities, but finding ways to improve is critical to success.

While it is easy to focus just on the negatives in this report, there are positives to keep in mind. And these positives shine through in both the report on primes and this report on subcontractors.

The relationship between primes and subs is healthy. There are a significant number of good performers on both sides of the equation.

Because the same company can play the role of prime on one project and subcontractor on another, our two reports offer guidance on where to focus your efforts for improvement.

The findings of both reports touch on many similar themes, particularly the importance of honesty and transparency, teamwork, customer knowledge and technical expertise. It seems reasonable to assume that improvements you undertake to be a better prime will help your work as a sub and vice versa.

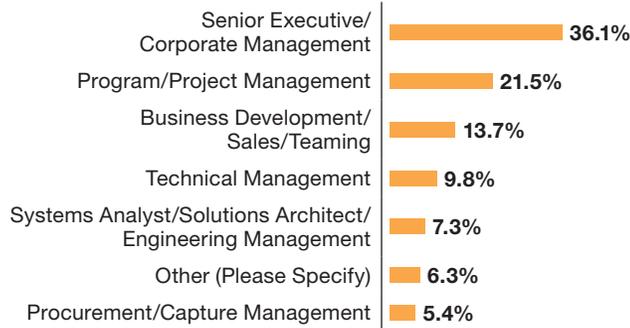
And improving your prime or subcontracting skills can only help you in a market that demonstrates so clearly how important those relationships are to your company's success.

An overview of both reports is provided in Appendix D for reference.

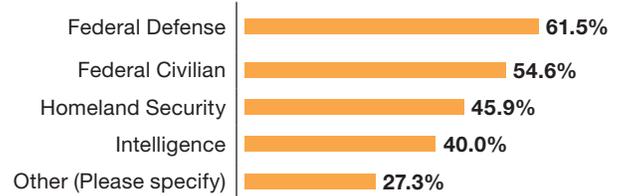
APPENDICES

Appendix A: Respondent Profiles

Job/Function



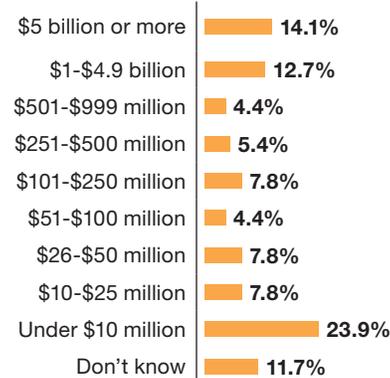
Company Markets



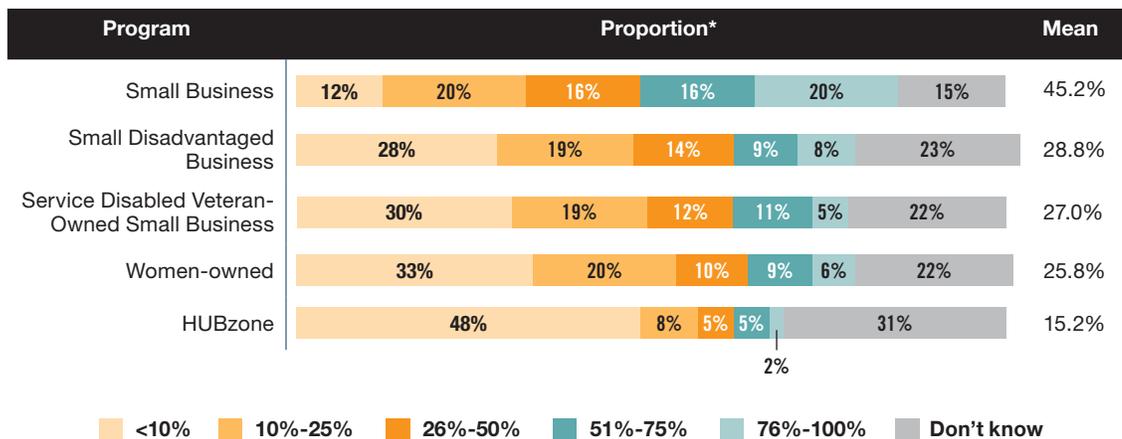
Primary Business Activity



Company Revenue



Proportion of Company Government Contracts That Go To Programs



* Percentages may not add up to 100% due to rounding.

