

THE REST OF THE



ICEBERG

A Call for More Focus on
Subcontract Management

BY VIC AVETISSIAN, DAN JACOBS, and LENN VINCENT

IN TODAY'S ERA OF ECONOMIC AUSTERITY, AS WELL AS A HOST OF OTHER FACTORS, THE GOOD NEWS IS THAT THE U.S. FEDERAL GOVERNMENT ACQUISITION SYSTEM NOT ONLY WORKS, BUT IT WORKS WELL. THE BAD NEWS IS THAT IN SUCH AN ENVIRONMENT, TOO MUCH FOCUS HAS BEEN TAKEN AWAY FROM THE CRITICAL ROLE OF SUBCONTRACT MANAGEMENT, AND IT WILL TAKE ENGAGED, COLLABORATIVE LEADERSHIP EFFORTS FROM BOTH GOVERNMENT AND INDUSTRY TO CORRECT THE COURSE AND RIGHT THE SHIP.

Overview

The roles of program management and contracts professionals are changing and expanding.

These professionals are now multitaskers dealing with many projects and competing priorities.

They have had to adopt more of a "relationship manager" role to deal with the increased complexity of the value chain during the interactions between both the buyers and the sellers, including managing risks, financial arrangements, compliance and oversight impacts, and prime/sub relationships—just to name a few.

U.S. federal government contracting is not only complex and demanding, but it is also increasingly sophisticated. You have to deal with more complexity in the contracts you manage—system of systems, enter-

prise contracts, huge indefinite delivery/indefinite quantity contracts, data rights, and commercial pricing, not to mention the expectations of the Department of Defense's (DOD) "Better Buying Power" initiative. The numbers are bigger, the stakes are higher. Some of the transactions that are conducted through well-managed contracts today were undreamed of a few years ago.

Regardless of a "rule-based," conservative environment, the federal government acquisition system works, and it does so because outcomes are primarily determined by people, not systems or processes. In leadership, the sole criterion for measurement is results. Competent federal government personnel and their industry partners who participate in the acquisition process lead and execute successful programs 24/7 on a global scale. They deserve our praise and appreciation. That being said, the federal government and its industry partners who participate in the acquisition process are not providing sufficient and/or consistent leadership in the management of programs, contracts, and specifically *subcontracts*.

The Rest of the Iceberg

Of the several hundred billion government acquisition dollars expended annually, a significant portion of those dollars, some say as much as 60-85 percent, are spent with subcontractors. Traditionally, the focus of training, oversight, legislation, and other acquisition reform efforts has been aimed at the prime contract level, but that's just the tip of the iceberg. The bulk of the work on major government contracts occurs below the surface with the *rest of the iceberg*—at the subcontract level. (See **FIGURE 1** on page 72.)

Too often the lack of a consistent and proactive approach to subcontract management contributes to the risk of schedule delays, poor performance, cost overruns, legal challenges, and funding issues. These undesirable outcomes must improve, especially in an era of declining budgets, more scrutiny, and expectations of a higher level of professional acumen in

the acquisition workforce at large. In the authors' view, achieving the best possible outcomes—those that were intended in the acquisition planning cycle—will take engaged, collaborative leadership with a laser focus on subcontract management, where the bulk of the work and a plethora of issues reside. (See **FIGURE 2** on page 74.)

In addition, external factors—such as sequestration, uncertain budgeting, congressional intransigencies, the generational changes in the federal and industry workforces, and global challenges, just to name a few—may have contributed to the current state of affairs. However, a subcontract is not created in a vacuum; it is part of a comprehensive, proven process. The activities preceding award and execution of a subcontract are substantive and drive the subsequent execution of the subcontract management plan.

