

# Becoming a Subcontractor

## Subcontracting Could be your Starting Point into the Government Market

When considering how to enter the government marketplace, most business people first think about doing business directly with federal, state or local government agencies. Contracting directly with a government entity involves many steps and likely involves the requirement that a business has years of established experience.

In fact, there are many major considerations for doing government business as a prime contractor, including:

- Thorough knowledge of all applicable procurement regulations and laws
- Registration in numerous vendor databases and keeping them up-to-date
- Comprehensive market research to identify upcoming work
- Skills necessary to analyze government solicitations, and then prepare detailed and responsive offers
- Ability to secure bid, performance and payment bonds, if required
- Ability to finance what may be a multi-million dollar job for at least 60-90 days until the first payment arrives
- Established relationships with agency, including buyers and end-users
- Track record of relevant experience

Businesses lacking the wherewithal to support these considerations may wish to consider an alternative...

## The Alternative to Doing Business Directly with the Government

For less experienced and smaller businesses, there may be a simpler, faster, and less burdensome way to break into the government market — subcontracting.

The subcontracting route allows a company to do business with the government indirectly, through a prime contractor, on smaller pieces of work and involving fewer requirements. A subcontractor is answerable to a prime contractor, not the government, and the prime contractor is held responsible by the government for overall work performance.

Prime contractors are responsible for meeting all government contracting requirements. Primes must be able to finance the job, bond the job, and complete the job on schedule.

Primes also are held accountable for meeting any socio-economic small business goals associated with contracts. Because of this requirement, prime contractors working on government contracts are always looking for talented small businesses to meet their needs. For

federal contracting, this involves small businesses that are owned and controlled by women, minorities and other disadvantaged groups, and veterans, including service disabled veterans. Small businesses located in historically underutilized business zones (HUBZones) also are preferred by prime contractors. Individual state and local governments also may have preference programs involving particular small business categories.

Relationships always matter, and relationships with prime contractors are no exception. Small firms seeking to do business with a large prime must develop a strategy to introduce themselves and inspire the large firm to award them a small job in order to establish a reputation. Most small firms who have satisfactorily performed work for a government prime contractor report that they have received repeat business.

### **Preparing To Be a Subcontractor**

So, what are the starting points for pursuing the subcontracting path? Here are a few suggestions:

- Gain at least a general knowledge of the government marketplace
- Familiarize yourself with applicable government contracting terms and regulations
- Identify any areas of the government market where you have particular insights and look for work areas where you may fulfill a specialty requirement or a niche
- Complete the required government registrations and explore the government's various small business preference programs and become certified
- Work with government small business specialists and your local PTAC
- Create and polish a presentation about your firm's capabilities and strengths
- Attend government-sponsored expos, trade shows, and other forums to meet and make contacts with individuals at prime contractors

### **Locating Prime Contractors**

Federal prime contractors are easy to identify:

The Small Business Administration (SBA) publishes a list of Major Prime Contractors at: <http://www.sba.gov/category/navigation-structure/contracting/contracting-opportunities/sub-contracting/subcontracting-opportunities-directory>

The SBA also manages a web site and database for Primes to announce needs and Subcontractors to announce capabilities at: <http://web.sba.gov/subnet/>

Most federal agencies also publish a listing of their major prime contractors. You will find these lists at the agencies' Office of Small and Disadvantaged Business Utilization (OSDBU) website.

## **Working with Prime Contractors**

Now that you have done your preparatory work, follow these steps to begin working with prime contractors.

### **1. Research and know the company you are approaching**

- a. Use a company's web site to gather information. This will not only help you understand a company better but will impress them that you took the time to learn about them. It just makes your job easier!
- b. Determine the product or services you offer with the greatest impact for the potential buyer.
- c. Are there non-negotiable insurance or certifications required to do business with them? Can you comply with them? If you have them, let the company know.
- d. Find out if they realize their need for your product or service? If not, be prepared to convince them that they need your product or service.

### **2. Be specific about yourself**

- a. VERY IMPORTANT: Don't say "We do everything."!
- b. What can you offer to make the company more cost effective?
- c. Develop a plan. Again, be specific. What is your niche? What separates you from the competition?
- d. Don't try to only capitalize on your HUBZone, Woman-Owned, Disabled Veteran, etc., status. Although this is important and helpful, it doesn't tell anything about your reputation, quality, or capabilities. Instead, focus on what you do and how it will help their company. Know your market.
- e. Keep them up to date on your capabilities and product lines. Also, inform them of any awards or certificates your company has obtained. Reference any successful contracts your company has completed! This all builds credibility.

### **3. Look to form long-term relationships**

- a. Develop an alliance.
- b. Suggest teaming arrangements that benefit both parties long-term.
- c. Enter only teaming agreements that better promote your company, as a viable and valuable partner that can make a company more cost competitive. Remember they want to know how you can affect their bottom line.

### **4. Request a visit**

- a. Meet with people who can assist you in accomplishing your goal, such as the administrative staff.
- b. Speak to the right people. Don't waste your time or theirs.

- c. Be aware that owners or inventors are not always the best people to market the company or products. Sometimes they're too close and have a hard time with criticism.

#### **5. Make a presentation during your visit**

- a. Request overviews containing active contracts or projects, proposed contracts or projects, and future markets.
- b. Keep your registrations and certifications current
- c. If you are a service company, the basic rule of thumb for Power Point presentations is; 5 Minutes - 5 Slides – 5 Bullets per slide. Focus on what you do and know your market. A 30-second speech can make or break you.
- d. Show financial stability.
- e. Be competitive and know your competition.
- f. Be active in the professional community. Attend trade shows.
- g. Follow up. Follow up. Follow up.

#### **Help That's Available**

The PTAC at SAP&DC offers assistance to business clients interested in subcontracting to prime contractors. PTAC clients are offered guidance on completing the action items listed above, which are necessary to enter the government subcontracting marketplace.

To become a client of the PTAC at SAP&DC, contact [ptac@sapdc.org](mailto:ptac@sapdc.org).