Appendix B: Verbatim Comments From Respondents— Best Subs by Company

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

| | |
|---------------------------------------|---|
| 4 Core Technology Group | Henry Elliot |
| Advanced Masonry | iSW |
| Artful Eyes Production | MartinScott Consulting LLC |
| AT&T | MBO Partners |
| Athenx Inc. (Now NevWest) | Microsoft |
| BuddoBot | NAVCO |
| CDWG | QSSI dba:OPTUM |
| Charles River Associates | SAIC |
| Constellation West (FKA CSSS. NET) | Specialized Electric Sumaria |
| Craig Technologies | T&T Consulting |
| Data Network Group | T.J. Westlake |
| Don Selvy Enterprises | TechAnax |
| Dynamis | United Technologies – Pratt & Whitney Aircraft |
| EM&I | |
| Grant Thornton | University of Toronto |

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

| | | |
|--------------------------------------|---------------------------------|---------------------------|
| Afia Plus | INDUS | Storm Cloud Technologies |
| BAE | Iron Arch | Synergem |
| CACI | JB Management | Telecommunication Systems |
| Calhoun International | Johns Hopkins University | The MIL Corporation |
| Camber Corporation | Logistics Solutions Group (LSG) | Titania |
| Canvas Inc. | Mount Kenya University | Twin-Soft LLC |
| CAS Inc. | MTU Aero – Germany | UNHCR |
| C-Lutions Inc. | Nami | Unicom Government |
| Creative Information Technology Inc. | Network Solutions Int'l | Whatley Consulting LLC |
| Data Impressions | OBXtek | ZelTech, LLC |
| Discover IT | Oracle | zolon Tech Inc. |
| Excentium | Panduit | |
| Giant Lion Software | Provideo Management | |
| Green Beacon | Safaricom Kenya | |
| Hewlett Packard | SCI Technolgy, Inc. | |
| InCadence | SemanticBits | |

Appendix C: Verbatim Comments From Respondents—Other

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

Ability to hit pricing objectives/competitiveness in pricing

Ability to shape requirements.

Able to perform services in a timely manner.

All have been covered

Attitude toward job completion and understanding how and when payment will be made.

Availability of contractors with industry knowledge

Availability of skilled proposal contributors

Availability of staff and ability to recruit.

Being flexible and able to adapt, if schedules or tasks change, and partner trust is key.

Capabilities

Communication at both project and market-levels.

Cost

Cost

Cost and pricing

Cultural compatibility

Cultural differences

Customer perception

Dependability

Direct, Open

Do they work well with other subcontractors

Ease of personality

Ease of use, history or good rapport with other companies

Efficiency

Ethics and integrity

Ethics is/should be very important. Core values of the subcontractor should be at least as strong as the core values of the prime.

Experience

Facility clearance with subcontractors

Fairness and equity in teaming terms and conditions.

Flexibility

Flexibility and responsiveness

Flexibility in pricing and staffing - rapid turnaround on proposals

Flexibility, the care they show over their crews

Fulfilling contractual obligations

Functional understanding of contract law, FARS, DFARS, able to navigate appropriate prime/Govt interfaces, ethical and moral responsibilities in support of deployed government personnel and taxpayer

Funding streams

Government approved systems.

Having the resources to do the work, providing tech resources for RFP response work

Honesty and integrity.

Honesty, integrity

How much profit we can make

How well individuals interact with customers.

Integrity, no bullshit, no back talking, honesty and fairness and the ability to recognize value and drink the “marketing” cool-aid!

Knowledge/skill sets of a subcontractor.

Long standing relationships. Relationships with subcontractors who now employ former trusted co-workers.

