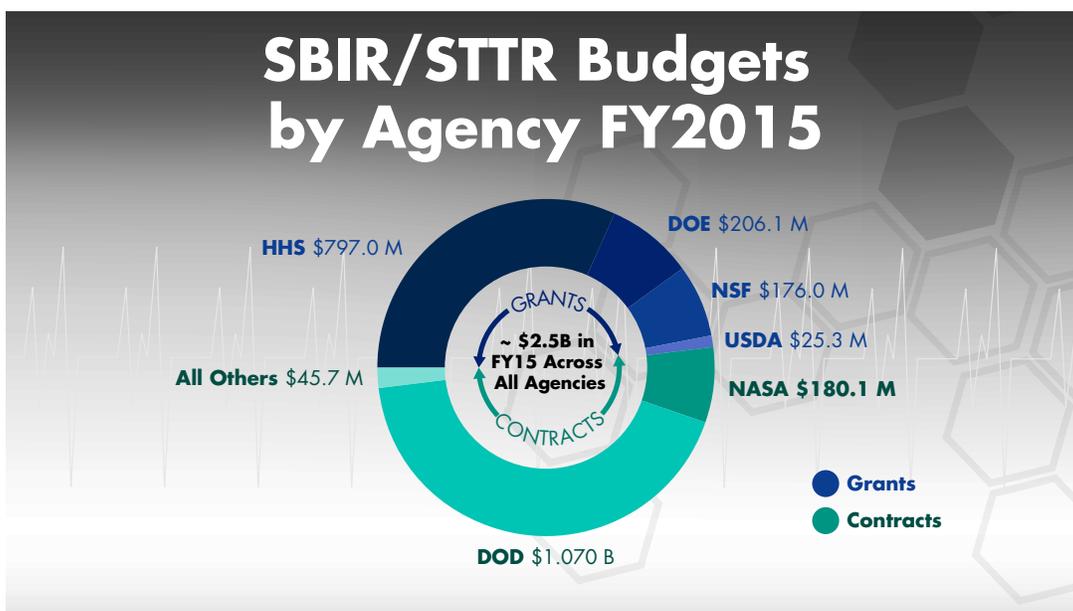


**COURSE 7, TUTORIAL 2**

**HOW DO I DEVELOP A RELATIONSHIP WITH A DEFENSE PRIME CONTRACTOR?**



With over 40% of the SBIR/STTR budget going to the Department of Defense – it is important to understand the role that large Defense prime contractors play and how small businesses can develop relationships with these lead systems integrators, also known as LSI. A lead system integrator, by the way, is responsible for executing a large, complex, defense-related acquisition program. When your small business receives an SBIR or STTR award to develop a component that will go into a platform such as the Global Hawk, the F-22, the Joint Light Tactical Vehicle, or the AEGIS Ballistic Missile Defense System you are working on one small element of a very large program of record. In order to transition your technology to DoD it will have to be through an LSI or a sub-tier prime responsible for a given subassembly.



The five largest Defense prime contractors are Lockheed Martin, Northrop Grumman, Raytheon, The Boeing Company and General Dynamics. These are huge, global enterprises with a diverse population that would dwarf a small city. For example The Boeing Company has 160,000 employees. Lockheed Martin has 125,000. Given this scale and the far-flung nature of these enterprises – it is important to ask the question “Where do I begin?”

This contains the 2014 revenues for each Defense prime contractor [ yes, they are in BILLIONS]

#### Top Five Defense Prime Contractors [2014]

**#1 Lockheed Martin**  
\$11,700,962,000

**#2 Northrop Grumman**  
\$6,893,607,000

**#3 Boeing**  
\$5,256,827,000

**#4 Raytheon**  
\$4,815,472,000

**#5 General Dynamics**  
\$4,071,992,000

#### SUBCONTRACTING

Let’s answer that question with another? Why would a large defense prime contractor have any interest at all in a small business? The answer has its roots in the Small Business Act - 15 USC 637 which requires that small businesses be given the maximum practicable opportunity to participate in contract performance consistent with efficient performance.<sup>1</sup> This Act requires that organizations of a certain size and type develop and implement a sub-contracting plan. The DoD in turn maintains a Small Business Procurement Scorecard and tracks subcontracting achievements against goals for involving small business, women owned small business, small disadvantaged business, service disabled Veteran owned small business, and those located within a HUBZone. These sub-contracts can be made for any type of service – both low and high tech. One can meet subcontracting goals by outsourcing laundry service, grounds keeping, or advanced technology. According to the 2015 Scorecard DoD did well in meeting its subcontracting goals except with women owned small business and those from HUBZones.<sup>2</sup> The motivation then for subcontracting stems from these requirements. The starting point for locating appropriate points of contact within a large Defense prime contractor is most commonly with departments responsible for Supplier Diversity.

