استراتژی مدیریت قرارداد

برای مدیران قرارداد

پیکره دانش مدیریت قرارداد (Contract Management Body of Knowledge)

بخش سوم: شایستگی‌های رهبری در مدیریت قرارداد

ارائه دهنده:

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What we will learn?

- ❑ Leadership competency
- ❑ Leadership
  - ❖ Competence
  - ❖ Character
    - ✓ Integrity
    - ✓ Decisiveness
    - ✓ Optimism
  - ❖ Collaboration
  - ❖ Emotional intelligence
  - ❖ Vision

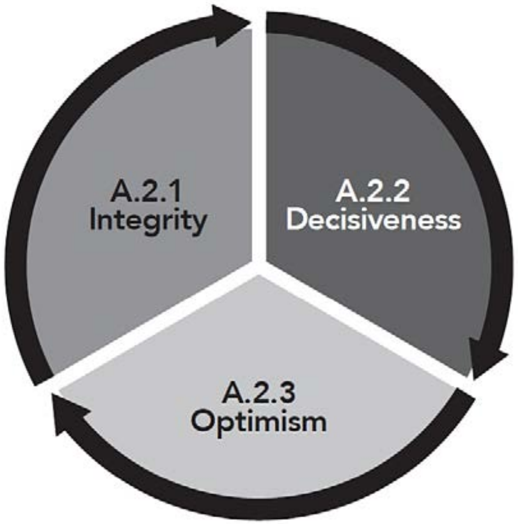
CHARACTER

(OPTIMISM)

Optimism

- (From the book, Becoming a Person of Influence: How to Positively Impact the Lives of Others, by John C. Maxwell)
- Having **optimism** means giving hope and instilling **confidence** in others.
- Optimism
  1. **Gives followers** something to **look forward to**
  2. **Helps them** see a way through the **chaos and complexity**

When contract managers perform with tremendous energy and accomplish meaningful goals, they serve as an inspiration to others.



4 Steps to do that

Optimism

1. **Actions**

❖ If you want to **help others** and become a **person of influence**,

keep smiling, sharing, giving, and forgiving.

✓ That's the right way to treat people—whether they **deserve it or not.**

❖ Besides, **you never know** which people are going to rise and **make a difference in your life** and the lives of others.

Optimism

2. **Attitude.**

❖ People who **view contract management**—

as a series of opportunities and exciting challenges

tend to help others

1. Overcome obstacles
2. See difficulties as potential learning experiences

Optimism

3. **Confidence.**

- Confidence is essential for strong leadership when the **future of the organization** is at stake.
- During these times, strong leaders
  1. Inspire confidence in others and
  2. Assure employees that setbacks are natural,

     thus **encouraging** them to **remain focused** on accomplishing **organizational goals**.

Optimism

4. **Connection.**

- The **stronger the relationship** between individuals, the more likely the **subordinate will help** the leader become successful.

- With this connection, **people are willing** to
  1. **Align** with the leader's vision
  2. **Set aside personal goals** to help the leader achieve organizational goals
  3. **Go above and beyond** normal expectations to enable the leader's success.

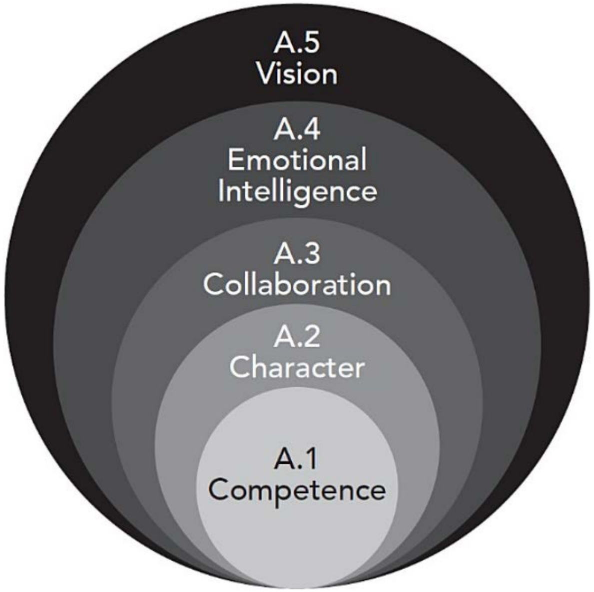
  It is the leader's responsibility to **initiate connection** with others.

COLLABORATION

Collaboration

- (From the article, "Adversarial Partnership: Program Managers and Contracting Officers Meeting the Mission," by John Dobriansky and John W. Wilkinson)
  - **Effective collaboration** between contract leaders and contract stakeholders will provide

    a strong foundation for a **successful partnership** to accomplish contract performance.



Collaboration

- **Being collaborative** means the contract leader knows
  1. Who the contract stakeholders are and
  2. Understands how to resolve the issues of concern to them

- Like a contract, collaboration involves **two or more parties working together**.

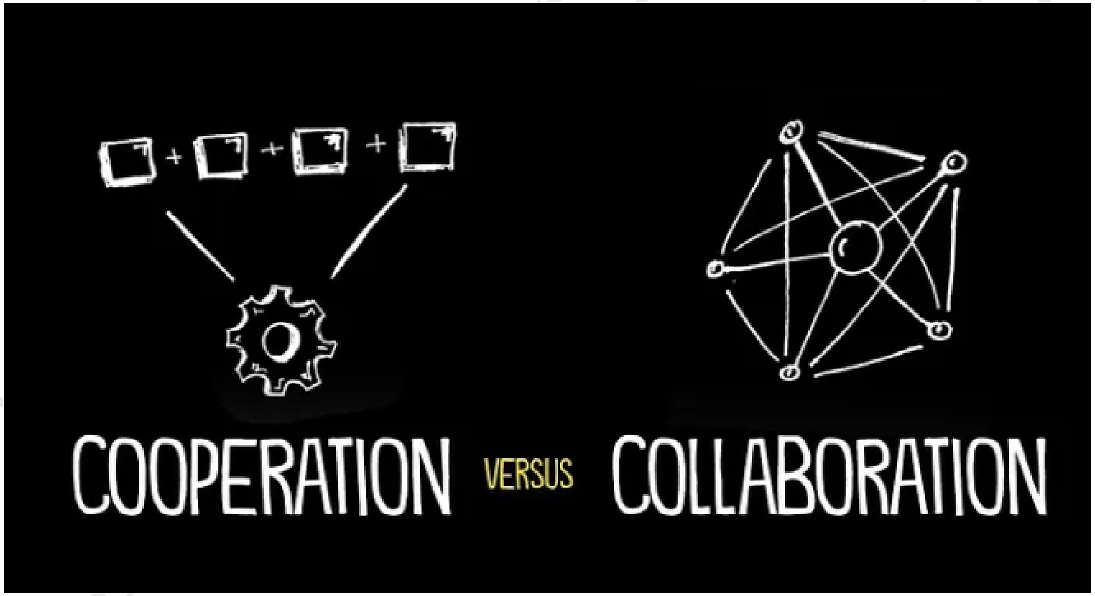
- To achieve a **successful partnership** between contract leaders and contract stakeholders,

  collaboration must be used effectively.

What is a continuum of collaboration?

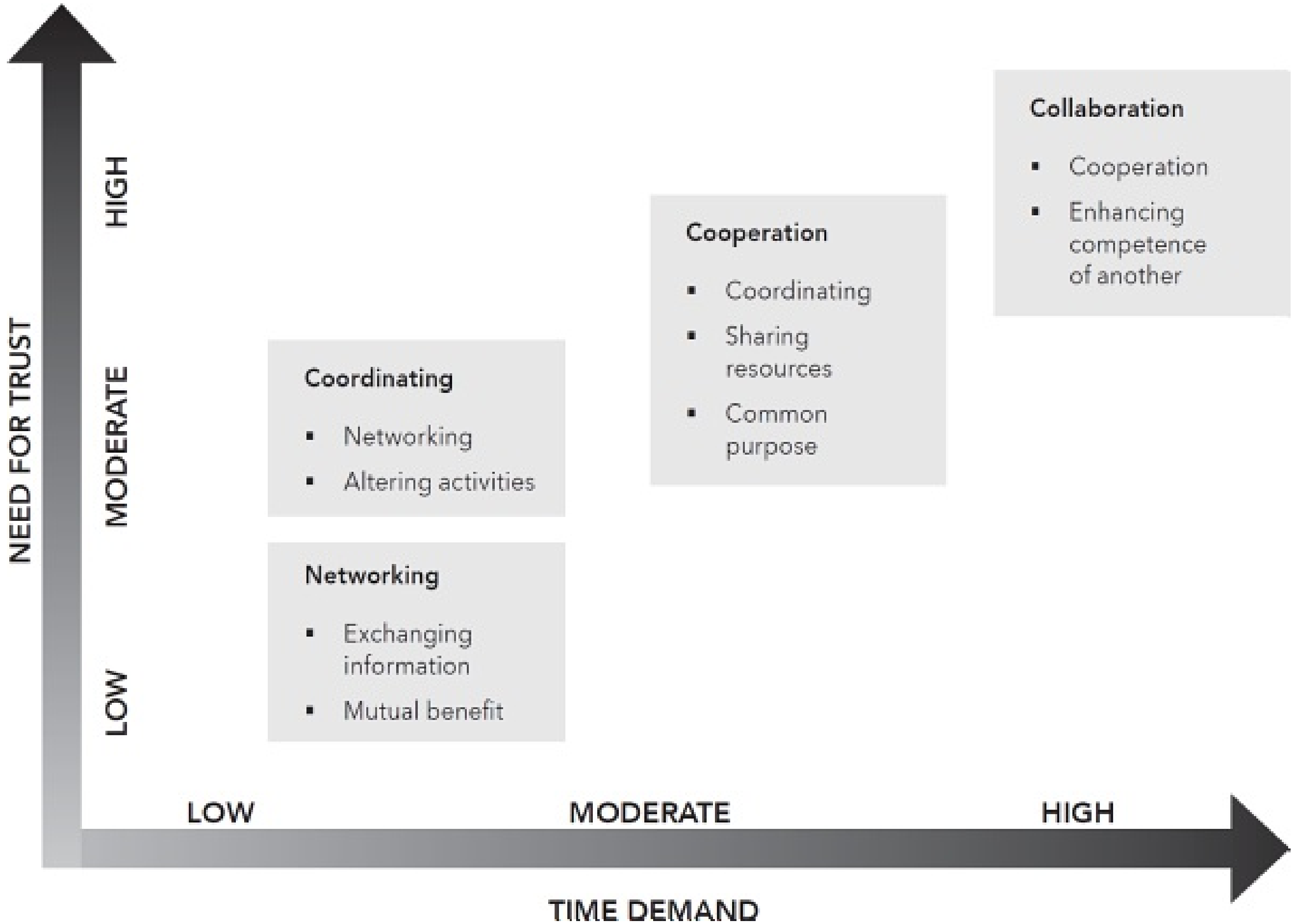
Collaboration – The collaboration continuum

- **Collaboration** addresses situations in which **people work together** on a shared goal, while **cooperation** involves working with others to help them achieve their individual goals.



Collaboration – The collaboration continuum

FIGURE 3-8. Collaboration Continuum



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Collaboration – The collaboration continuum

1. **Networking.**

- **Is there a difference between networking and collaboration?**
  - ✓ Yes, there is a **tremendous difference**, as the "Collaboration Continuum" in FIGURE 3-8 shows.
  - ✓ Networking involves the exchange of information for **mutual benefit**.
  - ✓ There is a low need for trust and

    the **amount of time to create** this relationship is low.
  - ✓ *An example of networking is an event where **business cards** or other knowledge are shared.*

Collaboration – The collaboration continuum

2. **Coordinating.**

- Coordinating involves the elements of networking and includes altering activities.
- *An example of coordinating is when individuals or organizations at separate sites coordinate time,*

  so they can each participate in ***the same event (webinars, telecons, etc.).***
- There is a **moderate amount of trust** needed in coordinating the event,

  but the **time demand** is low.

Collaboration – The collaboration continuum

3. **Cooperation.**

- Cooperation involves the **elements** of coordinating, and it includes sharing resources and a common purpose.
- *An example would be when **two organizations have committed** to one another through **written agreements**.*
- *For instance, a **prime contractor and its subs** could include in the subcontracts that **monthly progress meetings** will be conducted on specific dates and times, with the venue provided by the prime.*
- To achieve productive cooperation, there is a moderate-to-high need for **trust and time demand**.