Long term relationship

Makes us to make the best choice

Making sure requirements are completely understood and agreed to prior to start of work, perhaps even before contract negotiations.

What other factors, if any, do you find important in evaluating partnering opportunities with subcontractors? (continued)

| | |
|--|--|
| Market Knowledge | Rates, flexibility |
| No | Reciprocity |
| Overall quality of staff - I cannot have "dirt bags" working in my buildings. the appearance and demeanor of your subs reflects directly on you. | Regular collaboration when the Prime the Sub and the Customer regularly communicate and preview and review the different phases or steps in a contract the entire process runs more efficiently. |
| Past experience, individuals working the relationship, trust | Reputation with the client |
| Past history | Required certifications |
| Past performance | Safety |
| Past performance | Safety knowledge |
| Past performance | Sources of hire. For instance, CSC went to KForce |
| Past performance on similar work, pricing, ability to adjust based on changing customer requirements | Teamwork is key! |
| Past working relationships, qualified contractor list | The value added in meeting requirements (i.e. past performance, experience, qualified personnel), |
| Potential opportunity | Their willingness to support the proposal process, the transparency when working on the account- understanding who the prime is and completing tasks on time. |
| Presentation | There ability to get things done - all the way! |
| Previous work partners, budget compliance. | They have paperwork that is valid and I can see. |
| Price | Timelines and pricing |
| Price | Timeliness of documents and work efforts within the partnership and with customers needs or desires. |
| Price | Trust |
| Price (if the rate is set and they have much higher rates, partnering isn't easy) | Trusted by customer...respectful of partners roles. |
| Price and past performance | Trustworthiness |
| price competitiveness | Honest |
| Pricing | Customer focused |
| Pricing—probably outweighs all the above | Public benefit |
| Pricing, communication | Trustworthy and dependable |
| Prior experience with customer and customer feedback (as possible), company principals or POCs | Unique capabilities |
| Professional manner toward other of their peers in getting the job done. | Veteran status |
| Profit margins, product availability | What gaps in capabilities can they serve,. |
| Proposal phase support: blue team input, writers, and reviewers. | Whether they fill a specific MBE category need on a given engagement. |
| Proposed candidates | |

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

Am gaining a lot of experience and familiarizing myself to the subcontractors

Because it acquaints people with people, and the realization that all are in for one central function.

Because we hardly ever use contractors and now going to be using some more. Thus the process should become easier

Being familiar

Better knowledge.

Experience

Familiarity

Getting to know each others process

I think with the continued rise of technology through all businesses. I will have more data available and information to help me with such partnerships.

It will become more routine

More experience working with a select group

Ongoing relationships with current projects

Practice makes perfect

Process matures

Teaming experience and past performance

Use a lot of the same team members repeatedly.

Used to the process

We have learned more about “partnering” and our own, as well as subcontractors’ expectations and their fulfillment.

We will continue to work with subs we have already engaged on projects. With each subsequent engagement the processes become more clearly defined and easier to implement and follow through.

We will need more. Therefore will have more experience doing it.

We’ll be better equipped and experienced.

Work with trusted partners and become more familiar with how they work

You get to know them better.

Better communication of contractor expectations

Better relationships

Building relationships

Building stronger relationships

Communication and language

Communication lines and more detailed defined specs

Developing a group of strategic teaming partners

Due to efficiency of process (CMMI level 4)

I will have established a good working relationship with them.

Many are finally jumping into technology which makes everyone’s communication (and therefore their work) easier.

Review of past performance and working together to improve the relationship for the benefit of all parties.

Sharing more information

We are working with new SUBS

We will continue to build relationships that can facilitate future teaming engagements.

Working relationship

As a SB, we are becoming more knowledgeable on how to streamline the processes and protect our company.

As we get bigger, more firms want to work with us

Become selective with the subs we choose

Better internal processes of prime

Engagement, prospecting and driving requirements ahead of bid request.

I no longer work with my worst subcontractor. The company brought all the previous cumulative scores down. The company and its owner turned out to be unethical, and very difficult to work with, not at all a team player.