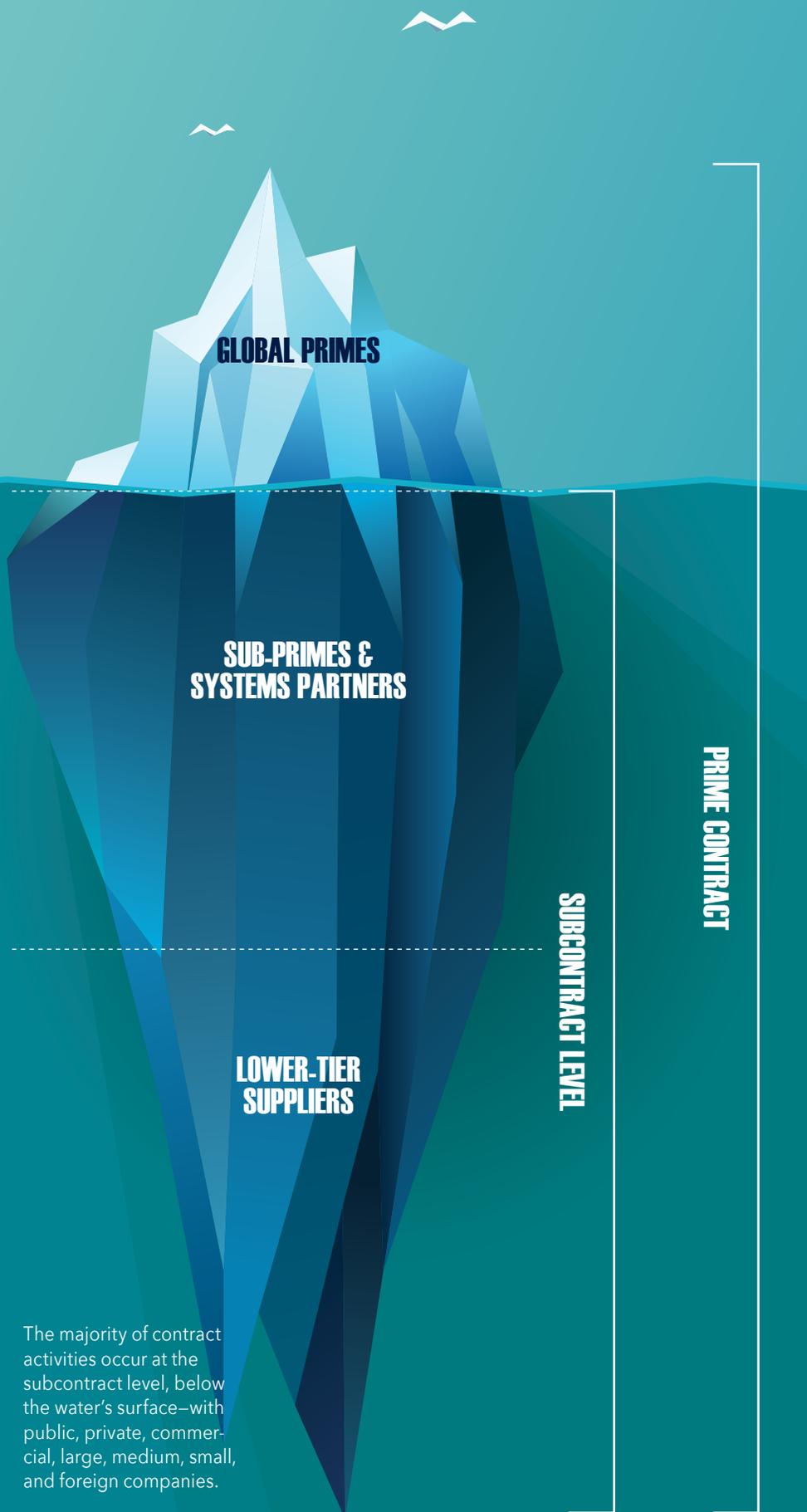
**The Current Focus—
The Tip of the Iceberg**

While the federal government acquisition system works, it is far from perfect, and attempts to reform the process are nothing new. Over the years, there have been a plethora of studies on the acquisition process, with many recommendations to improve it, as well as subsequent legislation and regulations to act on the recommendations.

