

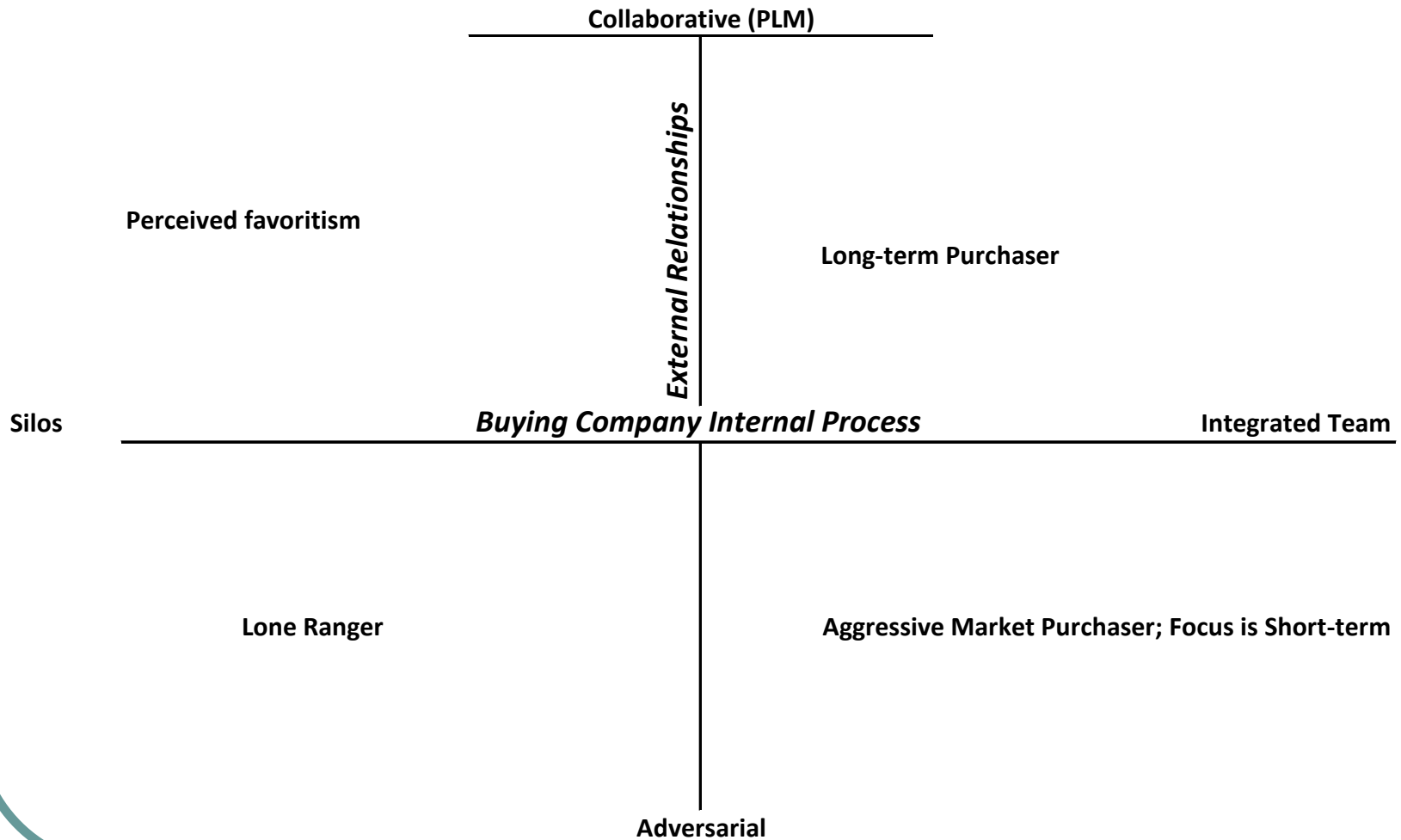
Managing Subcontractors To Success

NEO PMI Chapter Meeting

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What's Your Culture?



Subcontracting for Success

- Implement team
- Engage early
- Competitively award supply contract
- Create a clear contract
- Contract before performance
- Collaborate, but keep your stick
- Establish closeout process

The Supplier's Success Is Your Goal!