Why do you expect it to be easier for your company to work with subcontractors over the next two to three years? (continued)

More detailed qualification of subs prior to assembling capture team.

More opportunities to partner as business grows.

Our internal processes for subcontracting and teaming continue to be streamlined.

Our processes are getting better refined and we are having better customer knowledge to understand which subs fit in specific scenarios and why. We are also getting better about work share commitments up front. To get the best, known partners you need to guarantee them workshare.

Our staff is more comfortable and knowledgeable

Re-thinking our process and approach

Since we will be incumbent on more work

With abundance of public social intelligence, we could do a better job in filtering candidates

Working towards parity in program structure and process will simplify the mix and experience, between the parties. This is a key Initiative over the next, few years. Conducting Voice-of-Customer and Continuous Improvement events jointly - is helping this effort.

Reduction in SB requirement

Lack of competition

Lack of funding for institution will open up better options for utilizing subcontractors

People are willing to do the work today more than they were five years ago. Tougher market and you HAVE to work together or perish.

Technology bases assistance should improve as tech improves

There will be more companies to deal with at this time.

They need to win the work (the size of which is diminishing overall) and thus become much more cooperative.

Because it is more effective

Continue to deliver services in the industry focused on

Improved use of SharePoint and other collaboration tools to exchange info

No

The last "contractor" I used didn't show me any paperwork and he turned out to be a handyman and did a lousy job.

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

You hit the big one but honesty and business ethics are extremely important. As budgets contract, becoming more competitive environment & subs trying to hold or expand their own business base.

Because of the increasing complexity of the US Government procurement process and the increase in compliance and reporting regulations.

Enormously expand the business .. with R&D development

Increased govt regulations and DCAA Audit increased regulation and security concerns

Margin squeeze

New rules on limitations on subcontracting, which no one understands

Pricing and work share are always in disagreement. Plus, federal trend toward using IDIQ and not sole source awards cheapens the teams.

Subs are, as a group, suffering high turnover. On the prime side, there is more turnover, too. Knowledge and experience is not accumulating. Further the USG customers are getting more observant. They can easily see when firms are not playing nice.

Further, the USG is more frequently using subs to lever the primes into more favorable behavior. USG is even cheeky enough to try to “detach” subs from one prime and mate them with another. Things are getting harder, not easier.

The Industry remains in contraction-to-steady. In order to achieve growth and generate OH, positions will necessarily be harvested from the subs portion.

We will need to fully comply with CPSR audits and requirements and do not have sufficient staff to fully adhere to all requirements.

Competition increases and drive to use more internal DL

The quality of subcontractors being chosen to support primes and government clients is prone to gross failure to perform appropriate conduct undermining the delivery of authentic support, guidance, adequacy of analysis, inability to participate development of solutions without fear of reprisals from prime or government sponsors

Things get more and more complicated, and the contractors don't catch up

Because subs rarely remember that they are NOT THE PRIME and you are.

Terms and conditions become more onerous and bureaucratic as companies grow.

The customer knowledge level of the subs seems to be decreasing

Finding and managing multiple subcontractors could be difficult

With our recent contract awards, we will be teaming with a much larger number of subcontractors. The management will be a challenge.

By virtue of working with more subcontractors, there will be issues of less flexibility, if there are schedule or tasking changes.

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

Accurate decision making on facts not assumptions alone

Clear lines of communication and designated Point of Contact

Customer and competitive intel

Customer intimacy

Electronic communications

Ethics and core values clearly documented and upheld.

Funding Streams

Good past performance; knowledge of customer identify methods enabling full and equal participation

In it to win it! Subs behavior reflects on prime!

Less concern over not important details and more concern over general compliance and content

Maintain technical excellence and resources

Patience in case things don't work out

Primes don't want to provide "high school and college" level training to subs. They also do not want a befuddling web of prime-sub, sub-prime relationships. It gets confusing and the subs tend to fumble from the complexity. The primes tend to get confused, too. Keeping things simple, but there are fewer competent subs to go around. And when it comes to being "partners," that easily backfires, not only with subs, but with the government. All of these relationships are, in terms of contract law, actually pretty asymmetrical, and subs and customers sometimes don't care if the prime makes any money or not. Partnering is a really dangerous word and concept in much of government contracting.

