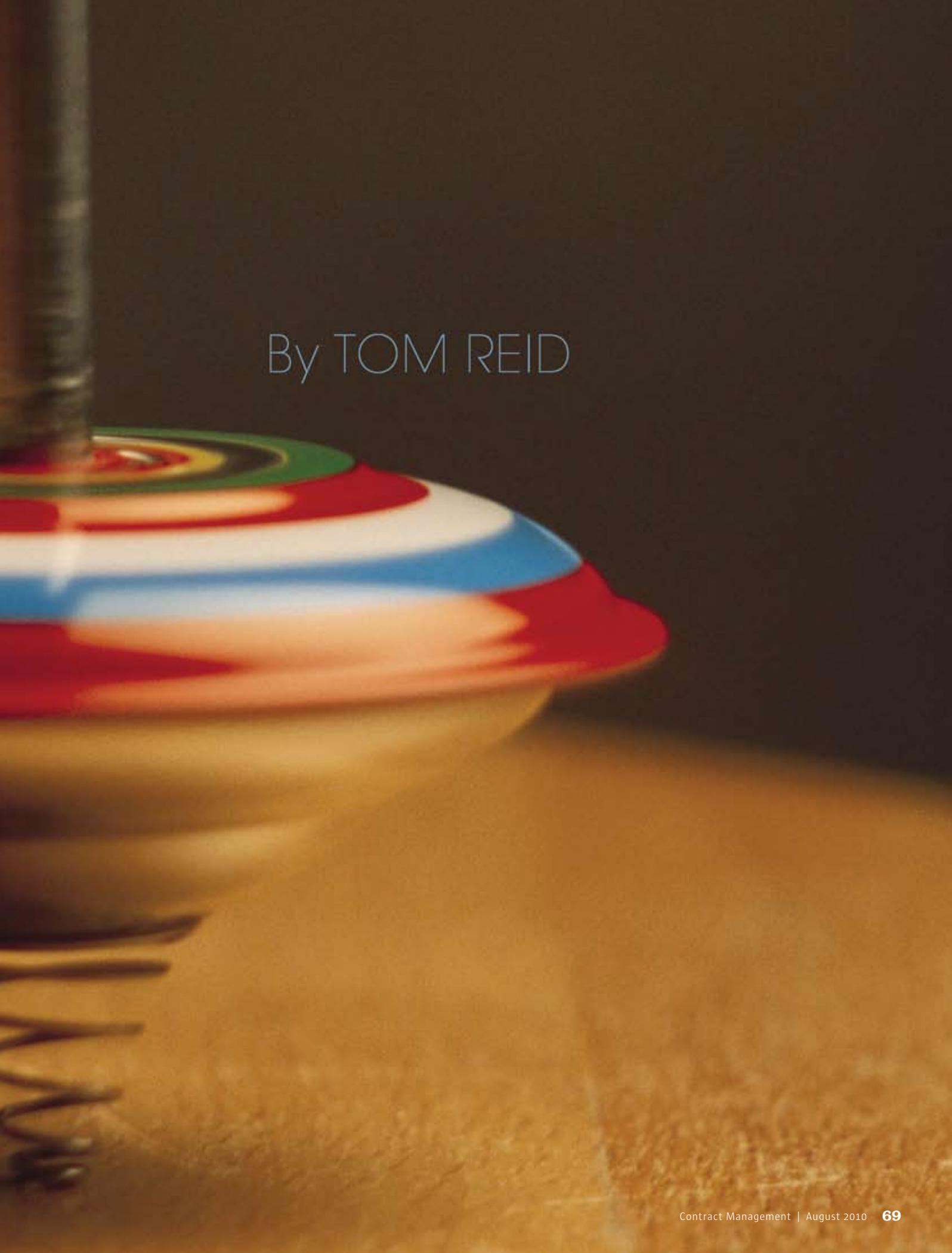




Tactical AND Strategic CONTRACT MANAGEMENT

TACTICALLY, YOU MANAGE THE CONTRACT. STRATEGICALLY, YOU MANAGE THE CUSTOMER/SUPPLIER RELATIONSHIP. PROFESSIONALLY, YOU MANAGE YOURSELF TO **BALANCE** THE TACTICAL AND STRATEGIC ASPECTS OF CONTRACT MANAGEMENT.

A close-up photograph of a colorful spinning top toy. The top is painted with concentric rings of red, white, blue, orange, and green. It is mounted on a wooden surface, and its shadow is cast to the left. The background is dark and out of focus.