Collaboration – The collaboration continuum

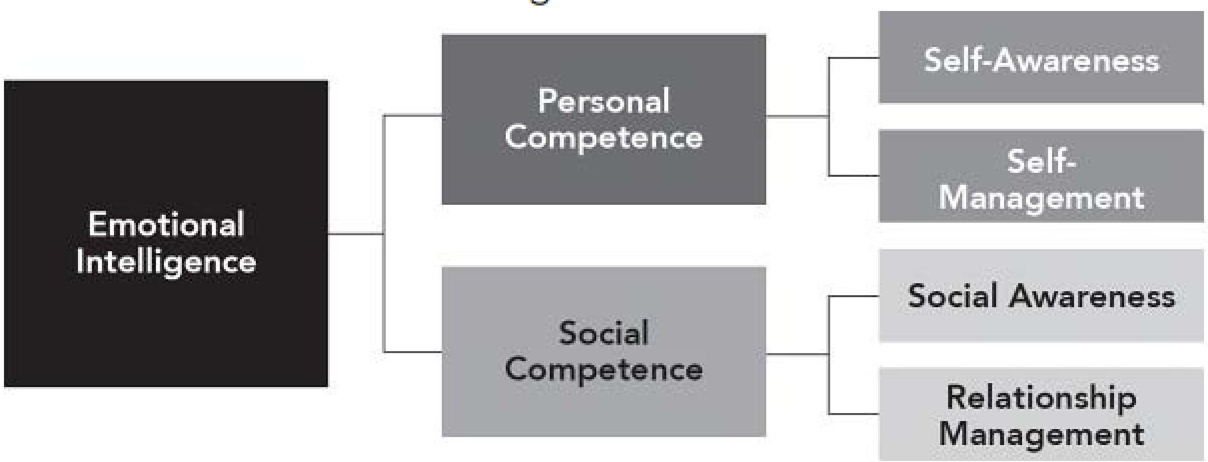
4. **Collaboration.**

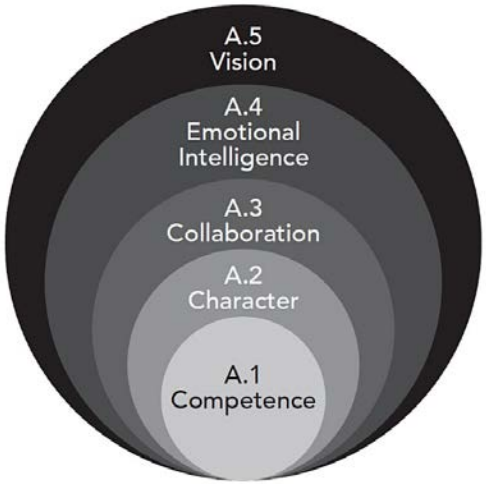
- Collaboration involves **all the elements** of cooperation, and it includes **enhancing the competence of others**.
- *An example would be individual or organizational **mentoring**.*
- Resources are shared for the **professional development of another**.

EMOTIONAL INTELLIGENCE

Emotional Intelligence

FIGURE 3-9. Emotional Intelligence Model





Emotional Intelligence – Personal competence: Self-awareness

- Self-awareness is the ability to **accurately perceive emotions** in the **moment** and understand **tendencies** across **situations**.
  - It includes **staying on top** of your typical reactions to specific events, challenges, and people.

Who is high in self-awareness?

Emotional Intelligence – Personal competence: Self-awareness

- People high in self-awareness are **remarkably clear** in their **understanding** of:
  - What they **do well**
  - What **motivates** and **satisfies** them
  - **Which people** and **situations** push their buttons

Emotional Intelligence – Personal competence: Self-management

- Self-management is

  what happens when you act—

  or do not act.

- It is **dependent** upon your **self-awareness** and

  your ability to use your awareness of emotions to stay flexible and direct your behavior positively.

- **Some emotions** can create a paralyzing fear, and

  in such instances, the **best course** of action is not clear.

What to do in this case?

Emotional Intelligence – Personal competence: Self-management

- In these cases, **self-management** is revealed by

  your ability to tolerate uncertainty

  as you explore your **emotions and options**.

Eventually, the best course of action will show itself.

Emotional Intelligence – Social competence: Social-awareness

- **Social awareness** is the ability to:
  1. Look inward to learn about and appreciate others, and
  2. **Recognize** and **understand** the emotions of others.

Emotional Intelligence – Social competence: Relationship-management

- Relationship management is:
  1. Self-awareness—to **notice your feelings and judge** if your needs are being satisfied,
  2. Self-management—to **express your feelings and act** accordingly to benefit the connection, and
  3. Social awareness—to **better understand the other person's** needs and feelings.
     - Keep in mind, you are half of any relationship.
     - As such, you have the responsibility of deepening the connections.

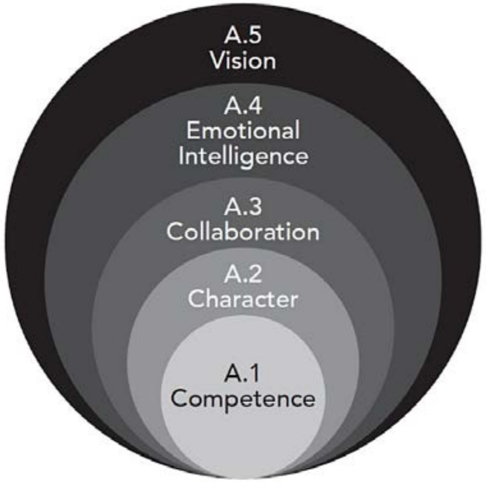
VISION

Vision

- Having vision means
  1. Being able to see the possibilities of a better future, and
  2. Guiding others on getting there.

- For contract managers,

  vision is **required** when developing a plan to produce and drive behavior to achieve **contract performance** and **mission success.**



6 characteristics needed for having true vision

Vision

1. Buying In.

- People typically buy into the leader first, and **then** they buy into the vision.

  When the **leader** has credibility, then the vision has credibility.

- When people do not accept the leader or the vision, they look for another leader.
- FIGURE 3-10 presents **buy-in situations** between the leader and the vision, and possible results.

FIGURE 3-10. Leader and Vision Buy-In (Maxwell 1991)

Leader +	Vision	= Result
Don't Buy In	Don't Buy In	= Get Another Leader
Don't Buy In	Buy In	= Get Another Leader
Buy In	Don't Buy In	= Get Another Vision
Buy In	Buy In	= Get Behind the Leader

2. Developing Direct Reports and Others.

- **Most people** want to grow and develop.
- Most people aspire to do well and be rewarded with positive reinforcement (e.g., praise, more pay, and higher positions).
- Most people have dreams and goals they want to achieve.

3. Intuition.

- Intuition blends facts with instinct and other intangible factors.
- In many cases, intuition is the factor that **enables good leaders** to become extraordinary leaders.
- An effective leader can assess a situation and know instinctively what to do (Maxwell 1995).

4. **Mentoring**.

- The development of other leaders is one of the highest priorities of a leader.
- Organizational capacity depends upon the growth of its leadership ability.

- FIGURE 3-11 presents the differences between developing followers and leaders (Maxwell 1995).

FIGURE 3-11. Differences Between Developing Followers and Leaders (Maxwell 1991)

Leaders Who Develop Followers	Leaders Who Develop Leaders
Need to be needed	Want to be succeeded
Focus on weaknesses	Focus on strengths
Develop the bottom 20%	Develop the top 20%
Treat everyone the same for "fairness"	Treat their leaders as individuals for impact
Hoard power	Give power away
Spend time with others	Invest time with others
Grow by addition	Grow by multiplication
Impact only people they touch personally	Impact people far beyond their own reach

5. Succession Planning.

- The leader who continually empowers others and helps them develop so **they become capable** of taking over the leader’s job are crucial to **organizational success** (Maxwell 1995).

Vision

6. Thinking Big.

- Leaders always look at the big picture, and they know **their success** is only as great as the goals they accomplish.
- As David Schwartz said, "*Where success is concerned, people are not measured in inches or pounds, or college degrees, or family background; they are measured by the size of their thinking. How big we think determines the size of our accomplishments.*" *(Schwartz 2017)*
- If you consistently show people you are developing the big picture and keep stressing possibilities **rather than problems**,

  they will **start thinking big** as they work to achieve the leader's and organization's vision (Maxwell 1995).

Vision

- *Goal Accomplishment When you accomplish a goal—congratulations!*
  - Your personal or professional skills should be more meaningful, effective, and efficient.

- When you do not accomplish a goal—congratulations!
  - You have discovered other things are more meaningful to you and you can adjust or move to other goals.

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What we will learn?

- Management competency
  - Introduction
  - Business management
  - Change management
  - Financial management
  - Project management
  - Risk management
  - Supply chain management

Successful contract management

Per ANSI/NCMA ASD 1-2019 (R2022) (see Annex):

Successful contract management demands:

- Leadership proficiency through the cumulative effect of competence, character, collaboration, emotional intelligence, and vision;
- Specialized management skill, acumen, and judgment in such areas as business management, change management, financial management, project management, risk management, and supply chain management; and
- Continuous, lifelong learning to advance individual competence and organizational capability.