For example, David Packard, cofounder of Hewlett Packard and former U.S. deputy secretary of defense, appointed by President Ronald Reagan in 1986 to chair the President's Blue Ribbon Commission on Defense Management, proposed an approach in which successful programs were examined to determine why they succeeded in the same work environment as those that failed. The subsequent "Packard Commission Report" found that in every successful program, there were four common attributes:

- They were well led,**
- They were well planned,**
- They were performed by competent people,** and
- They performed as a team.**

Figure 1. The Contracting “Iceberg”



The majority of contract activities occur at the subcontract level, below the water's surface—with public, private, commercial, large, medium, small, and foreign companies.

David Packard introduced the federal government to best practices. Subsequent legislation and regulations resulting from the various Packard Commission recommendations mandated numerous remedies to the perceived challenges.

Today, federal contracting continues to be the subject of dynamic regulation and oversight. Congress and, of course, “Monday morning quarterbacks” can’t resist “helping” the fields of program and contract management with even more oversight and changing rules. Also, in concerted efforts with industry, the government provides tools, checklists, and training/certification—all practical and well-intentioned. Unfortunately, none of these efforts, including the recommendations of the major acquisition reform studies (i.e., the Packard Commission, Section 800, and the 2007 Acquisition Advisory Panel), appears to have adequately addressed the subcontract management issue.

The Missing Link—A Call For Leadership At Every Level

Granted, the system works; fortunately, there are competent personnel in both government and industry that follow best practices and execute successful programs. However, programs are too often negatively impacted by government personnel who fail to properly define the requirements and the offeror’s failure to demand clarity from the outset. The challenge is further compounded by industry’s inconsistent approach to identifying, competing, selecting, teaming, monitoring, and ultimately integrating subcontractors into a high-performance team. The government then fails to provide consistent coordination and oversight during life-cycle performance of the prime contract. Because the government lacks privity of contract with the prime’s subcontractors, the government relies upon the prime contractor to provide quality assurance for its subcontractors. Moreover, the prime contractor will expect the subcontractor to provide quality assurance for sub-tier contractors.

It is time for government and industry to focus on these high-risk processes and work together to affect a more consistent and disciplined approach. The systems, processes, tools, and demonstrated best practices exist. It is the failure of leadership, within both government and industry, to demand the application of those assets and hold personnel accountable for outcomes that has drawn attention away from the rest of the iceberg beneath the surface.

While not a panacea, the following is a top-level set of recommendations to add to the dialog and hopefully stir the critical thinking of what leaders can and must do to significantly improve subcontract management of publically funded contracts.

Back to Basics and Accountability from Top to Bottom, Government and Industry

Program Management

Program/project management is the foundational competency/discipline for

all government acquisitions. The program manager's customer is the end user. Contracts and subcontracts management are critical functions within that discipline.

Government program management is mandated by the Government Performance and Results Act (GPRA) of 1993, and reemphasized in the GPRA Modernization Act of 2010. DOD, in concert with the Project Management Institute, adopted, in 1993, the *Project Management Body of Knowledge (PMBOK)* as the government standard. The *PMBOK* is also the global standard for program/project management.

These and other efforts have resulted in standard training and certification of program management key competencies for government program managers. However, civilian agencies, as well as DOD, continue to assign personnel as program managers who are not qualified. These agencies also consistently fail to hold these personnel accountable for outcomes. The waste is

abundant. The government must invest in quality critical decision-making training at all levels for management and supervisory personnel.

In addition, DOD, certifying program managers since 1990, has found that certification doesn't necessarily mean "qualified." DOD must include more experiential training and demonstrated performance on the job as part of the certifying process. In addition, DOD must address the issue of frequent changes in program manager assignments.

On the industry side, there is a consistent lack of sufficient investment in training and certifying of program management personnel. Industry also consistently fails to internally standardize program management processes and toolboxes. Those entities that have are realizing significant competitive advantages and higher profitability.

Figure 2. “What’s Below the Water Level?”