By TOM REID

A SENIOR CONTRACT MANAGER WITH A MAJOR GOVERNMENT CONTRACTOR BEGAN TO GET CUSTOMER COMPLAINTS CONCERNING ONE OF HIS CONTRACT SPECIALISTS. HE SENT ANOTHER SPECIALIST OVER TO THE PROGRAM TO REVIEW THE FILES AND THE REPORT CAME BACK THAT THE FILES WERE IN PERFECT ORDER. EVERY MODIFICATION WAS IN THE RIGHT FOLDER, THE FILES WERE CURRENT, THE MEMOS WERE ACCURATE, THE INTERNAL APPROVALS WERE OBTAINED FOR EVERY CONTRACT ACTION, AND THERE WERE NO ISSUES WITH ANY OF THE CONTRACT DOCUMENTS. STILL, THE CUSTOMER'S COMPLAINTS CONTINUED.

In a second situation, a consultant was brought in to a Department of Energy operation to assist in figuring out why the contracts department consistently got yellows or reds in each award fee evaluation. Complaints about the department were constant from both inside the company and with the customer. Once again, a review of the files found that they were in relatively excellent shape. Both the engineering staff and the customer viewed the contracts department as an impediment. Neither the internal nor external customer perceived the contracts department as performing their function timely or efficiently.

In a third case, everyone loved the contract specialist. He was always cheerful and helpful, readily took on tasks, was viewed as a key employee by his management, and made sure that people received recognition for their work. He ultimately decided to move closer to his family and left. When a new contract specialist was hired, her first question was, "Where are the files?" It seemed that the prior specialist was rather lax in his documentation to the point that the contract files were pretty much nonexistent. As a one-man operation, no one knew this but the departed specialist.



In all three cases, the specialist failed in his or her primary duties, but the failure in the first two instances is fundamentally different than the failure in the latter instance. In the first example, the specialist was managing the contract document but not the external customer. Likewise, in the second example, the document was being managed, but neither the internal nor external customers were happy. In the final example, everyone was happy until it came time to review the contract document and ascertain what the real agreement of the parties might be.

These examples point out a fundamental concept of contract management—it cannot be purely strategic or purely tactical. Proper contract management requires that a professional contract manager ensure that both the tactical and strategic aspects of a contract are performed. Failure on one side or the other results in ineffective contract department performance.

The term tactical contract management is used here in its sense of a maneuver or plan of action or procedure designed as a process toward gaining a desired end state. In the context of contract management, this would mean a prudent and proper effort to ensure that the contract document reflects the agreement of the parties and the file demonstrates compliance with all applicable rules—be they statutes, regulations, or internal company policies and procedures. Tactical contract management skills center on organization and compliance—it is the management of the contract document.

Strategic contract management pertains to the longer-term effort to preserve the contractual relationship; it is an essential element of success in contract management, but generally not as provable as proper contract documentation. It is the intangible aspect where difficult things can be accomplished because a level of trust, camaraderie, communication, or competence has been demonstrated. It is a highly important aspect of the intended objective of maintaining a contract over an extended period of time. It is the management of the contractual relationship.

To use the more common military connotation, strategic contract management positions your company to forestall the loss of the contract to a competitor by cementing the relationship on the basis of trust and competence. The files may look great, but if no one likes you, your contract may be in jeopardy. Conversely, you may be the friendliest, most helpful person on your team, but if you are not following policies and rules, and not maintaining the contract document, the relationship is doomed to ultimate failure if the contract documentation does not reflect the needs of the parties.

Which of these is more important? The simple answer is neither, or both, if you prefer. Many failures and career derailment by contract managers tend to result from a lack of balance in the strategic and tactical aspects of contract management. Similarly, it can result from a failure of their management to appreciate the true strategic and tactical role of their contracts department, which organizationally prevents them from performing effectively. Occasionally management senses that a specialist is not fulfilling their responsibilities, but has difficulty articulating the reasons and thus, finds it hard to develop performance improvement plans to address the weaknesses. Exploring the difference between tactical and strategic contract management attempts to quantify these deficiencies in terms that permit identification and improvement.

Some contract managers prefer to socialize with the customer, but can't be bothered by the details of file documentation. Others are meticulous in their attention to detail in the files, but the customer is just a bothersome interruption to keeping the files organized. It is a function of human nature that people will prefer one of these tasks over the other. Some people are natural introverts; others are natural extroverts. We often must develop learned behaviors to counterbalance our natural tendencies and reach a point of compromise in getting the task we least desire accomplished. Let's consider some examples.

