
An Alternative to the Prime / Sub-Prime Model¹

Joseph Reddix

The Reddix Group, LLC

Abstract

As an alternative to the traditional, hierarchical prime-sub contracting model, the Reddix Group's Networked Team approach is truly innovative and a re-usable strategy across the Federal government. In addition, our thought leadership on policy combined with a management philosophy that focuses on high performing, Integrated Program Teams (IPTs) brings together requisite subject matter expertise at the task level for delivering measurable, tangible results. While typical, status-quo contract teams are stifled by pre-determined qualifications, constrained resources and inability to adapt, our approach is designed to foster collaboration, deliver innovative solutions and improve operational effectiveness. Information technology should enable government to better serve the American people. But, despite spending more than \$600 billion on information technology over the past decade, the Federal Government has achieved little of the productivity improvements that private industry has realized from IT. Vivek Kundra stated this fact in his 25 Point Implementation Plan to Reform Federal Information Technology Management – First U.S. CIO.

Keywords - Peer-to-Peer; Consortium; Integrated Program Team (IPT)

1. Introduction

The purpose of our comments is to share with you an approach to teaming and sub-contracting that we believe presents an attractive and viable alternative to the existing model, which most observers of small business contracting will agree is irreparably broken, particularly as it relates to teaming arrangements that are known to embody vast bargaining inequities between large prime contractors and small business subcontractors.

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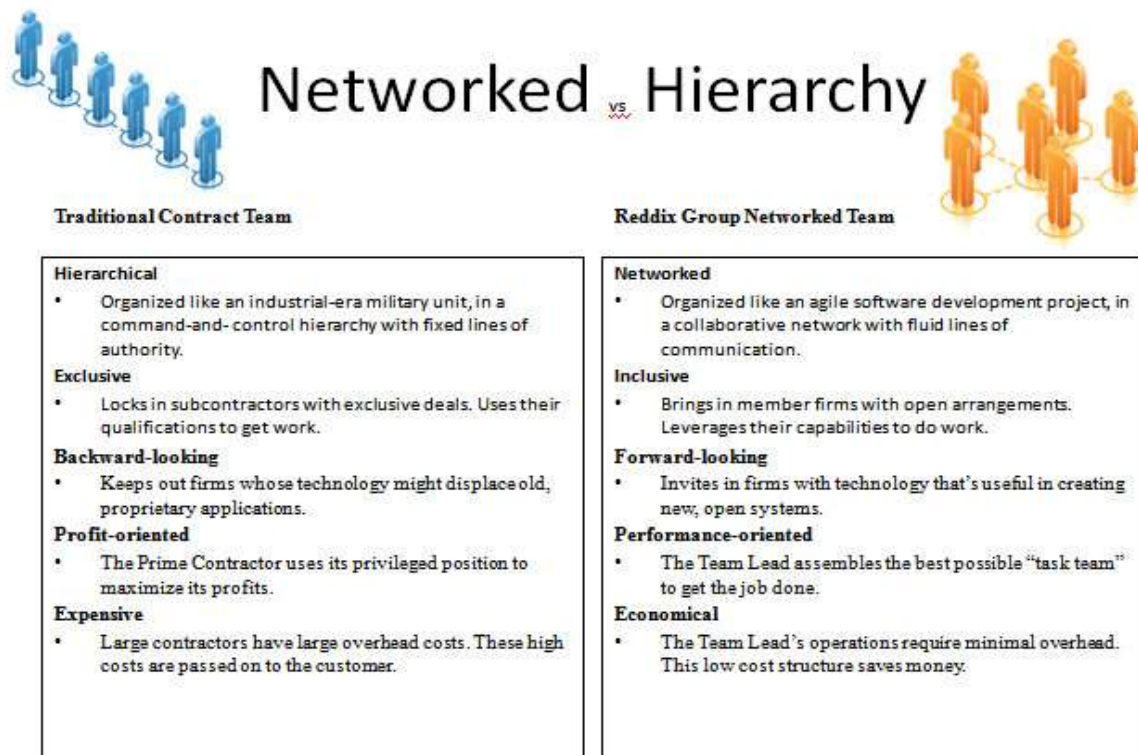