The CMBOK structure

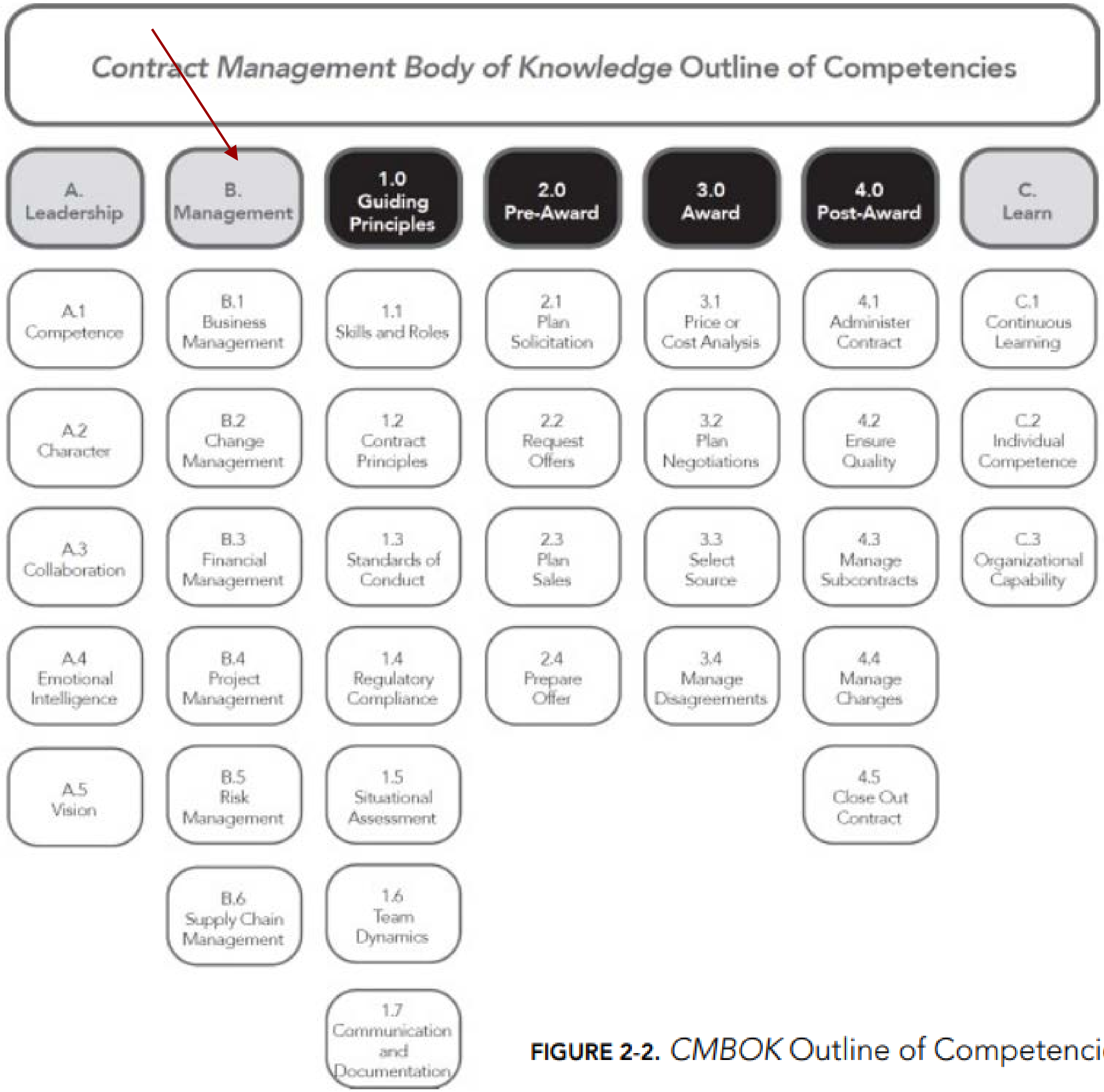


FIGURE 2-2. *CMBOK* Outline of Competencies

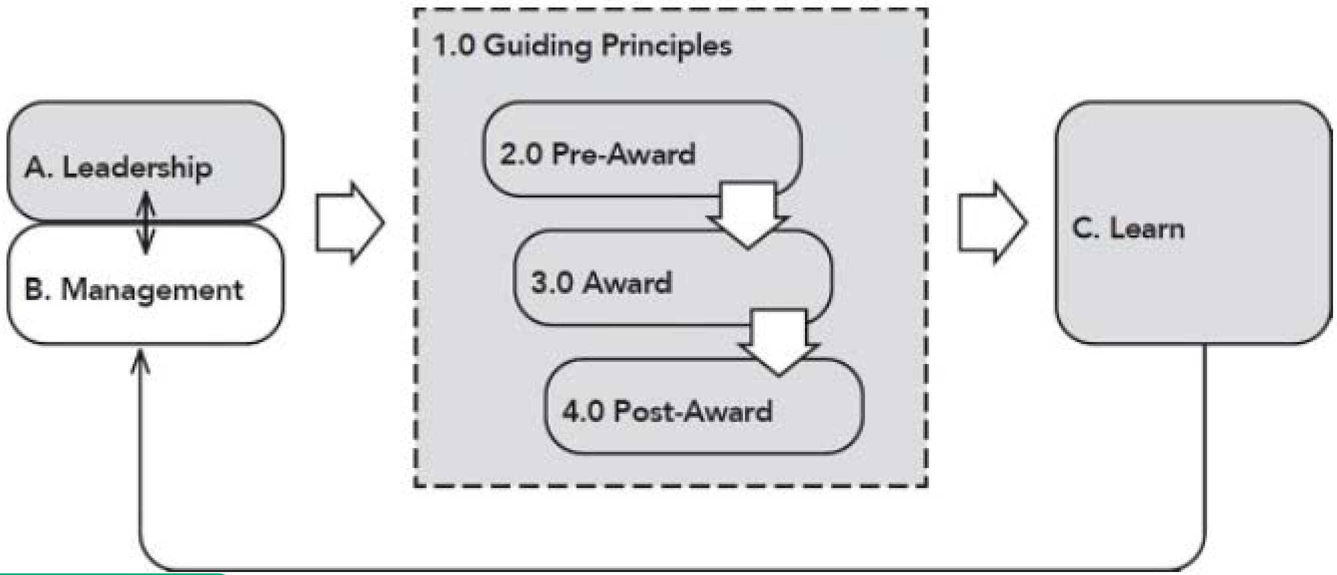
MANAGEMENT COMPETENCY

(INTRODUCTION)

Competency system

- **Those who can skillfully** perform **both competencies** in a balanced manner will enjoy a competitive advantage over those who cannot.
- FIGURE 4-1 illustrates how the management competency aligns within the CMBOK Competency System.

FIGURE 4-1. The *CMBOK* Competency System



What does it mean for contract manager?

Management for contract manager

- For contract managers,

  management is the process of accomplishing contract management by **working with and through others**.

- It is the **skillful blending of resources** such as

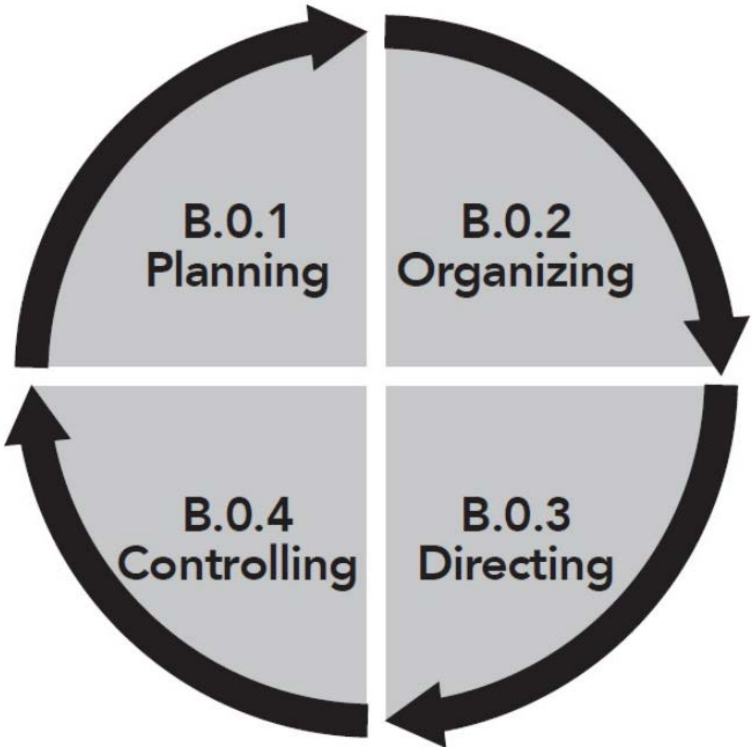
  people, funds, equipment, and time to **successfully accomplish a goal**.

Four commonly accepted functions associated with management

Functions associated with management

- The four commonly accepted functions associated with management include:

FIGURE 4-2. Commonly Accepted Functions of Business Management



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Planning

- *B.0.1 Planning involves preparing the organization for the future.*
- There are **four distinct levels** of planning:
  1. **Strategic planning**—Looks at long-term (e.g., five-year) goals and objectives. A strategic plan is typically based on the organization's mission statement.
  2. **Tactical planning**—Focuses on short-term (e.g., one- to two-year) goals and involves evaluating economic and environmental issues such as competition (for sellers) and requirements planning (for buyers) to meet the strategic plan's goals.
  3. **Operational planning**—Looks at the near-term (e.g., from the next few months up to one year) goals and identifies how the organization will meet its tactical goals.
  4. **Contingency planning**—Involves "what if?" analysis to look at various situations if certain environmental or economic conditions change.

Organizing

- *B.0.2 Organizing consists of allocating resources to meet goals identified during the planning process.*

- **Such resources** typically include personnel, financial assets, and the property necessary to meet the organization’s mission.

- Organizing requires **managers understand**
  1. The work that needs to be done,
  2. The time it would take to do the work, and
  3. How to sort (organize) that effort into tasks or departments and assign personnel to accomplish those specific tasks.

Directing

- *B.0.3 Directing is the management of people and processes to accomplish objectives.*
  - It is the **manager's responsibility** to ensure employees are **performing their functions** in accordance **with expectations**.

Controlling

- *B.0.4 Controlling involves monitoring and evaluating how well the team and organizational objectives are pursued and accomplished.*
  - Organizational performance measurement and feedback are crucial to **making mid-course corrections** for contract managers to perform effectively (Kurtz and Boone, 2002).

Five factors to evaluate contract performance?

Measurement

- Organizations use **different measurements** to evaluate contract management.

- One survey suggested that **contract professionals** be evaluated using the following five factors:
  1. Knowing the rules of the game,
  2. Exercising sound business judgment,
  3. Understanding strategy and tactics,
  4. Knowing the marketplace, and
  5. Functioning as a team member.

Measurement

- Other contract management metrics might include
  1. Measurement of timeliness,
  2. Responsiveness, and/or
  3. Customer satisfaction

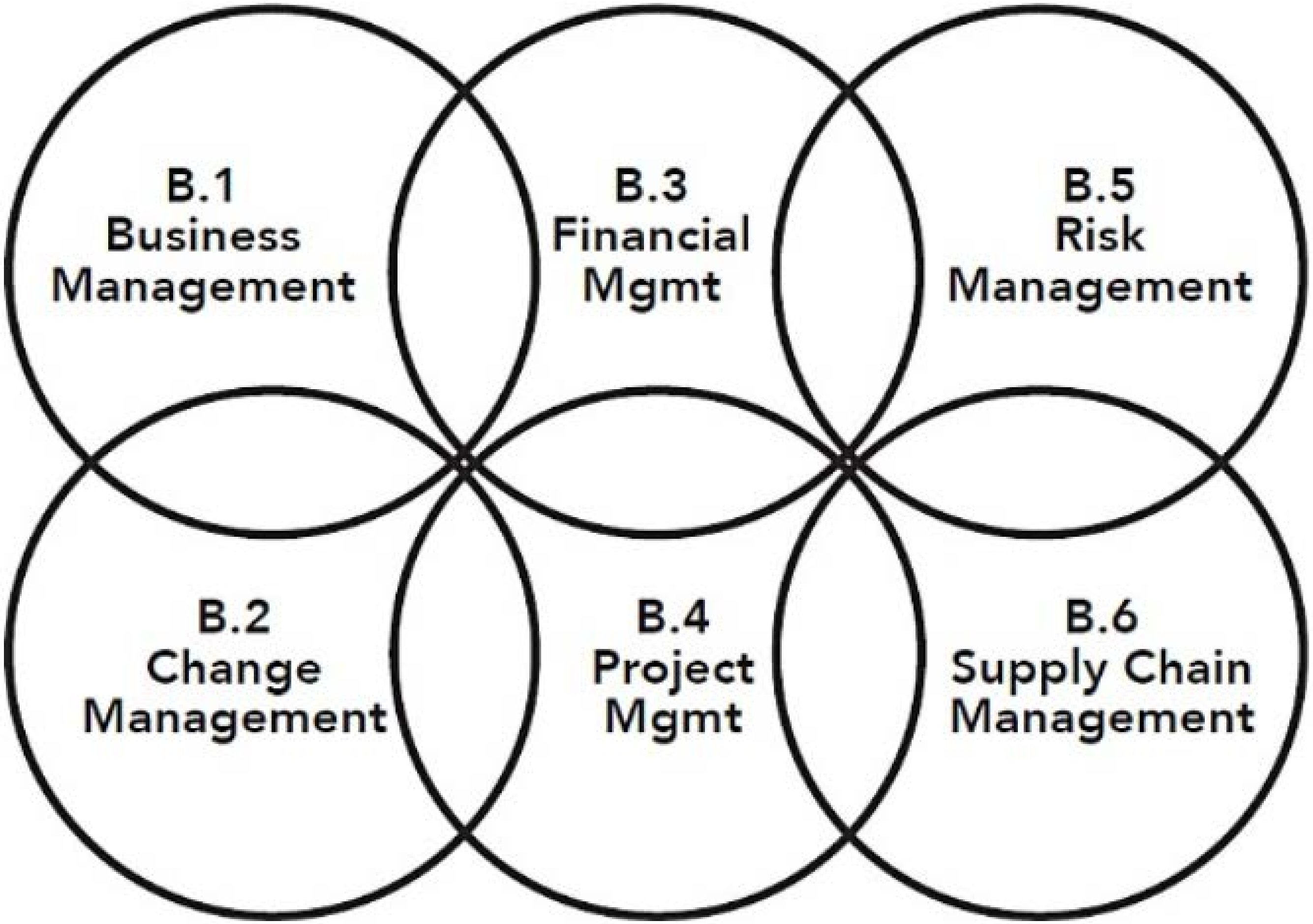
(CMI 2002).

Measurement

- Providing effective customer service can determine the success of contract performance.
- Measuring customer service typically involves the following five elements:
  1. Reliability—Provide the service consistently and accurately.
  2. Responsiveness—Anticipate and act in a timely manner to meet (and exceed) the customer's needs.
  3. Value—Make the customer feel understood.
  4. Empathy—Let the customer know that you share their concerns.
  5. Competency—Have technical knowledge of contracting laws and regulations (Newhart 2003).