E-mail has become ubiquitous in contract management today. Even so, some people don't like using it, especially for "official"

correspondence. A contracts letter, even if ultimately delivered via e-mail, carries more impact than a simple e-mail does. Additionally, most e-mail systems do not have a convenient method by which e-mail strings can be captured and made part of the contract file. This can result in incomplete file documentation. Yet many contract managers eschew the formality of contract letters in the era of e-mail. Others receive so many e-mails that they have difficulty separating the important from the mundane. Since this is primarily a personal choice, what should you do if your company uses only contract letters to convey official information, and your contracting officer has requested that you "just send me an e-mail?" While you will be following company procedures (tactics) by writing a letter, you are not endearing yourself to your contracting officer (strategic). How do you strike a balance?

Consider the situation where your contracting officer (CO) has a monthly report to complete and cannot do so unless you provide certain data to him or her by a certain date. And let's assume that your contract requires the data by the first of the month—the very same day that the CO's report is due to their headquarters. Your CO has no time to analyze your data and include it in his or her report. You are complying with the terms of your contract, but are you helping your CO perform his or her job effectively? Clearly not. Tactically, you must provide the report, but strategically you might offer to put the report you provide in a format that easily translates to the format required by the CO's headquarters, thus facilitating the timely submission by him or her. It might not be contractually required (tactics), but it develops trust and assists the CO with his or her management (strategic).

Strategic contract management and tactical contract management should be intimately intertwined. It is possible to perform one at the complete exclusion of the other, and as our opening examples showed, this will lead to failure in the contract management discipline. And there are times when contract management tactics seem to do violence to contract management strategies, and vice versa. For example, a particular report



might be clearly defined in terms of scope, content, and format by the contract. The customer, however, is not very monolithic in its needs and the CO is demanding a greater level of detail than the technical people who also use the report. Perhaps the CO has said that it is ok to delay the report by five days in order to capture certain month-end data, but the delay results in the technical people not having the data they need to complete a task. Technical wants the report timely; Contracts wants the report complete. How do you balance strict contract compliance (tactics) with the desires of the customer (strategic)? The most correct answer is that you seek a contract modification that addresses both sets of needs, but we all know that in the hustle of program management, some of these items occur below the noise level. If you ignore one part of the customer, but perform in strict accordance with the contract, the other part of the customer will view that as malicious compliance and not think very kindly of you. When it comes time to exercise some judgment, perhaps in a final inspection, they may likewise demand strict compliance to a detail that might otherwise be viewed as insignificant. This clearly does not enhance the relationship. So perhaps you arrange to provide a preliminary

report, not strictly required by the contract, at an earlier date to the technical people in order for them to fulfill their organizational requirements, and a final report at a later date that is more complete as the CO has requested. More work for you? Certainly. More work than specifically stated in the contract? Absolutely. Worth the effort? Unquestionably. You are properly balancing the tactical side of contract management with the strategic side. Can you “get away with” doing only one? Probably, but it will make you a less effective contract manager and can ultimately impact your career development, or possibly your company’s interests in retaining the contract.

Using this example, is it possible to take it to an extreme? Might a CO or technical representative take advantage of your good nature to the point that your job becomes burdensome due to scope creep from all the “little things” you are doing to enhance the relationship? Yes, this can occur. And a wise contract manager will be able to see the difference and manage his or her customer in a way that is fair and balanced. If the contract should be changed to require two reports—a preliminary and a final—and if that results in greater cost to the contractor,

then the contract should be changed and the contractor should receive compensation for the dual reporting process. The customer relationship must be managed on a business level. By definition there are personalities involved. But the relationship is contractual. Many contracting professionals on both the government and industry sides develop friendships and the same occurs between prime contractors and subcontractors. The strategic management of the relationship, however, must focus on the business needs. A relationship that becomes too close runs the risk of violating the detailed and necessary rules on conflicts of interest and government ethics.

Thus, the professional contract manager must consider both the tactical and the strategic sides of the equation. Too much attention on the documents without development of the relationship can lead to failure. Too much attention on the relationship without proper maintenance of the documented agreement can lead to, minimally, scope creep, and at worst, disputes and ethical violations. If you look at how you manage your contracts you will most likely see that you favor one over the other. You might justify it on the basis that “I can’t be bothered with the details of file documentation,” or “It’s not my job to be their friend; I just have to see that we perform the contract.” Both statements are tragically wrong and yet you hear them all the time.