Figure 1 – Network vs. Hierarchy

2. Peer-to-Peer

- a) The Reddix Group has embraced the concept of a contract-teaming arrangement that is rooted in the notion of true peer-to-peer, or consortium, teaming – as opposed to the traditional captive (and often draconian) large-prime/small-sub teaming model.
- b) At its core, the consortium-teaming arrangement (or “Super-CTA” as it is currently known) differs from the traditional contract-teaming model in a number of important ways.
- c) Unlike the traditional prime-sub teaming model that is enshrined in and promoted by current federal acquisition regulations, the contracting consortium organized under the Reddix Group is comprised of 15+ large and small companies, many of which are MBE, DBE, HUBZone, SDVOB, VOB, and/or Woman-Owned.
- d) The sole purpose of the consortium is to identify federal IT opportunities – principally in the health care IT sector – for consortium team members.
- e) The opportunities are then pursued with team members acting as prime

contractors in a non--captive manner, with other team members who play the role of subcontractors.

- f) Additionally, team members can subcontract with large players outside of the Reddix Group, with the Reddix Group serving as the program office for the subcontractors' involvement.
- g) Similarly, the Reddix Group can act either as the prime contractor or sub-contractor on a particular acquisition with non--Reddix Group contractors playing the complementary role, see Figure 2.