#### Small Business Act – 15 USC 637

**“...small businesses be given the maximum practicable opportunity to participate in contract performance consistent with efficient performance.”**

## Programs at Largest 5 Primes

Lockheed Martin	Northrop Grumman	Raytheon	Boeing	General Dynamics
Government Outreach Programs	Global Supplier Diversity Programs	Supplier Diversity Programs	Supplier Diversity Programs	Supplier Diversity Programs
Ms. Orysia D. Buchan Mr. Nafiz Karabudak	Mr. Tizoc Loza	See Supplier Diversity Program Contacts	Mr. Douglas Woodson	See General Dynamics Enterprise Supplier Management Portal



The following table provides an overview of the departments within the five largest prime contractors that are responsible for interacting with small businesses that have funding through the SBIR/STTR programs. These departments are small and have dedicated personnel that understand the SBIR/STTR programs and actively engage with small business in various ways. It is recommended that before contacting a point of contact from one of these organizations that you spend time exploring the LSI's website – so that you understand the platforms for which they are responsible; as well as their core competencies. The landing page for each of these organizations makes it very easy to quickly garner this information. These Departments within the largest prime contractors commonly review the DoD SBIR/STTR solicitations when they are released and ask subject matter experts (SME) within the larger organization if there are topics of interest. With Lockheed-Martin for example, their office will send out a list of topics in which they have an interest to companies that are on their SBIR distribution list.

## **LETTERS OF SUPPORT**

The most common way to begin a relationship with a large prime contractor is to ask a representative from that organization to provide you with a letter of support to include with your DoD Phase I proposal. A Letter of Support indicates the value that the individual sees in the technology and indicates an interest in following the progress of the research to determine if a future relationship is appropriate. The letter should be written on the organization's letterhead and the title of the individual signing the letter should be included. Having a Letter of Support demonstrates to the Department of Defense that you already understand the entity with which you will eventually have to develop a relationship and that you possess the skills to reach out to them early in the process. However, the prime will only provide such a letter – if the technology is of potential interest to them. This again indicates the importance of knowing which platform your technology will be used in and who the prime contractor is for that platform. One can readily find that information in documents such as the Program Acquisition Cost by Weapon System.

## **WHEN TO START A RELATIONSHIP?**

Most of the large primes would prefer to engage with small business during Phase I so that they can provide input to the

development process if the business is developing a component that will ultimately go into a system for which they are the lead system integrator. However, as the prime could also be working on the same component, the small business will have concerns. It is therefore important to have appropriate non-disclosure agreements in place; to understand more about the prime; and be circumspect at the outset with the information that you share. It is very helpful to have your DoD sponsor be a champion for your work when interacting with the prime.

Another way to foster a relationship with a prime contractor is to participate in an event hosted by the Component that the large prime contractors also attend. Often there is the opportunity for one-on-one meetings at these events with representatives from the primes in order to discuss their needs and your solutions. Events in which prime contractors commonly participate include the Small Business Industry Days or SBIDS hosted by the Air Force SBIR program office, the SOFIC Conference hosted by USSOCOM, the National SBIR/STTR Conferences and other events of this nature. The primes also periodically host events at their locations.

## **PROVIDING AN LSI WITH A SUBCONTRACT**

As your relationships develop and your comfort level increases in interacting with a large prime contractor, some small businesses also subcontract part of their Phase I or Phase II SBIR/STTR award to a lead system integrator. From the small business perspective a desirable role for a prime is one in which they share requirements, provide data sets or materials to be evaluated, and or make testing facilities accessible. The small business should continue to do the development work themselves so that they retain their SBIR data rights.

As your technology matures, the nature of the relationship a small business may want to have with a prime contractor will change. For example, if you wish to be a provider of LRIP or low rate production capabilities, you will need to address and mitigate risks, as failure to perform will adversely effect the schedule and budget of a large team. Risk reduction becomes a major concern as relationships mature. Another point to keep in mind is that the forward movement when working with a large prime proceeds slowly. However, although successful transition doesn't happen fast, it does happen. The F-35 fighter jet for example contains at least a dozen technologies that were originally funded through the SBIR program. Success starts with that first step. Don't hesitate to reach out to representatives of the large prime contractors and inquire regarding letters of support.

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## **ENDNOTES**

1. Government Subcontracting: the Basics. DoD Office of Small Business Programs
2. FY15\_DoD\_SB\_Procurement Scorecard Public View Final.pdf