Professional capabilities

Prompt payment

Really focusing on achieving favorable past performance evaluations; effectively develop and apply capture strategy

Rules of engagement plan

Technical know-how

Trust

Valid paperwork that can be viewed before anything else.

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

- Accept changes
- Access to funding
- Be a good teammate—responsive, flexible, understanding of customer demands
- Be a true partner: shared opportunities, give and take in pricing, commitment to a decision
- Be easier to work with
- Be knowledgeable about the customer
- Be more courteous
- Be more open minded
- Be more upfront regarding budget creep.
- Be proactive with customers to find opportunities
- Be specific
- Be straightforward
- Be trustworthy.
- Being flexible
- Better customer knowledge
- Billing and accounting
- Bring a partnership approach to the work/ requirements.
- Bring customer intimacy and technical capability
- Bring expertise to the proposal process.
- bring workshare
- build the relationship - be responsive and earn mutual trust
- Clear articulation of their value proposition.
- Clear understanding of requirements
- Commit, then deliver on those promises
- Communicate
- Communicate and be a true partner (reciprocity)
- Communicate as issues arise. the sooner decisions are made the more quickly problems are handled
- Communication
- communication
- Communication and teamwork
- Communication at all levels
- Compliance with terms and conditions
- Constant communications
- Customer knowledge
- Customer knowledge and team work, I know I named two!
- Decision making processes
- Develop and live by a strong sense of business ethics.
- Develop proposal capability.
- Don't over sell
- Easy going
- Easy to work with
- Effective communications/responsiveness
- Effective proposal processes
- Effectively develop and apply capture strategy
- Equitably share the workload
- Established mutual respect and go to market strategy
- Excellent communication
- Expertise
- Faster response time
- Focus on the task/desired objective or goal, and having one person as their contact point who can devote the time and resources necessary to completing the task/gaining the objective and customers' satisfaction.
- Follow guidelines
- Good capabilities
- Great teaming skills and customer knowledge
- Have a simple, consistent, and clearly priced technical offering. If there is a point of contention, bring it up early, not at the 11th hour.

What is the single most important thing a subcontractor could do to partner more effectively with organizations such as yours? (continued)

- Have an established process.
- Help to locate other opportunities
- Honest communication - about pricing, about writing capability, about past performance
- Honesty - on what they do how well they do it, etc.
- I am an homeowner?
- I don't view the most important issues as a subcontractor deficiencies, but as intimidating admin/mgmt disingenuous and hubristic attitudes exhibited by both primes and government sponsors that are the unspoken elephants in the room which are by far the inhibiting factors which undermine and crush subcontractor value
- Improve customer relations
- introduce new opportunities
- Involve us in the opportunity development and win-capture early in the process and fully understand the subcontractor's capabilities/core expertise vs. limitation.
- Keep it simple
- Know and work with higher education entities and their complexities
- Know the customer.
- Know us better.
- Listen
- Listen and adapt
- Listen and be prepared to do the heavy lifting with us to win work - expand customer knowledge of us, bring us in to know internal workings of the client
- Listen to the expertise available and work with the information more effectively
- Lower price point
- Maintain a internal training program to keep their people as up to date and highly skilled as they can be
- Meet our expectations
- None
- Not bicker about illusory teaming agreements
- Offer flexible service, great customer service
- Open and effective sharing of skills and capabilities
- Open communications, honesty, integrity, hard work
- Participate in proposal process
- Participate in proposal process
- Participation in proposal process to support decision making
- Participation in the capture process to include pricing.
- Partnership
- Perform as expected
- Possess technical capability and have bandwidth to participate in the proposal process.
- Price
- Pricing
- Process paperwork in a timely manner
- Processes to support decision making.
- Professional conduct
- Professionals
- Proposal support; for IDIQ - joint marketing
- Provide better proposal support....
- Provide Customer Intel
- Provide customer knowledge and insight
- Pull their weight and not just look for a handout.
- Put the right staff on the proposal process, be a major contributor to the solution and under the success of any work depends on the whole team.