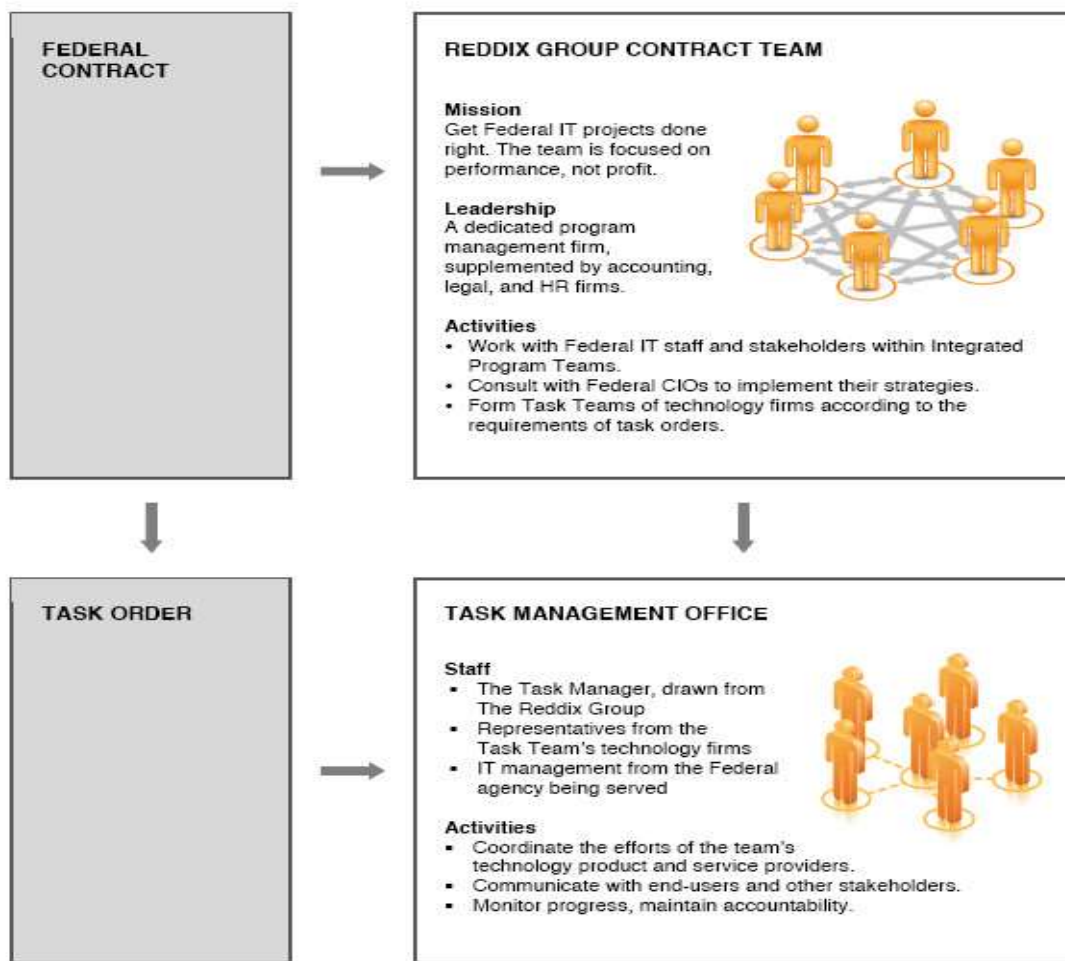


Figure 2 – Team Task Flow

- h) The Reddix Group consortium members are not bound to do business or pursue awards exclusively with the Reddix Group or other team members, as is often the case with captive large--prime/small--sub arrangements.

- i) Contractually, each Reddix Group member agrees in advance that participation in the consortium does not preclude participation in any procurement effort (even competing efforts) as long as such member's participation would not (a) interfere with its ability to participate in the preparation and submission of any Reddix Group--sponsored proposal and/or any contract resulting there from, and (b) such non--Reddix Group efforts do not infringe or otherwise misappropriate the rights of the Reddix Group or any other Reddix Group member working on an associated Reddix Group procurement effort.
- j) Importantly, each Reddix Group member is required to participate in the development of the proposal associated with any acquisition project in which it agrees to participate. At the beginning of the proposal development process, each team member agrees on which member shall perform as the prime contractor, and which will perform subcontracting roles, based largely on considerations of traditional contracting notions such as social factor and/or small business size requirements, as well as past performance.
- k) Agreement is also reached that any award resulting from such joint efforts will be executed by the members participating in the preparation of the proposal, absent contrary directions from the awarding agency.
- l) Thus, while the consortium concept embraced by the Reddix Group may be fairly novel, it does so by leveraging the traditional prime--sub paradigm.

3. Barriers to Consortium Model

- m) The biggest obstacles to adoption of a consortium model involve (i) a FARS/DFARS scheme that is wedded to the existing broken teaming model often exploited by large contractors at the expense of smaller firms, and (ii) an entrenched mindset on the part of the CO/COTR community that promotes the traditional captive (and often draconian) large--prime/small--sub teaming model.
- n) It is no secret that the knowledge--based service sector – and IT in particular – is one of the fastest growing sectors of the American economy. It is further well established that small businesses generate two out of every three new jobs created in the U.S.
- o) Indeed, that basic fact informed President Obama's urgency in creating this Task Force to look at ways in making the federal procurement process more accessible to and successful for small American businesses and especially those historically left out of the acquisition cycle.

4. Four ways to improve

So how do companies maximize the chances that their IT projects deliver the expected value on time and within budget? Surveys of IT executives indicate that the key to success lies in mastering four broad dimensions, which combined make up a methodology for large-scale IT projects that we call “value assurance.”[2] The following elements make up this approach:

- a) focusing on managing strategy and stake- holders instead of exclusively concentrating on budget and scheduling
- b) mastering technology and project content by securing critical internal and external talent in a “lean startup” process – the whole idea behind lean startup being that you want to engage customers early and rapidly prototype solutions in collaboration with them in order to achieve maximum success. [1]
- c) building effective teams by aligning their incentives with the overall goals of the project
- d) excelling at core project-management practices, such as short delivery cycles and rigorous quality checks

IT executives identify four groups of issues that cause most project failures.