Successful contract management competency

FIGURE 4-3. Management Competencies

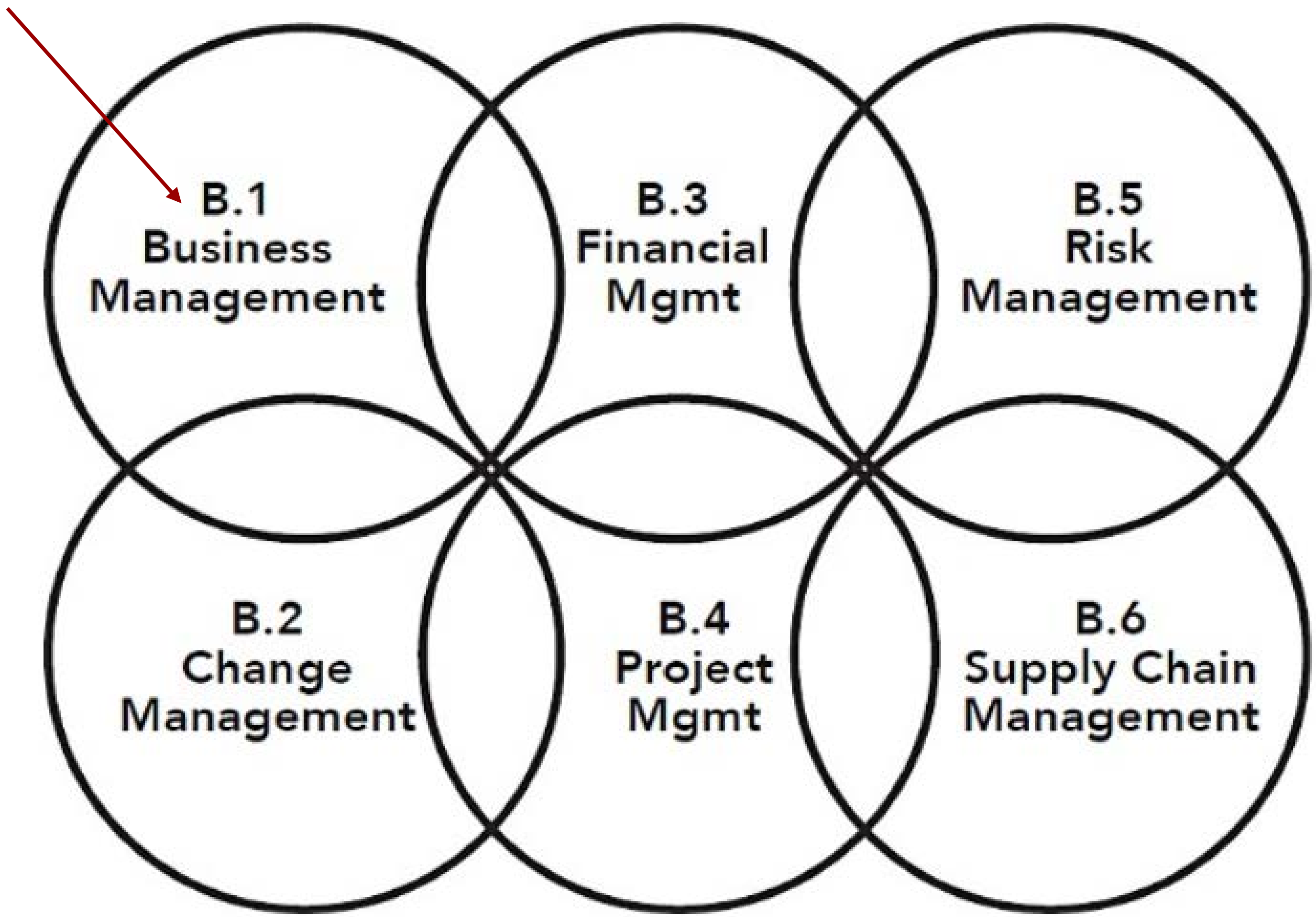


MANAGEMENT COMPETENCY

(BUSINESS MANAGEMENT)

Successful contract management competency

FIGURE 4-3. Management Competencies



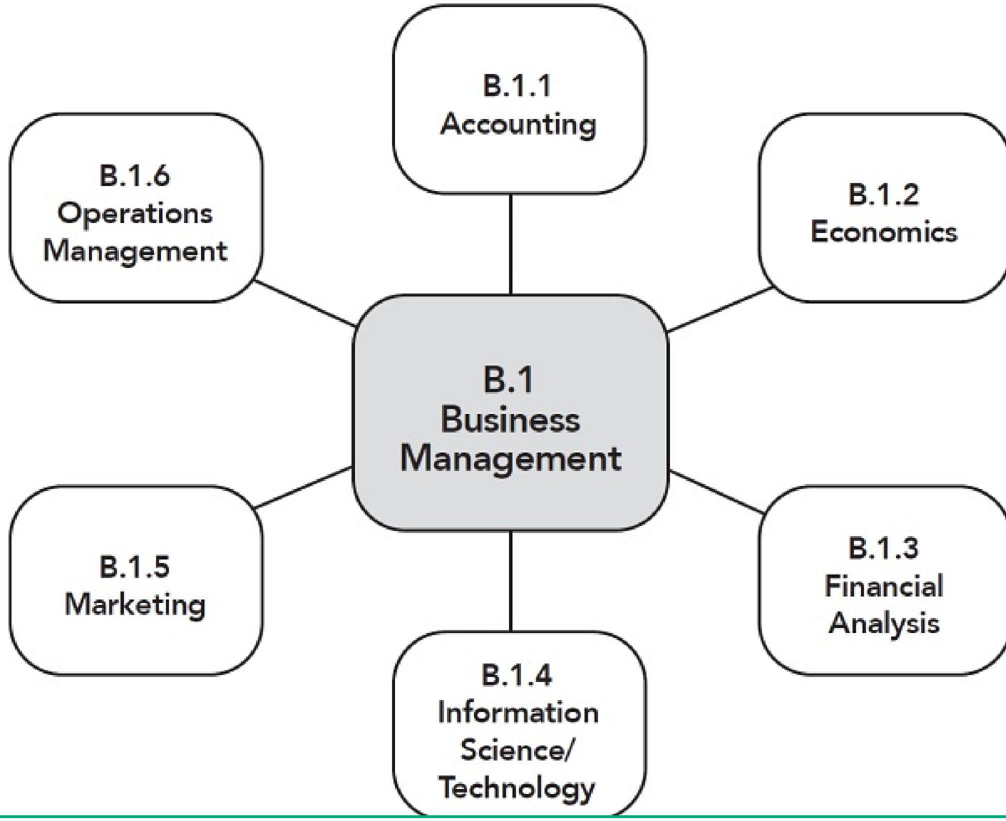
Business management competencies for contract managers

- Successful contract managers must understand various aspects of **business management**.
  - They must also understand the **marketplace** in which their organization operates, including

    accounting, economics, financial analysis, information science/technology, marketing, and operations management.

Business management competencies for contract managers

FIGURE 4-4. Business Management Competencies



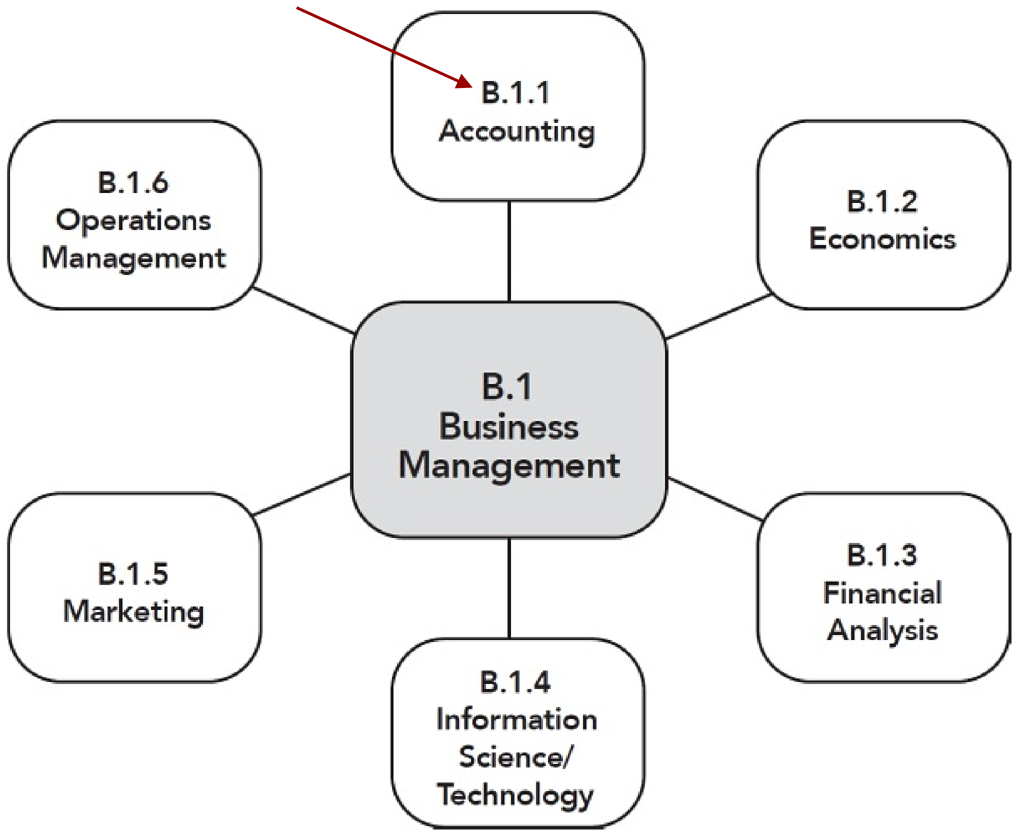
Why is competence in business management important to contract managers?

Business management competencies for contract managers

- Accounting is important because it is used in **estimating costs**.
- Economics is important because **supply and demand** will drive the level of **competition**.
- Financial analysis is important because it can determine the **financial health of a seller.**
- Information science/technology is important because **information** drives decisions and must be handled with **confidentiality**.
- Marketing is important because the **product life cycle** will influence **price** and **availability**.
- Operations management is important because it determines **lead times** and **quality**.

Business management competencies for contract managers

FIGURE 4-4. Business Management Competencies



Accounting – Accounting standards

- An **organization's accounting system** is the **primary source** for an **effective cost estimating system** and

  it should integrate applicable information from a variety of company **management systems**.

- Since **both buyers and sellers** use cost estimates in contract management,

  contract managers should be familiar with **basic cost accounting concepts**.

Accounting – Cost accounting

- (From the FASAB Handbook of Federal Accounting Standards and Other Pronouncements)

- Cost accounting is the **process** of

  collecting, measuring, analyzing, and reporting cost information

  for internal and external group use.

Accounting – Cost accounting

- There are **three methods** that are primarily used for cost accounting:
  1. Job-order
  2. Process
  3. Activity-based

Accounting – Cost accounting: Job order cost system

- Since the physical units of production under a job-order cost system are identified with **specific job orders (or contracts)**,
  the labor distribution and accumulation method
  identifies the **direct labor cost** associated with the units produced.

- **Supporting data** in a job-order cost system will typically identify the following:
  1. The labor hours expended to produce the items
  2. The employees and their pay rates
  3. The total labor cost with subtotals and breakdowns by **types of labor**

Accounting – Cost accounting: Process cost system

- Under a process cost system,

  direct costs are charged to a process for more than one contract

  that are **run through the process** at the same time,

  even though the **end items** may **not** be identical.

- **At the end** of the accounting period,

  the costs incurred for that process are assigned to

  1. Units completed during the period
  2. Incomplete units still in process

When is it used?

Accounting – Cost accounting: Process cost system

- Process cost systems are used by **companies** that continuously manufacture a specific end item—

  like **vehicles or chemicals**—

  that requires **identical or very similar** production processes.

- A process is just one element of a **comprehensive set of activities** that an item **must complete** during its production.