The most successful contracts have contract specialists who understand this balance and work to maintain it. Even the best of motives and intentions can be derailed by the lack of an understanding of this dynamic on both sides of the contract. I have personally witnessed the effort of a well-intentioned contract manager who had a CO who was simply, well, not a nice person. He viewed his mission in life as trying to get the last ounce of blood from every turnip. This contract specialist was not well trained in interpersonal relationships, too often misplaced trust in those who had not earned it, and could not understand when his career was derailed over a contract relationship gone bad. I have also witnessed entire contract organizations who demanded that their con-

tract professionals serve as clerks and have little to no contact with their counterparts on the other side of the deal. After all, customer contact is for the “senior” managers. What would a lowly contract manager know about the intricacies of getting the most out of your customer?

A very real example of this can be found in the implementation of the Key Personnel Clause.¹ The way the clause is generally written, the process should be that when a replacement of a key person is anticipated an approval package is prepared that demonstrates that the proposed replacement person is at least equivalent in skill to the person being replaced. After the customer approves this action, it is announced by the contractor and implemented. Simple, right? But what usually happens? You arrive at the office one morning to find a press release announcing the change of certain senior managers on your team. You rush over to the project manager to explain that is not how the contract is supposed to work and are told, “Well, that’s your job. Get the contract amended to reflect the new key personnel.” (Note the management view that Contracts is purely a tactical operation.) So you fight with human resources to release the résumés of the affected managers. (What right do you have to see confidential personnel documents?) With great sincerity you approach your CO and timidly request that he or she approve, (effectively ratify since you are now acting after the fact), the replacement of key personnel. Generally, they are willing to do so and the contract gets amended to list the new key personnel. But the relationship between you has been strained. Tactics overshadowed strategy and, due to your management’s lack of appreciation over your dual role, there was nothing you could do about it. Some of you may be laughing as you read this. You have seen this situation exactly as described dozens of times.

Sadly, these dynamics are played out every day in virtually every contracting office in the world. Yes, some contract managers are too tactical and are not prepared to nurture a strategic relationship without additional training or mentoring. Some senior contract

managers overstep their bounds and try to exclude other members of their team from having any contact with the customer. And certain project managers or general managers suffer from that same egocentric malady, believing that only they can manage the customer. This failure to recognize and train for both the strategic and tactical aspects of contract management is a tragic flaw in the development of contract managers.

Contract management is a team effort and the various members of the team will have different abilities, skills, and roles. A project manager that does not appreciate the dual role of strategic and tactical contract management must be educated. A contract manager who does not understand this must likewise educate themselves and their contract specialists. The hard skills of file documentation are important. It is the focus of the vast amount of training that is provided. The soft skills of interpersonal relationships are no less important. Assess yourself, your team, your management, and your customer. Is this dual role of strategic and tactical contract management understood by all members of the team? Can you be trusted to manage both the tactical and strategic aspects of your assigned responsibilities? Do you need more training in one or the other? In larger organizations, these roles are sometimes intentionally separated—a clerk maintains the files and the contract manager attends all the customer meetings. Is this really healthy for the organization? Does it enhance career development? The answers should be obvious. Does your organization support the role of the contract manager in both the strategic and tactical aspects, or are you relegated to performing only tactical contract management? We have seen the situation where the senior management of a contractor insisted (in fact, demanded) that Contracts maintain their place and limit customer contact. The astute contract manager found ways to interact with his counterparts and supported the technical side of the customer when he could. The ratings for Contracts in the award fee went from yellow to blue—completely skipping over the green rating. When the contract manager insisted that he be formally allowed to work the strategic

side of contract management, he was fired. And for the next reporting period, the rating on Contracts went to red. The ego of the management team cost them money in very real terms.

Set your ego aside. Get the training you need or find a mentor who can help you develop or enhance both the hard skills required for tactical contract management and the soft skills of strategic contract management. Educate your management, your customer, and your team. And most importantly, educate yourself. Learn what it takes to be a complete professional. Become an outstanding contract management professional through the use of both tactical and strategic contract management skills. **CM**

ABOUT THE AUTHOR

TOM REID, CPCM, FELLOW, is the chief problem solver for Certified Contracting Solutions, LLC, based outside of Denver, Colorado, where he works daily with clients helping them strike the proper balance between strategic and tactical contract management. He is a member of the Denver Chapter and the 2009 recipient of the NCMA National Achievement Award. He can be reached at tom@certifiedksolutions.com.

Send comments about this article to cm@ncmahq.org.

ENDNOTES

1. A key personnel clause generally requires that certain named individuals support the contract (often for a minimal period of time) and that any replacements be at least as qualified as the person being replaced. The customer typically reserves a right to review the credentials before the replacement is made to ensure that the replacement employee is appropriately qualified.