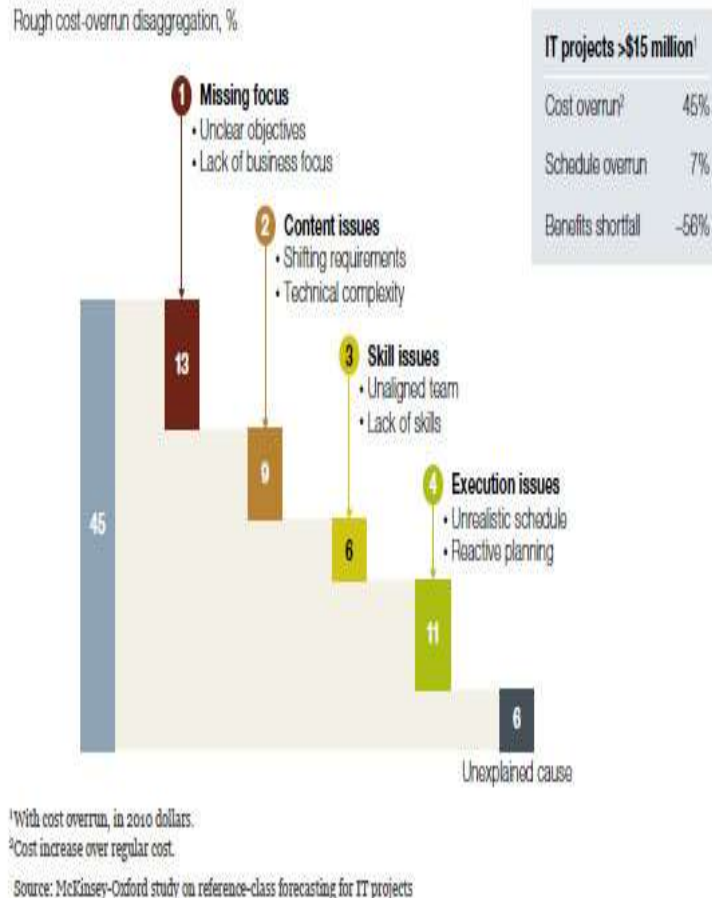


Figure 3 – Project Failure

5. Conclusion:

To help align stakeholders and ensure success from the start of a large IT program, leading companies establish multidisciplinary integrated program teams (IPTs) consisting of business- process owners, IT managers, technical personnel, acquisition personnel, and finance personnel, as well as representatives from the HR and legal functions as needed. Key members of the IPT—including, importantly, the program manager—are dedicated to the program and collocated during its most critical stages, and they remain in place throughout the design, development, and implementation phases of a program’s life cycle[2].

IPTs are highly beneficial to government agencies as well. Senior agency executives should approve the composition of the IPT and reinforce its accountability. For critical or very large programs, it may make sense to get the deputy secretary or the senior-most governance body of the department to approve the IPT's composition to reduce risk of failures as captured in Figure 3. [3]

IPT members should be held accountable for meeting the goals of their functional units as well as of the overall program. Contract officers, for example, may tend to focus on preventing protests and lawsuits, which could lead them to make overly conservative decisions that slow down a program's progress. IPTs should therefore develop performance metrics—for the program as well as for individuals—that strike the right balance of speed, effectiveness, and compliance.

Example- Five-person IPT:

Program Manager

Example: An award-winning Project Manager IT programs with years' experience in IT project/program management, serves as Program Manager.

Finance, Business Process Mavens

Stakeholders' provides the team with a Finance Maven responsible for funding, as well as a Business Process Maven who understands the internal Stakeholder aspects of the mission.

Technology, Operations Mavens

The Reddix Group supplies a Technology Maven tasked with identifying the necessary technology, as well as an Operations Maven who procures the technology and the people to implement it.

Working in a New Way:

Unlike a traditional task force conducting central planning, the Integrated Program Team would function like a "lean startup." Through close involvement with stakeholders and end users, the IPT would discover their needs, manage the development of a prototype to meet them, then rapidly iterate the system based on user feedback to develop a full working version. [2]

The members of the Integrated Program Team would meet in person, of course, but they'd also work, like many agile practitioners, as a distributed team. They would go beyond conference calls, regularly holding face-to-face group conversations using a teleconferencing tool like Skype. They would go beyond email, using groupware such as Google Groups for correspondence, so members can monitor each thread.