Accounting – Cost accounting: Activity-Based costing systems

1. **Activity-based costing systems** are focused on
   1. Production cycle and
   2. Based on the principles that an output needs activities to produce it
   3. Those activities use certain resources

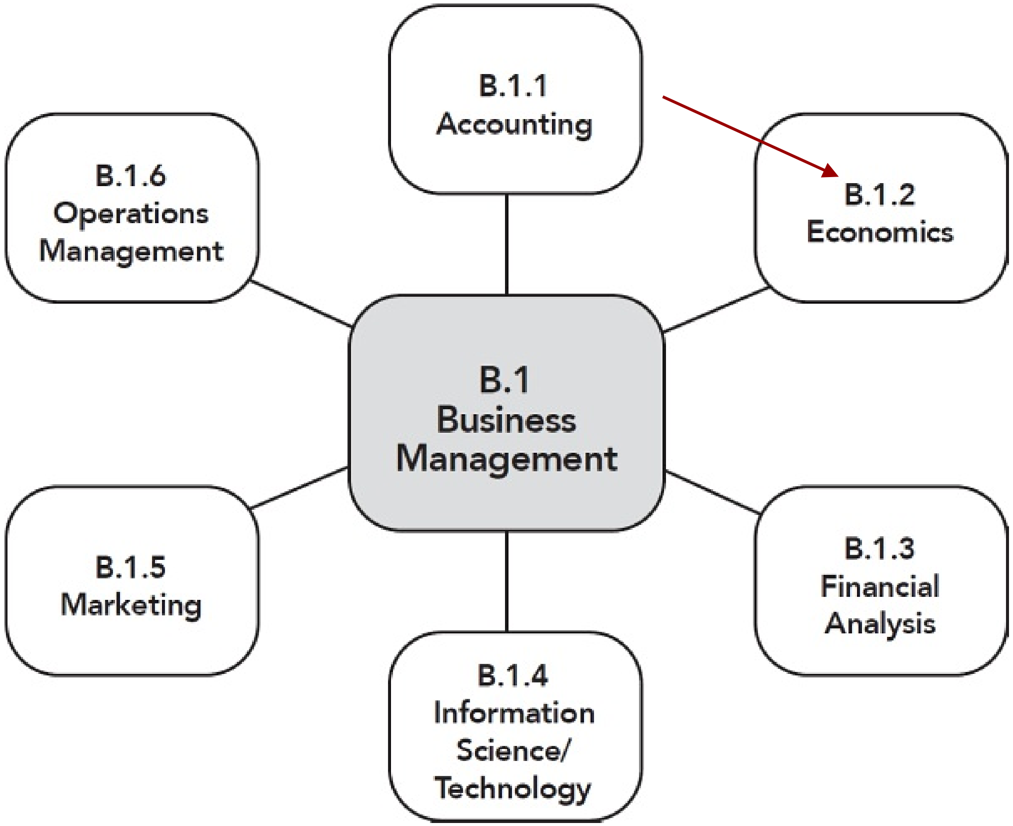
2 step-process exist here

Accounting – Cost accounting: Activity-Based costing systems

- The activity-based costing method uses a **two-step process**:
  1. Assigns the resource costs of each activity
  2. Assigns activity costs to the output

Business management competencies for contract managers

FIGURE 4-4. Business Management Competencies



Economics

- **Economics** is concerned with making decisions

  with **scarce resources** such as labor, capital, goods, and natural resources.

- **Economics** influences what gets produced and how much gets produced.

- **Supply and demand** are important components in

  1. Economic production
  2. Pricing decisions

What are four essential laws of supply and demand?

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Economics – Supply and demand

- There are **four essential laws** of supply and demand, assuming that all other factors remain equal:
  1. If demand increases and supply doesn’t change, then the price will increase
  2. If demand decreases and the supply doesn’t change, then the price will decrease
  3. If supply increases and demand doesn’t change, then the price will decrease
  4. If supply decreases and demand doesn’t change, then the price will increase

Economics – Types of competition

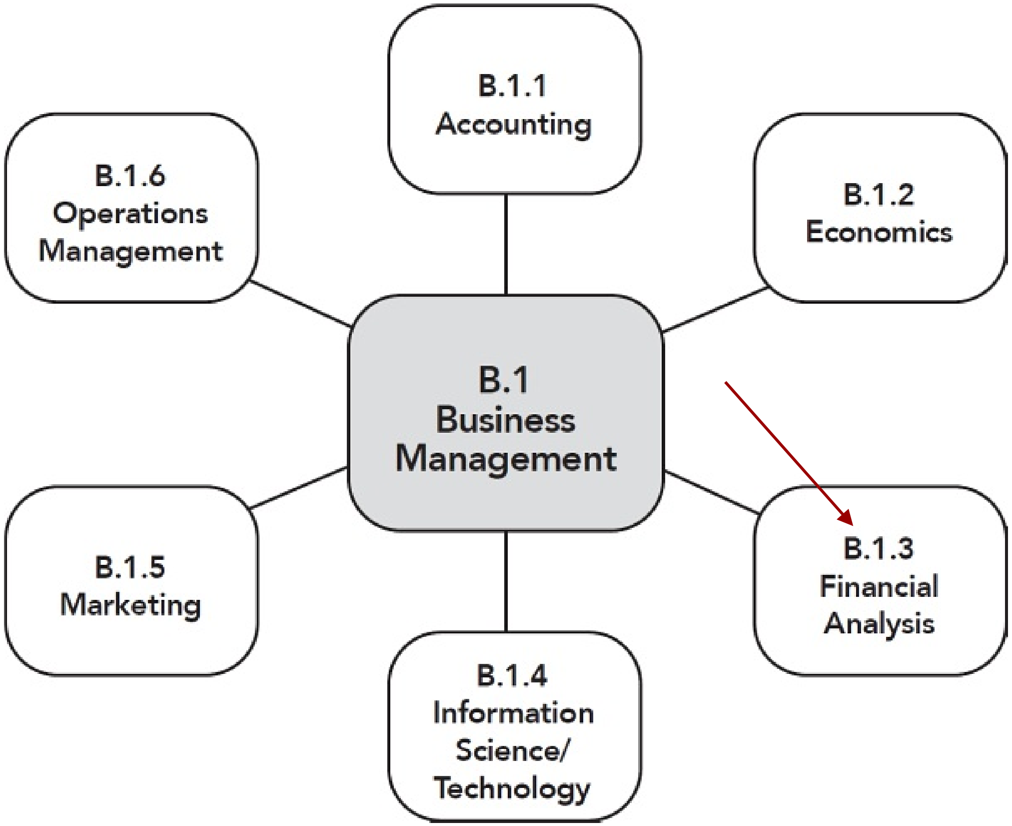
- Contract managers should also understand how the different types of competition impact the marketplace as well as supply and demand.

FIGURE 4-5. Competition's Impact on Pricing

Competition	Buyers	Sellers	Market Entry	Pricing Power
Perfect	Many independent	Many independent	Relatively easy	Pricing balance between buyers and sellers
Monopoly	Many independent	One	Restrictive	Considerable pricing power to seller
Oligopoly	Many independent	Few independent	Restrictive	Relatively great pricing advantage to sellers
Monopsony	One	Many independent	Relatively easy	Considerable pricing power to buyer

Business management competencies for contract managers

FIGURE 4-4. Business Management Competencies



Financial analysis

- **Contract managers** use financial analysis to determine if a **company is stable enough** to <u>receive a contract award</u>.
  - That is **why it is important** for contracting professionals to have a basic understanding of

    how <u>finance</u> interrelates to both **contract management** and **business competencies.**

What are three primary financial statements used in financial analysis ?

Financial analysis

- The three primary financial statements used in financial analysis are (SEC 2013):
  1. **Balance sheet**—Documents what a company currently owns and what it owes at a specific point in time.
  2. **Income statement**—Shows how much money a company made or spent over a specific time period.
  3. **Cash flow statement**—Shows the exchange of money between a company and the outside world over time.

Financial analysis – Balance sheet

FIGURE 4-6. Balance Sheet

Assets (Things owned / used by the business)			Liabilities (Amounts Owed) / Funds (Where sourced)		
Fixed Assets (long term in nature)			Owners Funds		
		$			$
Intangible Assets	Goodwill	10,500	Issued Common Stock		100,000
	Patents & Licenses	5,000	Capital Reserves	Revaluation Reserve	4,353
				Share Premium Account	5,000
Tangible Assets	Land & Buildings	155,450		Foreign Exchange Reserve	4,720
	Plant and Equipment	6,850			
	Vehicles	17,500	Revenue Reserves	Retained Earnings	122,500
	Computer Equipment	12,200			
			Total Owners Funds >>		236,573
Long Term Investments	Shares in Associated Companies	1,500	Long Term Liabilities (due in more than 1 year)		
			Bank Term Loan		11,500
Total Fixed Assets >>		209,000	Bonds in Issue		10,000
			Mortgages		65,000
Current Assets (short term in nature)					
			Total Long Term Liabilities >>		86,500
Inventories (stocks)	Raw Materials	12,000	Current Liabilities (due in less than 1 year)		
	Work In Progress	48,000			
	Finished Goods	59,543	Accounts Payable (creditors)		48,950
Total Inventories (stocks) >>		119,543	Short Term Loans - Bank Overdraft		4,000
			Taxation and Social Security		9,500
Accounts Receivable (debtors)		58,450	Dividends Due		2,000
Cash (includes bank accounts)		1,028	Accruals		1,998
Prepayments / Deposits		1,500			
Total Current Assets >>		180,521	Total Current Liabilities >>		66,448
Total Net Assets >>		389,521	Total Net Liabilities / Owners Funds >>		389,521

Financial analysis – Income Statement

FIGURE 4-7. Income Statement

Income Statement		
Revenue		
Income from Sales	$50000	
Less: Sales Returns	- $500	
Net Sales		$49500
Commission Received		$1000
Total Income		**$50500**
Expenses		
Purchases	$30000	
Less: Purchases Returned	$1000	
Net Purchases		$29000
Bad Debts		$1000
Wages		$8000
Electricity and Other Charges		$1000
Administrative and Sales Expenses		$1000
Total Expenses		**$40000**

Financial analysis – Income statement

- To conduct a financial analysis, contract managers must also understand the relationship between

  assets, liabilities, and shareholders' equity.

- The **first step** is understanding the different types of assets.
  1. Types of assets
  2. Types of liabilities

Financial analysis – Income statement: Types of assets

1. Tangible assets
2. Intangible assets
3. Current assets
4. Long-term assets

Financial analysis – Income statement: Types of liabilities

1. Current liabilities
2. Long-term liabilities

Financial analysis – Cash flow statements

- (From the Securities and Exchange Commission's article, "Beginner's Guide to Financial Statements.")
- Cash flow statements report a company's inflow and outflow of cash.
- This is important because a company needs to
  1. Have enough cash on hand to pay its expenses and
  2. Buy additional assets if needed.

What are three categories of cash flow statement?

Financial analysis – Cash flow statements

- Cash flow statements are typically divided into three sections:

1. **Operating activities**—This section identifies a company's cash flow from net income or losses.
2. **Investing activities**—The next section states the cash flow from all investing activities that include purchases or sales of long-term assets.
3. **Financing activities**—The last section identifies cash flow from all financing activities.

[Company Name]
Cash Flow Statement

For the Year Ending	12/31/2008
Cash at Beginning of Year	15,700
Operations	
Cash receipts from customers	693,200
Cash paid for	
Inventory purchases	(264,000)
General operating and administrative expenses	(112,000)
Wage expenses	(123,000)
Interest	(13,500)
Income taxes	(32,800)
Net Cash Flow from Operations	**147,900**
Investing Activities	
Cash receipts from	
Sale of property and equipment	33,600
Collection of principal on loans	
Sale of investment securities	
Cash paid for	
Purchase of property and equipment	(75,000)
Making loans to other entities	
Purchase of investment securities	
Net Cash Flow from Investing Activities	**(41,400)**
Financing Activities	
Cash receipts from	
Issuance of stock	
Borrowing	
Cash paid for	
Repurchase of stock (treasury stock)	
Repayment of loans	(34,000)
Dividends	(53,000)
Net Cash Flow from Financing Activities	**(87,000)**
Net Increase in Cash	**19,500**
Cash at End of Year	35,200

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Financial analysis

- Now that we have **reviewed the tools** of financial analysis, we will now **discuss how the analysis** is conducted.

Financial analysis – Financial indicator ratios

- (From the Deputy Director of Defense Procurement and Acquisition Policy's book, Contract Pricing Reference Guide, Volume 4)
- Most **financial analysis** involves using **ratios**.
- There are **different ratios** that managers can calculate to **support financial analysis**.

Contract managers should determine which ratios will provide the **type of information needed** to support the analysis they are conducting.

What are four primary ratios recommended?

Financial analysis – Financial indicator ratios

- These ratios include the following:
  - **<u>Solvency ratio</u>**—Measures the company's **ability to meet its** current and long-term obligations.

    Solvency ratio = (after tax net profit + depreciation)/total liabilities.

  - **<u>Acid test ratio</u>**—Determines how well the **company's current liabilities** can be satisfied by its **current assets less inventory**.

    Acid test ratio = (cash + accounts receivable + short-term investments)/current liabilities.