What is the single most important thing a subcontractor could do to partner more effectively with organizations such as yours? (continued)

Quality work and working per specs

Quick respond

Realize that the prime is not one big safety net that will unfailingly bail out the financial and client-handling and technical errors of the sub. Rather than bail out weak subs, many primes' tendency is to jettison them or hide them or disown them. Due diligence which is weak just invites these situations. And subs should be more discriminating about whom they sign up with. Some are just looking for a trough or a "bank" and shame on the prime that does not see this.

Reciprocate back to us by bringing us into project opportunities

Reciprocity

Reciprocity

Reciprocity in working together

Reciprocity in working together

Reciprocity in working together.

Reliability

Responsiveness to technical requirements.

Responsiveness.

Finding the right person to talk/work with

Service & support

Specifically articulate their value-add

Stay on top of proposal strategy and timing

Step up during the proposal process and you will reap the rewards after the win.

Supplying mission critical knowledge and services

Take the time to know what is expected of them.

Technical expertise

Technical know-how and the ability to execute. Experience. Low in house turn over rate. Solid organization top to bottom.

Technical skills

Their expertise in developing and writing based on their users.

They can know a lot about our organization.

To work all round to make the change and achieve the main objective

Understand completely that they are the subcontractor and not the prime when dealing with the customer.

Understand that they are a direct part of the prime team!

Understanding business model and operations.

Value added proposal assistance

Well documented processes

Work together more like a team. Not look out only for self but for the team

Work with us during the proposal stage and give us the BAFO of their pricing.

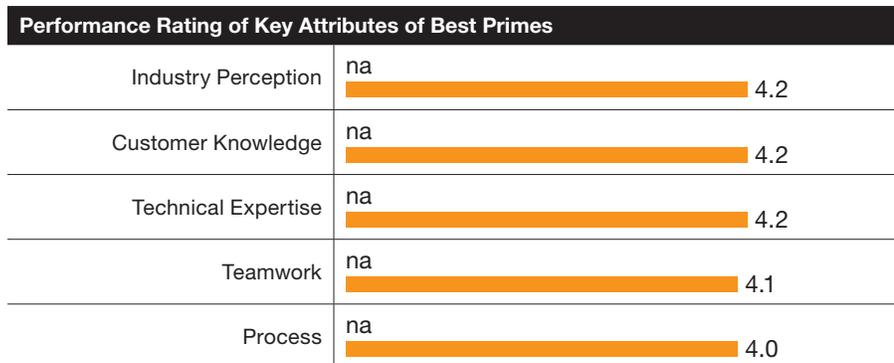
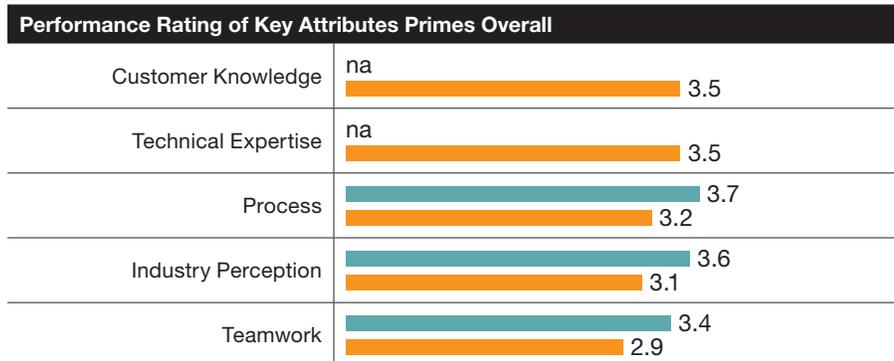
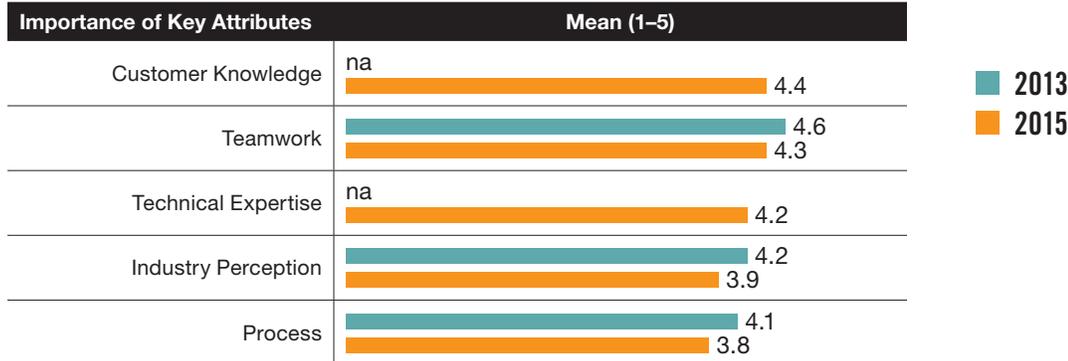
Work with you honestly