Summarizing:

The McKinsey Group predicts by the year 2025 the global market for goods and services will be north of 30 trillion dollars. Clearly, projects designing, developing and implementing needs will required new and innovative ways to manage to successful outcomes. The Reddix Group believes our Peer-to-Peer consortium approach can be a welcome addition to the PMBOK principles of adaptive Project, Program and Portfolio Management methodologies and practices. We believe the leadership role is a Peer-to-Peer one with collective collaboration. In moving forward it is the Reddix Group's belief that adoption of a true Peer-to-Peer business model will not only revolutionize implementation of an alternative strategy for doing business in most sectors but provide a global advantage to all who adopt its methodologies. "There is no Box" is the new paradigm in thinking about projects.

Federal Government Recommendations

Bearing all of the foregoing in mind, we would respectfully request three action items from this Task Force:

First, consider rewriting the FARS/DFARS so as remove obstacles to a flexible consortium of small and large business coming together to advance small and MBE, DBE, HUBZone, SDVOB, VOB, and/or Woman--Owned participation in the federal procurement process – indeed, rewrite the FARS/DFARS to affirmatively encourage and promote such a model (one example of what a simple, but, we believe, powerful starting point for such a rewrite might look like in the FARS context is attached);

Second, create an education and awareness campaign (or series of campaigns) within the CO/COTR community aimed at embracing the consortium concept, and highlighting small business priorities as embodied in the revised FARS/DFARS (all of which would include performance--based compensation and continued--employment incentives for COs/COTRs); and,

Third, the Government will affirmatively encourage the creation of consortium teaming arrangements in order to promote (i) participation by small businesses in the federal procurement process, and (ii) establishment of mentor-protégé programs within such consortium teaming arrangements above and beyond such programs that have already been established and/or sanctioned by the Government

SPECIFIC AMENDMENTS TO 48 C.F.R. §§ 9.601 *ET SEQ.* PROPOSED BY
THE REDDIX GROUP, LLC TO EFFECT ACCOMPANYING COMMENTS

1. **Add the following new definition of “consortium teaming arrangement” to Section 9.601 of 48 C.F.R., Chapter 1:**

Consortium teaming arrangement, as used in this subpart, means an arrangement in which—

Two or more small businesses (and any number of large businesses) enter into an agreement between them to pursue specific Government contract or acquisition programs.

2. **Amend Sections 9.602 and 9.603 of 48 C.F.R., Chapter 1 to including the following highlighted text:**

Sec. 9.602 General.

(a) Contractor team arrangements **and consortium teaming arrangements** may be desirable from both a Government and industry standpoint in order to enable the companies involved to (1) complement each other's unique capabilities and (2) offer the Government the best combination of performance, cost, and delivery for the system or product being acquired.

(b) Contractor team arrangements **and consortium teaming arrangements** may be particularly appropriate in complex research and development acquisitions, but may be used in other appropriate acquisitions, including production.

(c) The companies involved normally form a contractor team arrangement **or consortium teaming arrangement** before submitting an offer. However, they may enter into **such** an arrangement later in the acquisition process, including after contract award.

Sec. 9.603 Policy.

The Government will recognize the integrity and validity of contractor team arrangements **and consortium teaming arrangements**; provided, ~~the~~ **all such** arrangements are identified and company relationships are fully disclosed in an offer or, for **all such** arrangements entered into after submission of an offer, before ~~the~~ **any such** arrangement becomes effective. The Government will not normally require or encourage the dissolution of contractor team arrangements **or consortium teaming**

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[1] Park, Todd, Making a Difference: Innovation Pathway and Entrepreneurs in Residence U.S. Food and Drug Administration. April 10, 2012.

[2] Nichols Kreg, Sharma Shantnu, Richard Spires, McKinsey on Government Autumn 2011, Seven imperatives for success in IT megaprojects.

[3] Bloch Michael, Blumbery Sven, Laartz, McKinsey & Company: Delivering large-scale IT projects on time, on budget, and on value October 2012.

About the Author



Joseph Reddix

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Joseph Reddix, PMP is president and CEO of The Reddix Group, LLC. He has over 47 years of experience managing U.S. federal and private-sector IT projects and programs for companies such as General Dynamics IT, BAE Systems, Fannie Mae, and American Express. He is a PMI Certified Project Management Professional (PMP) and holds a BS in Business/Information Systems with honors. Joseph can be contacted at joseph@reddixgroup.com.