Financial analysis – Financial indicator ratios

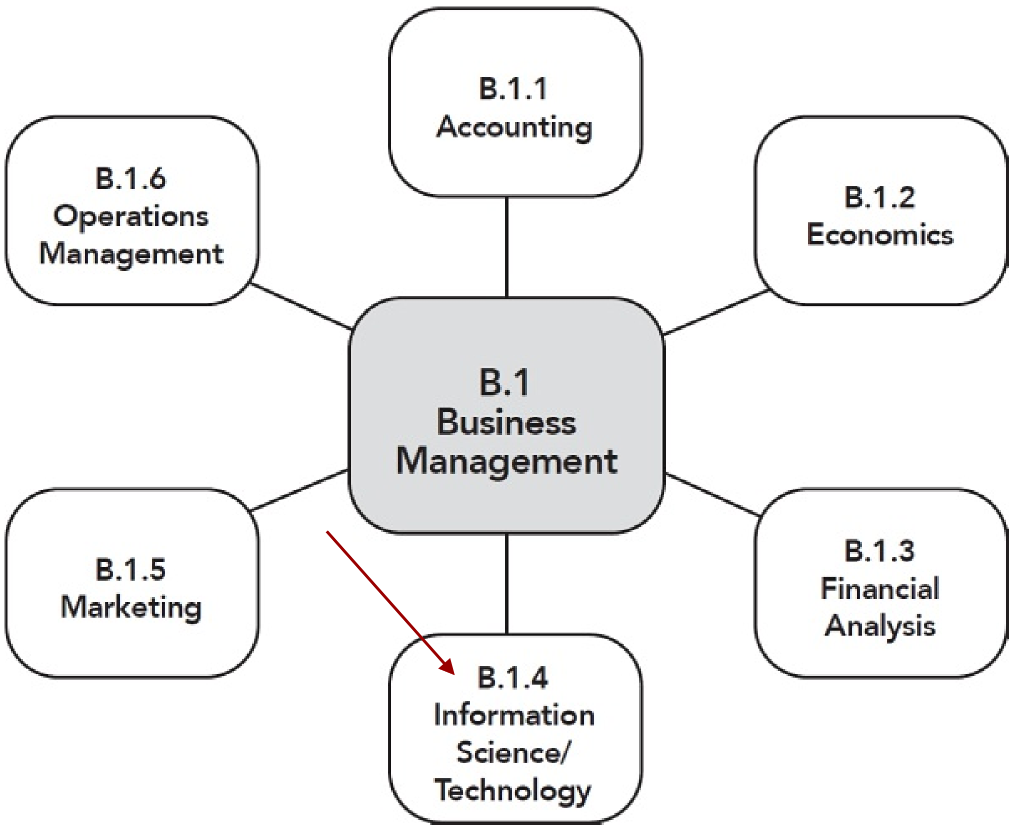
- These ratios include the following:
  - **Current ratio—**The current ratio measures a company's ability to pay short-term obligations or those due within one year.

    Current ratio = current assets/current liabilities.
  - **Debt to equity ratio—**Measures the relation of debt and owner's equity used to finance the company's operations. This ratio may be expressed either as a decimal or a percentage.

    Debt to equity ratio = total liabilities/shareholders' equity.

Business management competencies for contract managers

FIGURE 4-4. Business Management Competencies



Information science/Technology

- The field of information science is concerned with

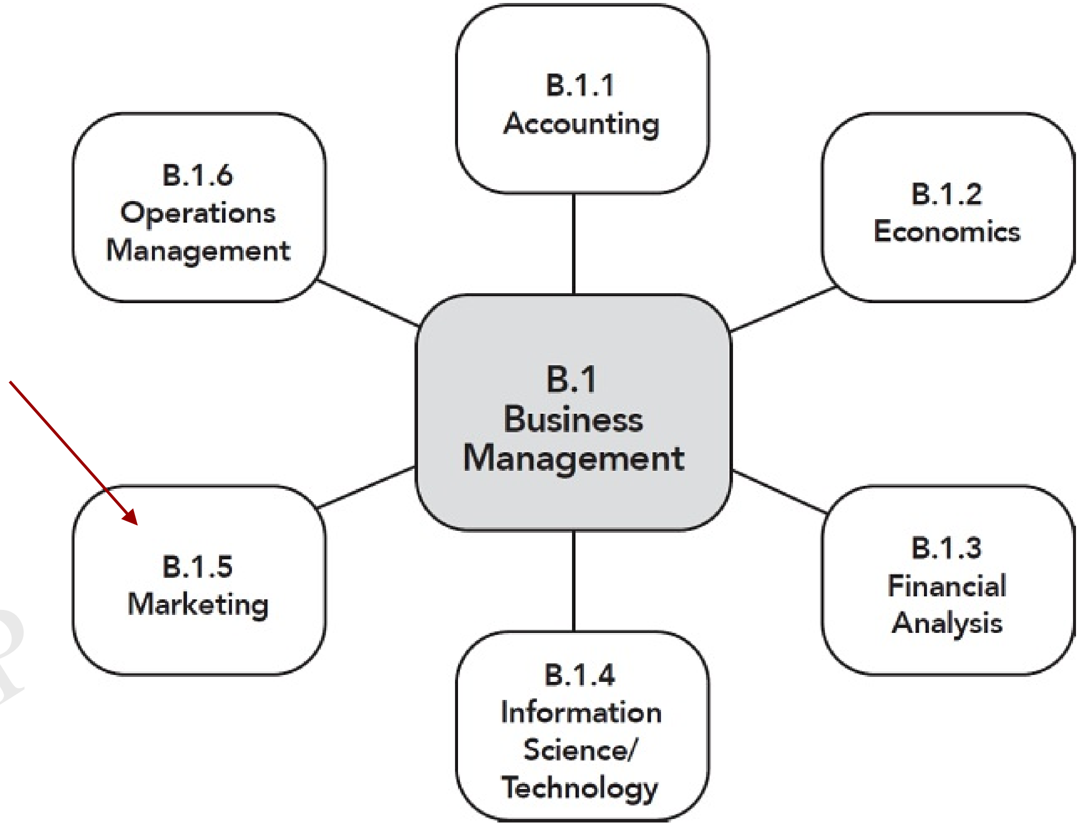
  collecting, organizing, storing, retrieving, and protecting recorded data.

- Many organizations use

  e-contract, eprocurement, and other online tools to manage suppliers, solicitations, and contracts.

Business management competencies for contract managers

FIGURE 4-4. Business Management Competencies



Marketing

- An important element of any marketing strategy is to identify a target market, which is a way to **divide or segment** the total market to the ones that the company **can best serve**.

What are two ways to segment a market?

Marketing

- There are **two ways** to segment a market:
  1. **Geographic—**Specializing in serving the needs of customers in a particular location or area, such as a state or region.
  2. **Customer—**Identifying the customers most likely to need your product or service and targeting those groups, such as a government agency or prime contractor.

What are four essential elements of any marketing program ?

Marketing

- In addition to segmenting the target market, sellers also need to identify the four essential elements of any marketing program (commonly known as the **"4 Ps"**), which consist of the following:
  1. **Products/services—**Identifying the right products and services to meet the needs of your target market.
  2. **Price—**Offering products and services at the right price is important to make your business successful.
     - Understanding the marketplace, such as supply, demand, and competition, will help in determining the right price.

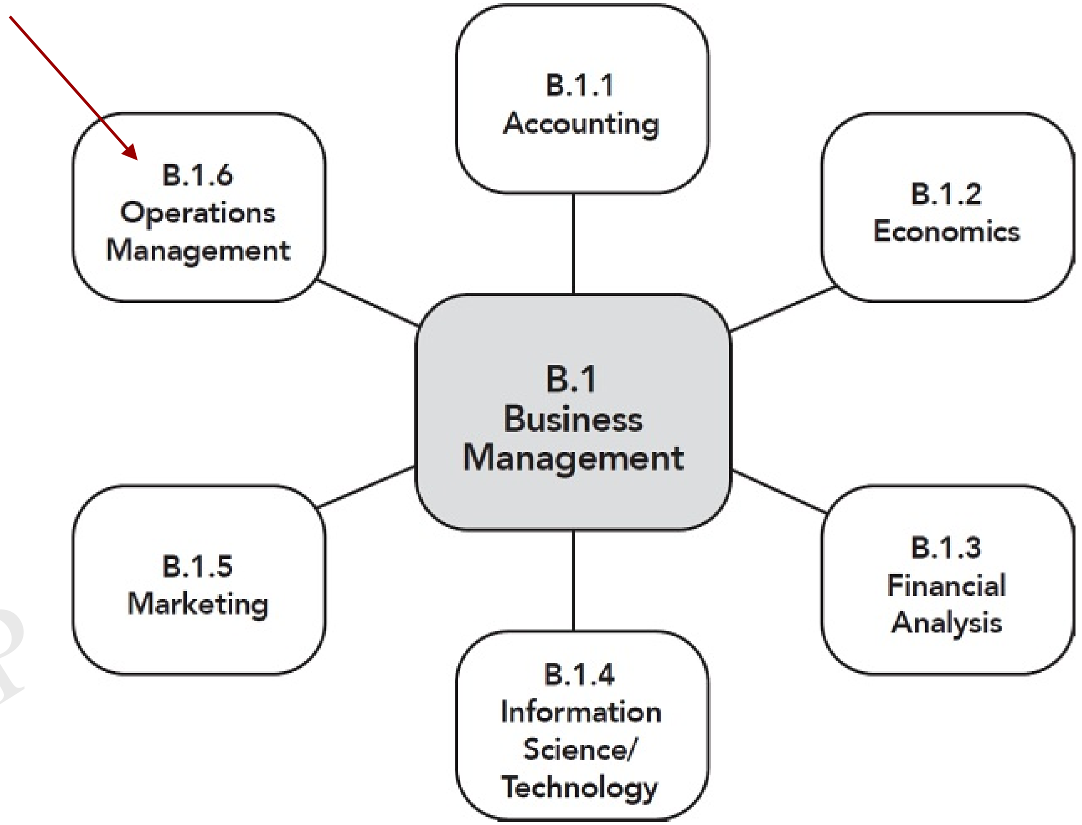
Marketing

- In addition to segmenting the target market, sellers also need to identify the four essential elements of any marketing program (commonly known as the **"4 Ps"**), which consist of the following:

  3. **Promotion—**Promotion strategies identify ways to advertise and sell products and services.
     - Many businesses use the Internet to promote their products and/or services.
     - It is one way businesses let their target market know what they offer for sale.
  4. **Place—**This aspect of the marketing program refers to how businesses get products and services to their target market.
     - If the business sells products, will they have a storefront presence and/or an online presence?

Business management competencies for contract managers

FIGURE 4-4. Business Management Competencies



Operations management

- Operations management looks for
  1. **Ways to improve** the activities or
  2. **Add value** to a product or service
- **Operations management** uses customer feedback to improve processes and productivity.
- The formula for measuring productivity is

  productivity = output/input.

  - Input is usually labor hours used to produce the output.
  - Typical outputs include sales made, products delivered, or customers serviced, and can be measured in either units or dollars.

Let’s see an example!

Operations management

- For example, a customer might say that the **procurement department is slow** in **awarding contracts**.
- **Operations management** would find a way to **improve** the procurement **department's productivity.**
  - Some organizations use **"administrative lead time"** to measure **how long it takes** to award a contract.
  - **Operations management** would identify that the **requesting department** did not always **provide accurate information**,

    which would cause the delays in contract awards.
  - Improving productivity might involve **getting complete procurement requests** the first time.

Operations management

- **Operations management** uses several tools to measure how well an organization meets its core competency, including:
  1. **Quality control—**Evaluates how the product/service meets the customer's needs.
  2. **Statistical process control—**Looks at identifying and preventing quality problems.
  3. **Project management—**typically uses a work breakdown structure (WBS) to organize the work done on a project. A WBS breaks down each task in a hierarchical fashion into components and subcomponents.