Working knowledge of the customer

Writing

Appendix D: Overview of Primes/Subs Ratings 2013-2015— Subs Rate Primes Comparison Summary

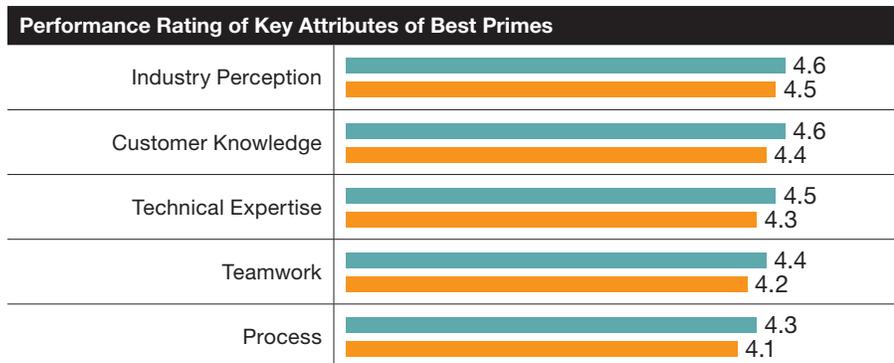
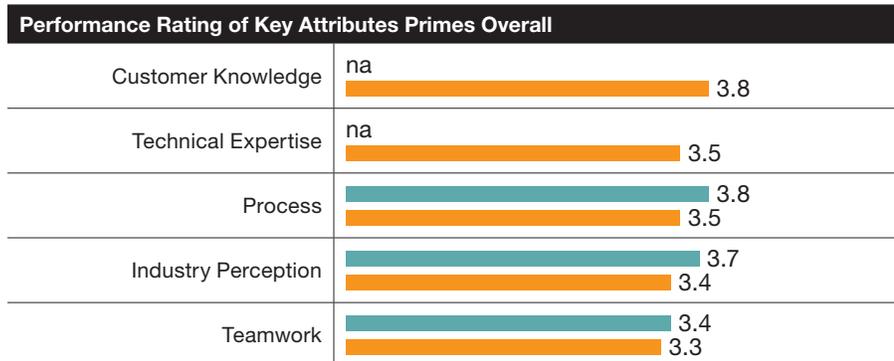
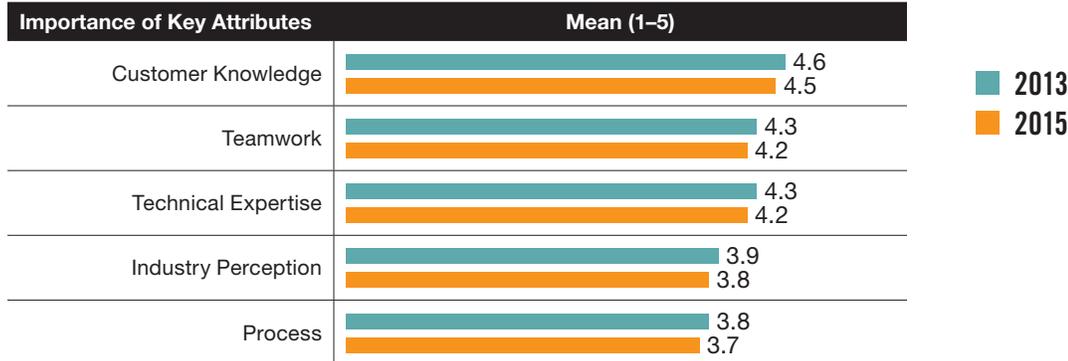
Subs Rate Primes



