Subcontracting Plan

Your Name

Institution

Subcontracting plan

Subcontracting is a business practice in which the primary contractor outsources their work from a subcontractor in order to complete their project. A subcontractor can be an individual or a company hired by the primary contractor to complete a specific part of a project. In this kind of situation, the primary contractor is in charge (Mieghem, 1999). The primary contractor makes sure that the project is completed as specified.

Subcontracting is used mostly for the complex part of the project. For example, when a government wants to repair certain infrastructure it usually signs a contract with some bog contractor. This is because the contractor has negotiation skills and it has a reputation for handling big projects in the past. The contractor then analyzes the project and hire subcontractors for specific complex tasks of the project. DoD subcontractors can be a vendor, individual contractor, or a freelance. The contractor handles the client, while the subcontractors work on the complex part of the project.

# Source Selections

In a big project, a primary contractor has to buy material and services. This is done by using a subcontracting plan. Selecting a subcontractor is not an easy job. There are many constraints that make the process of subcontracting difficult. The first step in selecting a source is tendering. Small business companies are invited to tender bidding. In most cases, tender is awarded to the company which has the lowest bid (MM Kumaraswamy, 2000). The companies which offer competitive cost is most attractive as this will benefit the primary contractor. In addition to competitive prices, the company should be selected which is able to deliver good results during the implementation phase of the project. The assessment of subcontractors depends upon the financial stability of the company, competitive pricing, suitable experience, and past performance. Past experience and intuition are the key factors used for the selection of a good source. A well designed DoD subcontractor plan can assist in the tendering period of the project. The following points which are also reflected in a subcontracting plan should be practiced in selecting a good subcontractor.

1. The fair and transparent selection process for all the subcontractors.
2. The legal department of the company should be present in the tendering process of the project.
3. The clear procedure which allows analytical reasoning to assess the participants of tender.
4. The process should shortlist candidates systematically.
5. Each candidate should be given time to present their proposal
6. Each candidate should give a presentation on the strategies that their company aims to use.

These points should be well documented and practiced during the tendering process. Usually, the process of tendering last more than a day, depending on the size of the project. In the end, select a good subcontractor that provides competitive tender and has the potential to complete the project in a given time.

# Economic Impact of Subcontracting with Small Business

Subcontracting with small businesses will greatly benefit the company. Subcontracting with the small business will help to select a suitable contractor which has expertise only in one desired field (Helper, 1990). In addition, small business companies try hard to make a good reputation. Small business companies also offer relatively a good bid with little margin of profit. There are five main benefits of subcontracting with small businesses.

## Cost-benefit

Subcontracting a small business costs less. If the company plans to complete the small business on its own without outsourcing it, it has to come up with a long term commitment to pay the employee. As the company pays for the benefits of its employees, this cost is reduced by hiring a subcontractor.

## Time

The company and its employees are mostly swamped with work. Subcontracting a business will free up the time of the company and its employees. With this free time in hand, a company can focus on bigger problems. With its experience, a subcontracting may be able to complete the project in time. Small business owners have a reputation for doing everything on their own. Sometimes it is impossible for a company to do everything in time. A subcontractor can complete the project faster.

## Flexibility

The subcontractor offers flexibility in the project. The company does not have to make any long term employment commitment. Hiring a subcontractor can also increase the capacity of the project and the company. The company sometimes lacks the resource to complete the project. Hiring a subcontractor can make the project flexible.

## Expertise

Most companies do not have expertise in the specific field of the project. The subcontractor is selected on the basis of expertise they offer which a company lacks its self. If the company has the expertise it can still lack the tool to practice that expertise. A subcontractor has the tool to complete the project.

## Simplicity

Subcontracting a small business simplifies the project. A company does not have to hire full-time employees for the project. The company also has to pay for the social security, insurance, and payroll taxes of its employees. Hiring a subcontractor for the project is easier as compared to hiring an employee.

# Managing the Subcontracting Plan

Managing a subcontracting plan is not an easy job, it requires certain key skills. The company should hire a good contractor and should monitor its performance. When properly managed, subcontracting advances consistency in overseeing subcontracts over various capacities (D Arditi, 2005). The subcontracting plan decreases the risk that the company faces and can increment the profit. Setting desires for all acquisition and program management is a significant part of subcontracting.

The management of subcontracts can be distinguished over an actual existence cycle of subcontracts. Understanding explicit subcontracting and subcontracting duties and relegating obligations during each lifecycle stage guarantees consistency. Knowing the particular undertakings and duties inside the association is important. Management steps involved in subcontracting a small business for a project can be classified into four phases

## Pre-award phase

This the phase of the project when the subcontractor is not yet selected.

1. Identify the company's capabilities and compare capabilities with the cost of the project.
2. Realize the cost-benefit of the project
3. Identify the requirements of the project
4. Identify the cost of the project
5. Look for financing solutions for the project
6. Identify which type of contractor is needed for the job
7. Identify potential supplier

## Award phase

In this phase, the small business subcontractor is selected

1. Perform financial and technical analysis in the selection process.
2. Check the company's background
3. Evaluate the company as explained in the above heading
4. Check the company's certification
5. Hire a subcontractor and sign an agreement

## Post-award

When the contract is award to the subcontractors, the following management task should be performed by the company.

1. Maintain files of subcontract for program management and procurement.
2. Fulfill contract requirements
3. Obtain a status report from a subcontractor
4. After review, approve or reject the report
5. Analysis of the cost of the project, observe if the project is exceeding is offered cost
6. Check the performance of the project

## Completion phase

When the project is completed in the desired time, perform the following management steps

1. Verify the completion of the project
2. Check if all the requirements are fulfilled.
3. Pay the remaining cost of the project to the subcontractor
4. Award completion certificate to the subcontractor

# Application

A typical example of subcontracting is a construction project. Even the construction companies hire subcontractors to complete a specific part of their project. Information technology companies also subcontract small businesses. Subcontracting is applied in every field. Companies use subcontracting when it is feasible to outsource the task. When do subcontracting apply? It depends upon various factors. One of the factors is that the company maybe lacks resources to do the desired job.

# References

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