Operations management

- **Operations management** uses several tools to measure how well an organization meets its core competency, including:

4. **Supply chain**

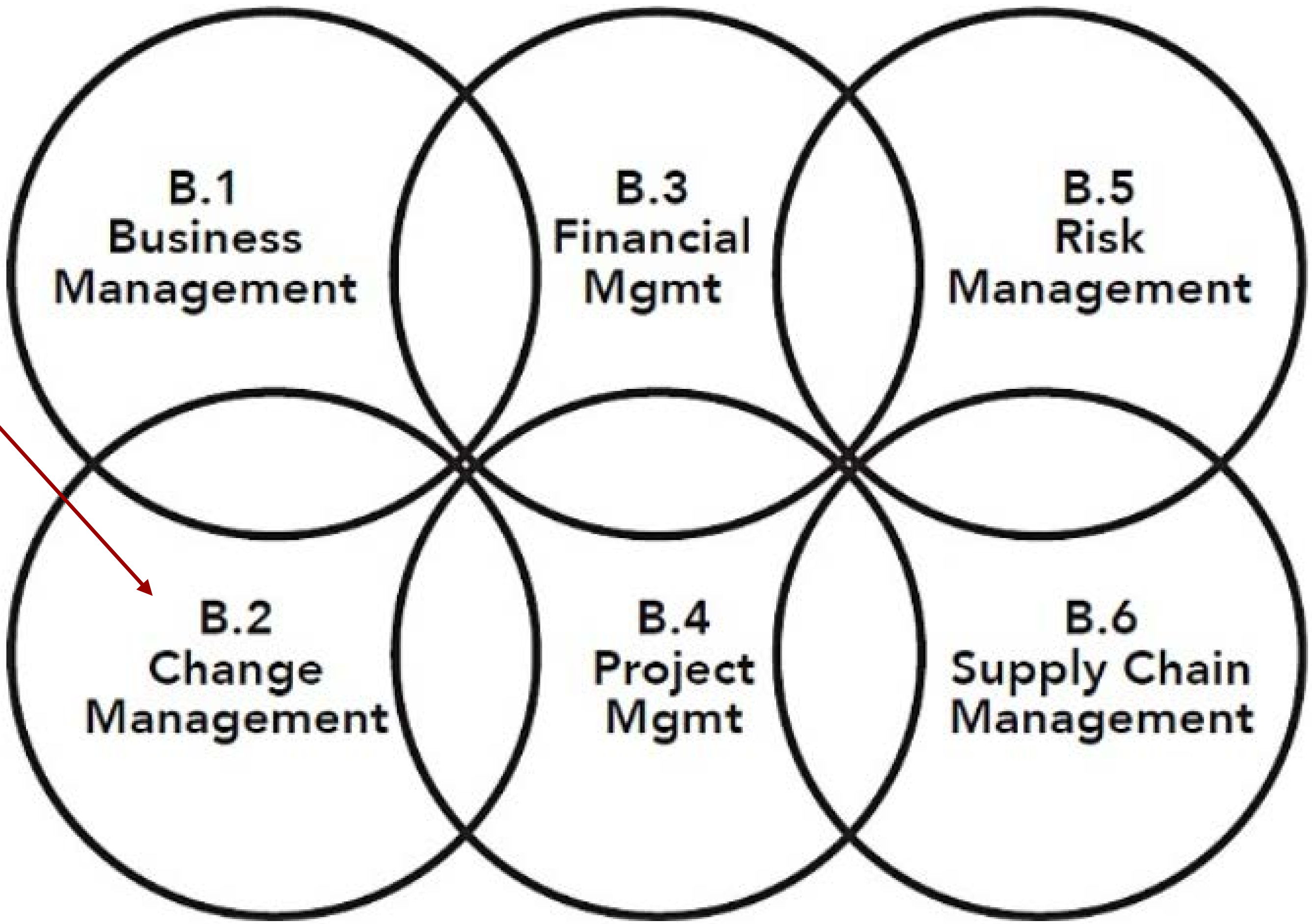
- A "supply chain" includes **all the tasks** associated with taking raw materials and transforming them into the **final product** to deliver to the customer.
- Supply chain management involves
  1. Managing the activities to produce
  2. Deliver a product or service from suppliers (and their vendors) to the end user customer.

MANAGEMENT COMPETENCY

(CHANGE MANAGEMENT)

Successful contract management competency

FIGURE 4-3. Management Competencies



Introduction

- **Contract managers** experience continual changes to processes, people, resources, milestones, etc. and they must be adaptable to changes and recognize when a contract change is required.
- Successful contract managers understand and apply change management processes to **achieve** the vision of organizations, stakeholders, and contracts.

Introduction

- The following areas are presented in this section:
  1. B.2.1 Change Management Terms and Definitions
  2. B.2.2 Change Management as a Transitional Process
  3. B.2.3 Contract Change Management Process

(B.2.1 and B.2.2 are derived from the Standard for Change Management®, First Edition, 2019, Association for Change Management Professionals®)

Change management

- The following areas are presented in this section:
  1. **Change Management Terms and Definitions**
  2. Change Management as a Transitional Process
  3. Contract Change Management Process

(The first two items are derived from the Standard for Change Management®, First Edition, 2019, Association for Change Management Professionals®)

Change management terms and definitions

- **Adoption**
  - Choosing to accept and demonstrate a new way of thinking or behaving.
  - Adoption **occurs** when **stakeholder behavior** is consistent with the future state behavior.
- **Benefit**
  - The quantitative and qualitative, measurable and non-measurable outcomes resulting from a change.
- **Benefit Realization**
  - The achievement of the expected outcomes of a change.
- **Change**
  - The transition from a current state to a future state. Current State - The condition at the time the change is initiated.

Change management terms and definitions

- **Future State**
  - The condition at the time when the **benefits** have been **realized**.
- **Change Impact**
  - How people, processes, technology, and the workplace **are affected** during the transition from the current state to the future state.
- **Change Management**
  - The practice of applying a **structured approach** to the transition of an organization from a current state to a future state to achieve expected benefits.
- **Change Risk**
  - An event or condition that, if it occurs, may influence the **change benefits**.

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Change management terms and definitions

- **Change Saturation**
  - When the **amount of change** occurring in an organization is **more than can** be effectively handled by those affected by the change.
- **Engagement**
  - Stakeholder involvement and influence in the change process.
- **Governance**
  - The decision-making processes, applied by **authorized individuals or teams**, for approving/rejecting, monitoring, and adjusting activities of a change management plan.
- **Outcome**
  - A specific, measurable result or effect of an action or situation.

Change management terms and definitions

- **Readiness**
  - The preparedness of an organization or its parts to accept, effectively handle, and integrate impending change.
- **Resistance**
  - A stakeholder's opposition to a change.
- **Resistance Management**
  - The process of addressing stakeholders' opposition to a change.
- **Sponsor**
  - The individual or group in the organization accountable for the realization of the benefits of a change.

Change management terms and definitions

- **Sponsorship**
  - The process of aligning stakeholders to support and own a change.
- **Stakeholder**
  - An individual affected by a change.
- **Sustainability**
  - The ability to maintain the future state.
- **Vision**
  - The description of the future state.

Change management

- The following areas are presented in this section:
  1. **Change Management Terms and Definitions**
  2. **Change Management as a Transitional Process**
  3. Contract Change Management Process

(The first two items are derived from the Standard for Change Management®, First Edition, 2019, Association for Change Management Professionals®)

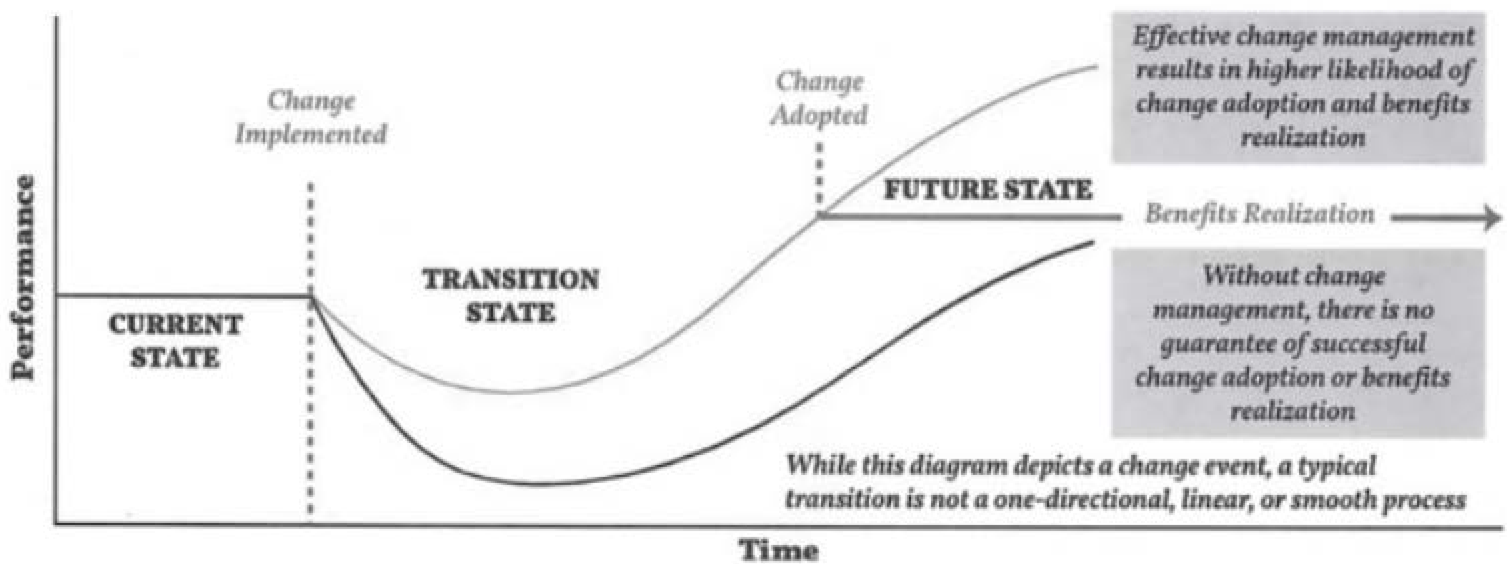
Change management terms as a transitional process

- Change is not a single event,

  but **a transitional process** with multiple and varied events supporting

  1. Objective of moving an organization
  2. Its stakeholders from a current state to a future state

FIGURE 4-9. The Effect of Change Management on the Transitional Process



Change management terms as a transitional process

- Relationship to strategic planning
- Relationship to project management and its stakeholders
- Organizational change and individual change
- Organizational alignment and change management

Change management

- The following areas are presented in this section:
  1. **Change Management Terms and Definitions**
  2. **Change Management as a Transitional Process**
  3. **Contract Change Management Process**

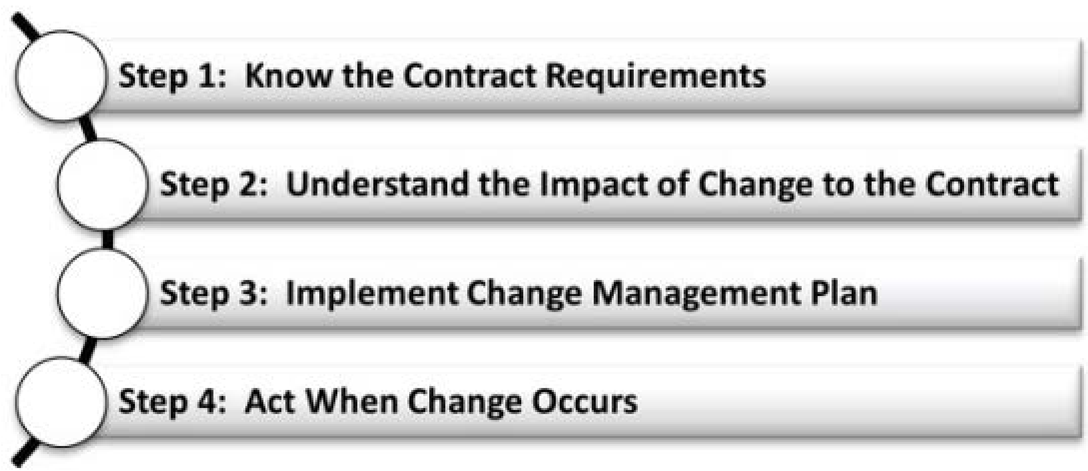
(The first two items are derived from the Standard for Change Management®, First Edition, 2019, Association for Change Management Professionals®)

Contract change management process

- (Derived from “Managing Change During Contract Performance”; CM Magazine (June 2011); Veronica Cole Harper.)
- There are **four critical steps** applicable to contract administration and oversight that **contract managers can apply** to

  <u>execute formal and informal change</u> during contract performance (see FIGURE 4-10).

FIGURE 4-10. Contract Change Management Steps



Contract change management process: Know the contract requirements

- In contract management, the first line of ground rules are the contract terms, conditions, and requirements.

  terms and conditions (T&C)
  All language in a contract, including time of delivery, packing and shipping, applicable standard clauses, and special provisions. The primary function of terms and conditions is to eliminate or reduce the risk of contract ambiguity; often the source of disputes and misunderstandings.