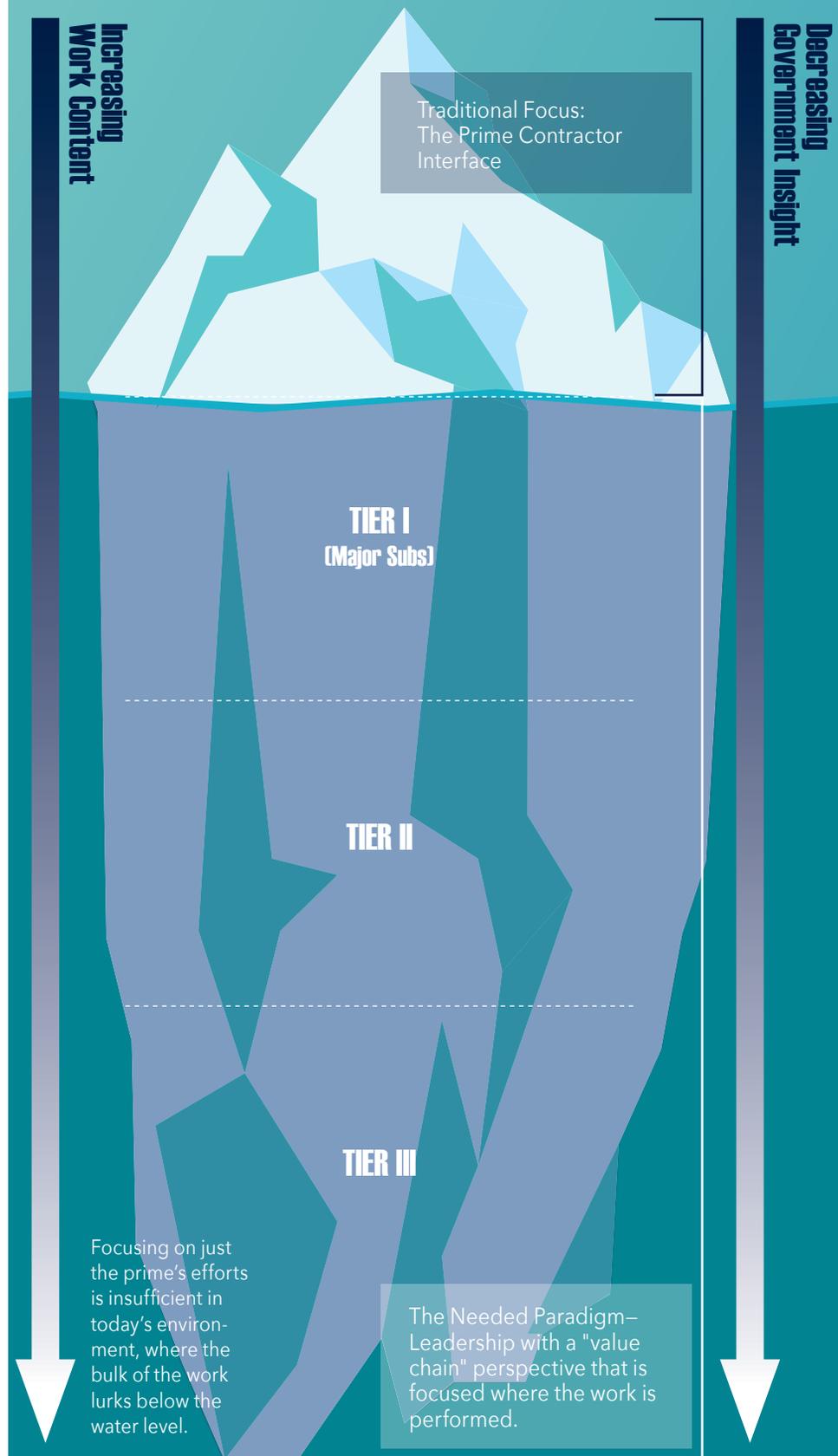
Contract Management

Government standards for contract management policies and procedures are the responsibility of the Office of Federal Procurement Policy. Certification and training standards are the responsibility of the Federal Acquisition Institute. NCMA is the recognized industry standard for contract management and maintains the *Contract Management Body of Knowledge (CMBOK)* and a host of certifications. While these entities are well equipped to prepare the government and industry acquisition workforce for assuming new roles of authority, the current workforce has gentrified and is experiencing a generational shift. This has resulted in the consistent practice of filling empty positions with those who are not adequately trained, and/or who lack adequate experience. To remedy this, both government and industry must place more emphasis on experiential training and mentoring for newly appointed contracting officers, contract specialists, contract managers, and subcontract managers, and on better utilizing the currently existing training and policy available from entities such as those previously listed.

The government has been training contracting officer representatives (CORs) for years, but is experiencing the same challenges with COR certification as it has with program management certification and contracting officer certification—COR certification, as now structured, does not necessarily mean “qualified.” In addition, industry must also invest in training technical representatives and subject-matter experts representing the prime contractor’s end users to interface with the subcontractors and their contracts and subcontracts managers.

Subcontract Management

The federal government does not enter into third-party agreements, and therefore does not have privity (i.e., a contractual relationship) with subcontractors, instead relying upon the prime contractor for monitoring the performance of its subcontractors on the prime contract. The Defense Contract Management Agency is the only government agency that maintains a docu-



mented and consistent process to monitor subcontractor performance—the Contractor Purchasing System Review (CPSR). The CPSR provides comprehensive guidelines for validating and monitoring a prime contractor’s subcontract management capabilities, but holds no purview over the subcontractors themselves—the CPSR does not provide guidelines or requirements for subcontracts using public funds. Civilian agencies have nothing comparable. In fact, the government’s only criteria for subcontractors are the *Federal Acquisition Regulation (FAR)* references to contractor qualification listed in FAR Part 9.