| Future Partnering with Primes | 2013 | 2015 |
|---|---|---|
| Single most important action to improve partnering with subcontractors? | Communications/Transparency | Treatment of subs as partners Honesty/Transparency |
| Largest challenges next 2-3 yrs? | Availability of business Limited budgets Weak business environment LPTA/Other pricing issues | Negative business environment Primes keeping workshare in house Problems with Prime processes Changes to subcontractors themselves |

Appendix D: Overview of Primes/Subs Ratings 2013-2015— Primes Rate Subs Comparison Summary

Primes Rate Subs



| Future Partnering with Subs | 2013 | 2015 |
|---|--|---|
| Single most important action to improve partnering with primes? | Transparency/Effective Communication Flexibility on pricing/costs/workshare | Reciprocity in working together Pricing |
| Largest challenges next 2-3 yrs? | Budget/Price/Costs/Workshare Market forces/Business environment Subcontractor performance Gov't admin/regulation/compliance | Negative business environment Government rules and regulations Problems with subs' quality/knowledge/attitude Prime will need to work with a larger number of subs |

Appendix E: Methodology

- A survey instrument with 29 questions—24 fixed-response and 5 open-ended—was jointly developed by Lodestar and the WT teams.
- A total of 48,890 email invitations were sent out by WT to the entire 1105 Media contractor database across the WT, FCW, DSM, and FOSE brands.
- WT 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 3/2-3/17, 2015, with two reminders.
- Ultimately 382 respondents began the survey for a response rate of 0.8%. After question #1, 46 respondents (12%) exited the survey after reporting that they have not partnered with any subcontractors during the last 24 months. A total of 205 of the remaining respondents went on to complete the entire survey.
- The bases (n=xxx) used in this report's tables and graphs represent the total number of valid responses collected for each question.
- Mean and median scores have been calculated for survey questions where appropriate.
- 5 open-ended questions generated 426 respondent comments.
- The complete list of respondents' verbatim open-ended responses and explanations of any "other" answer choice selections has been provided in a separate document.

Appendix F: About Lodestar

Lodestar is an evidence-based advisory services firm that specializes in helping clients create, manage, and utilize information and intelligence of all kinds to solve complex business problems. Our work has two goals: improve business performance and drive growth.

The firm is built around six major practice areas:

- Customer Experience Management
- Information Management
- Innovation
- Marketing Performance
- Marketing Research & Marketing Sciences
- Strategy Acceleration

In addition, we offer specialized services in areas such as competitive intelligence, technology scouting & intellectual property assessment, future forecasting, performance measurement & ROI assessment, marketing communications, strategic planning, change management, and organizational effectiveness.

Lodestar works with Fortune 1000 and SMB clients across a variety of industries, including financial services, healthcare, media & publishing, technology, professional services, manufacturing, and the public sector.

We achieve our work through a team of 35 PhD-level researchers, analysts, strategists, consultants, innovation specialists, data miners, futurists, and technologists as well as a global network of strategic alliance partners.

For more information, visit our website at www.lodestarlink.com. For more on how we think about brand and marketing effectiveness, visit our blog at www.lodestarpartnersblog.com.



LODESTAR
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Putting
Intelligence
to Work