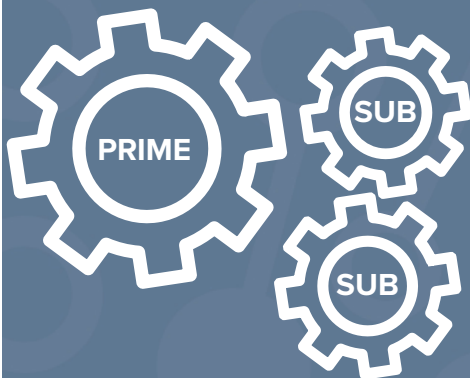


Does Teamwork Make the Government Contract Dream Work?



Teamwork. It is a concept that we're taught to embrace at a very young age and engrained as the key to professional success. But, any company that has ever competed for a federal, state or local agency contract knows that government sales can be a very cut-throat business. There are a lot of contractors competing for what seems like very few contracts. Which leads us to pose the question: Is there a way more companies can share the wealth? A way to create an environment of greater collaboration for the greater good?

In short: There is. Through teamwork. Or, what many call **"teaming agreements."**



Typically, a teaming agreement involves a large corporation and one or more small businesses, with the large corporation acting as the prime contractor to the government and the smaller company or companies serving as subcontractors to the prime contractor.

What You Should Know

Government agencies at all levels are starting to encourage collaboration among experts in their field, many of which may be competitors. They are even assembling think tanks in hopes of spurring brilliant solutions to some of the country's greatest problems today – aging infrastructure, archaic technology systems, and security.

Collaborative research and even system design ensures that public sector agencies can deliver the programs and services promised to taxpayers and achieve financial goals without undue disruptions or unnecessary trial-and-error cycles. But, even beyond R&D, collaboration can strengthen the “team” that is competing for contracts, which subsequently strengthens the competition. The public sector sees this as a significant benefit, as it can drive up the quality of goods and services acquired while driving down price points.

Who Benefits from Teaming Agreements

However, “teaming agreements” also serve to benefit those who band together to (hopefully) win more government contracts – those who would otherwise be ineligible or unable to compete for contracts or who are lacking the resources to satisfy contractual obligations on their own.

This includes small businesses that may not yet have the means to fulfill prime contractor responsibilities or those new to government contracting that have yet to establish past performance records. In some cases, competitors may even choose to team up to supplement a single capability that would ensure their piece of the pie on a very lucrative government project.



Pros and Cons of Subcontracting

Pros:

Subcontracting is an excellent way for small and/or diverse businesses to get their foot in the door with government agencies.

You don't have the same contract obligations and liabilities as the prime contractor.

Supporting government projects as a subcontractor can help you grow very quickly.

Cons:

Your performance record and reputation is still connected to the prime contractor to a certain extent.

You still have a contract in place with the prime, which has a contract with the government.

You are working for the prime contractor, and will not have as much control as you may like.

Teaming With Competitors

It can sometimes payoff to team up with competitors to meet government RFP criteria, but know that competitor team could also be seen as collusion if leveraged too often. As with any teaming agreement, trust is key. Trust that you are working in the best interest of one another and the agency, and trust by the contracting officer that the partnership is not an attempt to monopolize opportunities and drive up pricing. Given the delicate balance that exists between the mutual benefits and risks, ensure you reach a mutual agreement on these terms before signing any contract:

Obligations: Know how you will divide and conquer the actual work: proposal development, communications with the contracting officer, management of other partners or subcontractors; materials sourcing, etc.

Price and payment: Understand the shared costs split, payment processes and labor requirements.

Exclusivity: Determine if either partner can sub out any of the work they are responsible for completing. Decide if this teaming agreement will extend to other government contracts, or just this one.

Accountability: If there are performance or payment issues, how will they be resolved? Will mediation be required first, and who will serve as the mediator? Will there be penalties for non-performance or missed deadlines? Remember, if there are any discrepancies, or the deal just doesn't seem like the right fit, it is okay to move on. There will be other opportunities.



A 2013 survey by American Express OPEN found that small business owners who engage in teaming win 50 percent more contracts than active contractors overall.

Final Thoughts

Even if you are in the position to compete as a prime contractor, and have the resources to complete the project on your own, don't be so quick to eliminate subcontractors or competitor "partnerships". They can bring several advantages to your business: additional, or specialized expertise; diversity; labor; materials; possibly even lower pricing. For example, by "bundling" your goods or services with smaller businesses, your proposal may become far more appealing to a government buyer. It will eliminate the heavy lifting of piecing together a solution, and managing multiple suppliers; both of which can be burdensome and more expensive for lean procurement teams.

Subcontractor relationships can also evolve into long-lasting business partnerships that may give you a competitive advantage on more sizeable or specialized projects in the

future. **Remember, subcontractors, don't necessarily stay small forever. They could be your next "prime" competitor.** Their stellar performance could also improve your referral rate. At the same time, remember that it often may make more sense to pursue more business as a subcontractor versus constantly competing for (and losing) opportunities as a prime.



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