Subcontract Management Team Roles

- Procurement
 - Responsible for terms and conditions; may have technical knowledge
- Technical (Tech Mgr)
 - Creates Statement of Work; should be able to read a contract
- Finance
 - Ensures effective financial reporting and customer billing; may create pricing to customer under prime contract
- Project control
 - Provides management reports, estimate at completion (EAC), and variances, etc.
- Buying Company's Contract Staff
 - Partners with Procurement to ensure continuity of terms between prime contract and subcontract

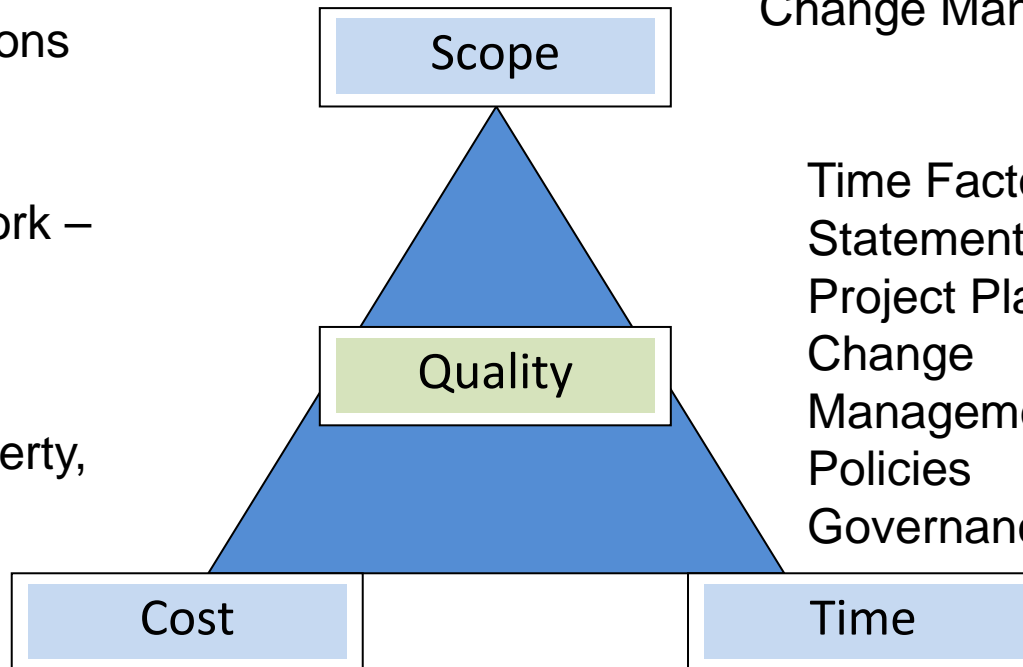
Technical Manager

- Prepares Statement of Work (SOW) for Request for Proposal package
- Manages through performance
- May be a full-time on program if needed
- Dedicated to task
 - “Buck Stops Here”
- Knows contract with supplier (terms and conditions, SOW)
- Firm but fair – can address performance issues without escalation

Maximizing the Triangle

Quality Factors:
Scope
Terms & Conditions

Cost Factors:
Statement of Work –
Pricing
Governance
Special Terms:
Intellectual Property,
Passage of Title



Scope Factors:
Statement of Work
Change Management

Time Factors:
Statement of Work –
Project Plan
Change
Management
Policies
Governance

Pre-Award: Technical Manager and Procurement

- Prepare SOW and T's and C's
 - Determine if contract FP, T&M NTE, etc.
- Determine evaluation criteria
- Develop list of potential suppliers
- Issue RFP
 - Restrict contact by bidders?
- Evaluate RFP responses
- Provisionally award business and negotiate contract

Competitive Bidding

- Ensures right price
- Increases probability of choosing capable supplier
- Forces team to establish criteria
- Brings logic to decision making
 - Avoids selection base on:
 - “I know them”
 - “They worked great with my other company”
- Sole source appropriate strategically

Qualifying Supplier

- Technical ability
- Project management methodology
- Years in business
- Financials
 - D&B
 - Audited financials or public SEC filings
 - Use your finance department to help (team member)
- Cultural fit
- Use weighted decision-making matrix
- Pricing – after other criteria – get three or more

Supplier Selection Matrix (sample !)