In response to this lack of direction, the Subcontract Management Institute was formed to create and maintain the *Subcontract Management Body of Knowledge (ScMBOK)*—the recognized industry standard for subcontract management. The Subcontract Management Institute also provides certifications for subcontract managers and technical representatives.

What Leadership Must Do To Effect Change

The prime contractor can only deliver results on the government’s contract if its subcontractors deliver. While the government’s focus is aimed at the prime contract level, it is at the subcontract level where the vast majority of the work on the contract is completed. Any issues experienced at the subcontract level will ultimately affect the end result provided to the government. As such, more must be done to address more than just the tip of the iceberg.

The following recommendations have been compiled to address the rest of the iceberg:

The government must recognize subcontract management as a professional designation in industry and include subcontract management training in program/project management, COR, and contract management certification programs.

Contractors and subcontractors should standardize subcontract management processes and train personnel in those pro-

cesses to include a performance support toolbox of checklists and best practices.

The government should include in solicitations, as risk management, that the government prefers the offeror demonstrate that their proposed program/project managers, contracts managers, and subcontracts managers are certified and qualified. Source selection criteria should reflect that assessment.

Industry should follow suit and include in their solicitations source selection criteria that reflect a focus on performance and accountability from their subcontractors.

Industry should institutionalize the training and assignment of technical representatives—to mirror the government’s CORs—to facilitate subcontract management.

Both the government and industry should convene a joint subcontract management advisory panel.

It is evident that subcontracting is one of the government’s highest risk areas. Solutions, training, tools, and best practices already exist to greatly reduce the performance risks inherent in the process. There must be a concerted effort among government and industry leadership to address this challenge.

In support of this goal, ScMI has developed a plan to facilitate and convene a Government/Industry Subcontract Management Advisory Panel in concert with the Office of Federal Procurement Policy, the Federal Acquisition Institute, the Government Accountability Office, the Defense Contract Management Agency, the Defense Acquisition University, NCMA, the Project Management Institute, the National Defense Industrial Association, the Professional Services Council, and the U.S. Congress. It’s time we fixed this! 

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