Criteria	Weight	Supplier A Raw Score	A's Weighted Score	Supplier B Raw Score	B's Weighted Score	Supplier C's Score	C's Weighted Score
Meets Technical Requirements	5	7	35	3	15	4	20
7x24 power back-up							
Two power sources							
NLT 3 comm lines							
Similar PM Methodology	5	2	10	7	35	3	15
In business 10+ years	4	3	12	4	16	7	28
Solid Financial scoring	4	2	8	2	8	2	8
Experience with Customer	3	4	12	8	24	9	27
Cultural Fit (Customer, Buying Co)	3	8	24	7	21	4	12
Agreed to Terms & Conditions	4	5	20	6	24	5	20
Agreed to Flowdowns	5	6	30	3	15	5	25
			151		158		155

NLT = not less than comm = communications PM = Project Management

Related Agreements

- Nondisclosure
- Go-to-market
- Teaming
- Reseller
- Distributor

Writing a Statement of Work (SOW)

- “Tell the story” of the deal or work
- Write tasks sequentially
- Be specific

What Not How	Governance & Procedures
Clear Milestones	Specific Acceptance Criteria

- Tighter than the prime contract
- Define acronyms, and use consistently
- Include the project plan

Subcontractor Under Prime

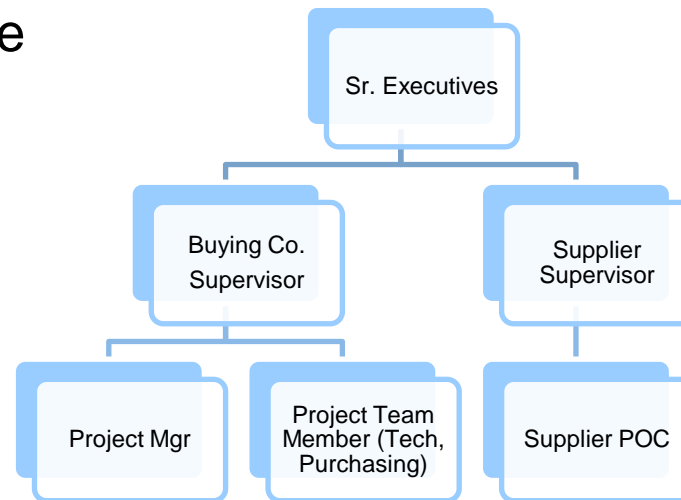
- Pricing
 - Validity Period of Quotation = Prime RFP decision period
 - Must allow profit
 - Know your company's position on "flow-through" of costs
- Relationship – be specific
- Change management – mirror prime
- Add flow-downs or flow-ups?
 - Duplicate or more stringent subcontract?
- Know when to say, Go!

Working the Supplier Management Team

- Implement team – Technical and Procurement plus
 - Finance
 - Project control
 - Customer contract
- Kick-off
 - Occurs after buying company's internal kick-off
 - Include buying company's supplier management team and supplier's delivery team
 - Supplier implementation team may be different from sales
 - Review sow with supplier's implementation team
 - Clarify ambiguities and document
 - Listen to supplier perceptions!
 - Establish lines of authority

Communication and Governance

- Communication
 - Regular meetings with supplier with action items
 - Facilitate resolution between buying company team and supplier team
 - Set and ad hoc meetings with internal team
- Define escalation
 - Levels and people
 - Triggers
 - Time frames



Watching Costs – Paying Invoices

- Track time
 - Regular timecards
 - Signed by project manager
- Establish invoice payment process
 - Align with contract
 - Verify hours worked or deliverables accepted
 - Limit time supplier has to invoice
- Record time and invoices against EAC
- Pay promptly in accordance with terms

Failure Happens!

- Log performance failures
- Escalate immediately if correction doesn't occur
- Document agreements in writing
- Changes to SOW require same documentation as original
- Break roadblocks to supplier success
 - Failure hurts both parties
 - Under a prime contract, buying company fails too
 - Contributing a couple staff to help is cheaper than failure
 - Your Risk Mitigation Plan should have financial cushion for failure
 - It's the **right thing!**

Default and Breach

- Last resort
- Based on specific contract language
- Always involve whole supplier team
 - Consult with legal department
- Consider other approaches
 - Request for assurance
 - Mediation

Special Issues

- Passing title
 - Governed by contract with supplier(s)
 - Make sure all contracts mesh
- Yields
 - Start with buying company's standards
- Consultants
 - Define deliverables

Closeout

- Formal process
- Ensure all invoices paid
 - Get assurance in writing
 - Consider a release of claims
- Reconcile supplier file with records of team
 - Finance
 - Project control
 - Customer billings under prime
- Retain file in accordance with company document retention policy

Managing Subcontractors Panel

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