- Since the people who authored and negotiated the contract may **not be the same people** charged with performing its requirements, it is incumbent upon the **team responsible for contract performance** to know and understand what the contract says.
  - Therefore, before the change even begins, **understand** the contract performance and compliance requirements.

Contract change management process: Understand the impact of change to the contract

- Of the four steps, this step is the most crucial, and perhaps the most challenging.
- Many teams have disagreed
  1. Whether or not something is a change or
  2. Whether a suspected change affects cost, schedule, or quality.
  3. Is the change administrative?
  4. Does it impact the scope of effort?

Contract change management process: Understand the impact of change to the contract

- **Risk** resides in untrained personnel.
- New team members may **not** be as quick to recognize a potential change.
- **Inexperienced team members** may leap at a chance to **address** a customer request while **not realizing** that the request is actually a constructive change.
- An emphasis on training new team members on pertinent contract terms, conditions, and requirements, as well as change types can mitigate risks.

Contract change management process: Understand the impact of change to the contract

constructive change

A change resulting from the buyer's actions or directives that impacts the cost or schedule for performance that is construed to have the same effect as a formal change order. A constructive change generally occurs when a buyer employee other than the contracting officer implies or expressly orders the seller to perform work that is not in the contract. In federal government contracting, equitable adjustment is granted for constructive changes only if the change caused the seller injury or liability.

constructive acceptance

The concept of constructive acceptance is borne out of the Prompt Payment Act, which requires federal government officials to fulfill their administrative responsibilities under the contract with regards to payment deadlines to contractors, otherwise interest penalties accrue to the government. The government's acceptance of a proper invoice is deemed to occur constructively on the seventh day after the contractor delivers supplies or performs services in accordance with the terms and conditions of the contract, unless there is a disagreement over quantity, quality, or contractor compliance with a contract requirement. (See FAR 32.904.)

Contract change management process: Implement change management plan

- The most important point at this step is the derivative benefit of having an archived body of rules applicable to a **specific contract** (or a body of contracts) for **team members** to **reference** when questions arise.

- There is an enormous benefit to this discipline
    1. When bringing new members into the performing team
    2. When managing customer expectations

Contract change management process: Implement change management plan

- The change management plan should capture the basics of the change through
  1. "Define,"
  2. "Incorporate,"
  3. "Reduce," and
  4. "Establish"

(DIRE)

Contract change management process: Implement change management plan

1. **Define—Team Roles and Authorities.**

- **Begin** the change management plan with a simple communication plan.
- **Document**
  1. Who the appropriate customer and program team members are,
  2. Their contact information, and
  3. Most importantly, the scope of each person's authority.
- **Identify in specific terms** those with the authority to authorize changes, then **document** who these **customer** and the **performing organization** points of contact.

✓ Also, incorporate a paragraph specific to

1. How the program and customer personnel will **communicate** and
2. How often they will meet.

Contract change management process: Implement change management plan

2. Incorporate—The Plan's Parameters.

- Provide clear, written direction that **formal**, written, approval of all changes is **required**.
- Identify what contract or grouping of contracts the **plan applies to**.

Contract change management process: Implement change management plan

3. Reduce—Applicable Clauses to Process Steps.

❖ Reducing all applicable contract clauses effective in the **event of a change** to process steps

adequately covers addressing the **most applicable contract terms** (clauses).

- ✓ *Applicable clauses to reduce to process steps may include "Notices," "Changes," and/or "Equitable Adjustment" clauses.*
- ✓ *Other applicable clauses may include "Excusable Delays," "Force Majeure," or "Differing Site Conditions."*
- ✓ *If applicable, specify the number of days contained in the contract in which the team has to* ***provide formal notification*** *of a change.*

Contract change management process: Implement change management plan

4. **Establish—Evaluation and Disposition Processes.**

- Establish a process by which **each change** will be evaluated and dispositioned.
- **Require** the use of a **"changes log"** to which all changes, regardless of size, will be captured.
- In the language of the plan addressing the change log, make **all team members** responsible for change management.
- Keep the **process** for **advising** the team of a potential change simple.
  - ✓ In other words, **create a process** that allows anyone on the team, **when faced with a customer request** or **item with change implications**, to bring the item or issue forward for the team to *evaluate the cost, schedule, and quality impacts.*

Contract change management process: Implement change management plan

4. **Establish—Evaluation and Disposition Processes.**

❖ Require the team to first define the issue. Potential issues could be:

- ✓ Contract interpretation
- ✓ Constructive acceleration
- ✓ Defective specification
- ✓ Latent/defective government and/or customer-furnished property
- ✓ Interference
- ✓ Failure to cooperate

Contract change management process: Implement change management plan

contract interpretation

Contract interpretation is to determine the intent of the parties or a meeting of the minds; and is the entire process of determining what the parties agreed to in their bargain. Rules calling for interpretation of the document *against* the drafter, (see *contra proferentem*), and imposing a duty to seek clarification on the contractor allocate risks of contractual ambiguities by resolving disputes in favor of the party least responsible for the ambiguity.

constructive acceleration

A requirement (based on the reasonable interpretation of the words, acts, or inaction of authorized buyer employees) that a seller complete its work by a date earlier than one that would reflect the time extensions to which it is entitled because of excusable delays.

Contract change management process: Act when change occurs

- An **organization's culture** may dictate hesitancy in bringing a change with cost, schedule, or quality implications to the **attention of the customer**; however, the **essence of customer service** is managing customer expectations.
  - The **customer's expectation** is **fulfillment** of contract requirements.

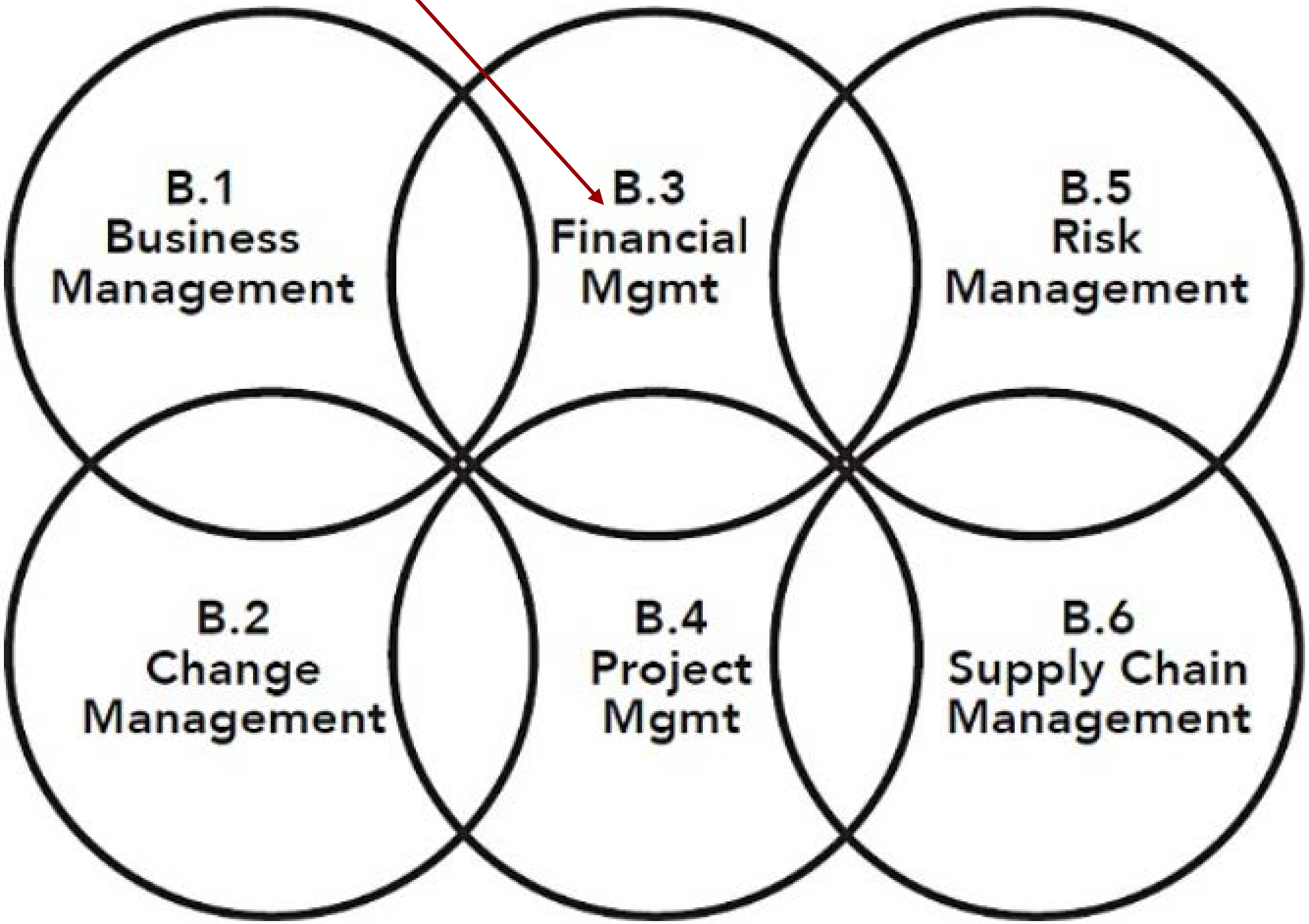
Be disciplined and follow the change management process to manage change as it occurs.

MANAGEMENT COMPETENCY

(FINANCIAL MANAGEMENT)

Successful contract management competency

FIGURE 4-3. Management Competencies



Introduction

- (From Don Shannon’s article, “Show Me the Money” – revised by the author)

- Managing contract funds is an essential responsibility of the **contract manager**, and **financial management of the contract** is equally important to managing the **technical detail**.

The contract finance life cycle

- **Financial management** follows the contract life cycle and consists of **several tasks** associated with each life cycle phase. (See FIGURE 4-11)

- These tasks may be grouped into **two related divisions**.
  1. The first is estimating, budgeting, and controlling costs which is depicted in the diagram.
     - This is common to all contract types.
  2. The second is **ensuring** sufficient budgetary authority is available from the buyer to support **prompt payment of invoices**.
     - This is more frequently an issue in incrementally funded contracts.

The contract finance life cycle

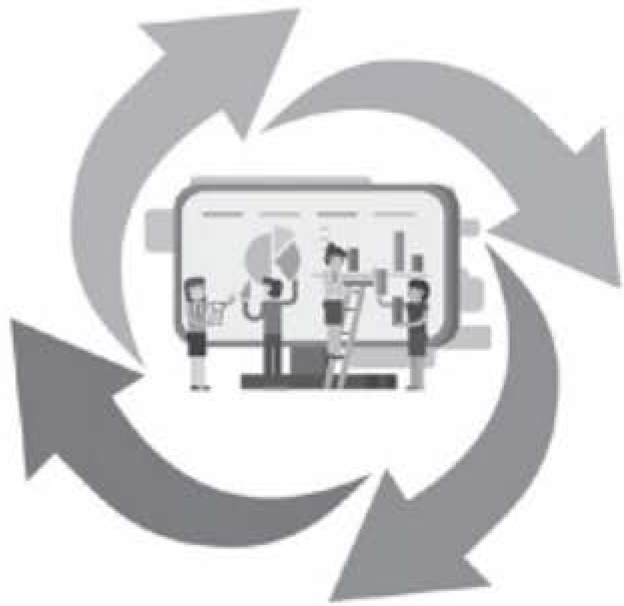
FIGURE 4-11. The Contract Finance Life Cycle

Planning / Pre-Award & Changes

- Create / update (Budgetary) estimate
- Create / update Independent Government Estimate
- Create /update Requirements Documents
    - Statement of Work
    - Top Level Work Breakdown Schedule

Proposal (Pre-Award)

- Create / update Detailed Cost Proposal
    - Basis of Estimate
    - Work Breakdown Schedule
    - Proposal Narrative
    - Detailed Cost & Pricing data
    - Integrated Master Schedule
- Submit Cost Proposal
- Submit Certification of C&P data



Contract Performance

- Establish Contract Performance Baseline and Integrated Baseline Review (EVMS)
- Perform Contract Work
- Perform Cost Reporting (EVMS)
- Submit Invoices (Accounting)
- Submit Performance Data (CPI/SPI) (EVMS)
- Provide Limitation of Funds Notice
- Provide Limitation of Cost Notice
- Identify required contract modifications or proposed changes.

Contract Negotiation & Award

- Conduct Discussions
- Conduct Negotiations
- Submit Final Proposal Revision
- Issue Contract / Modification
- Provide First Increment of Funds

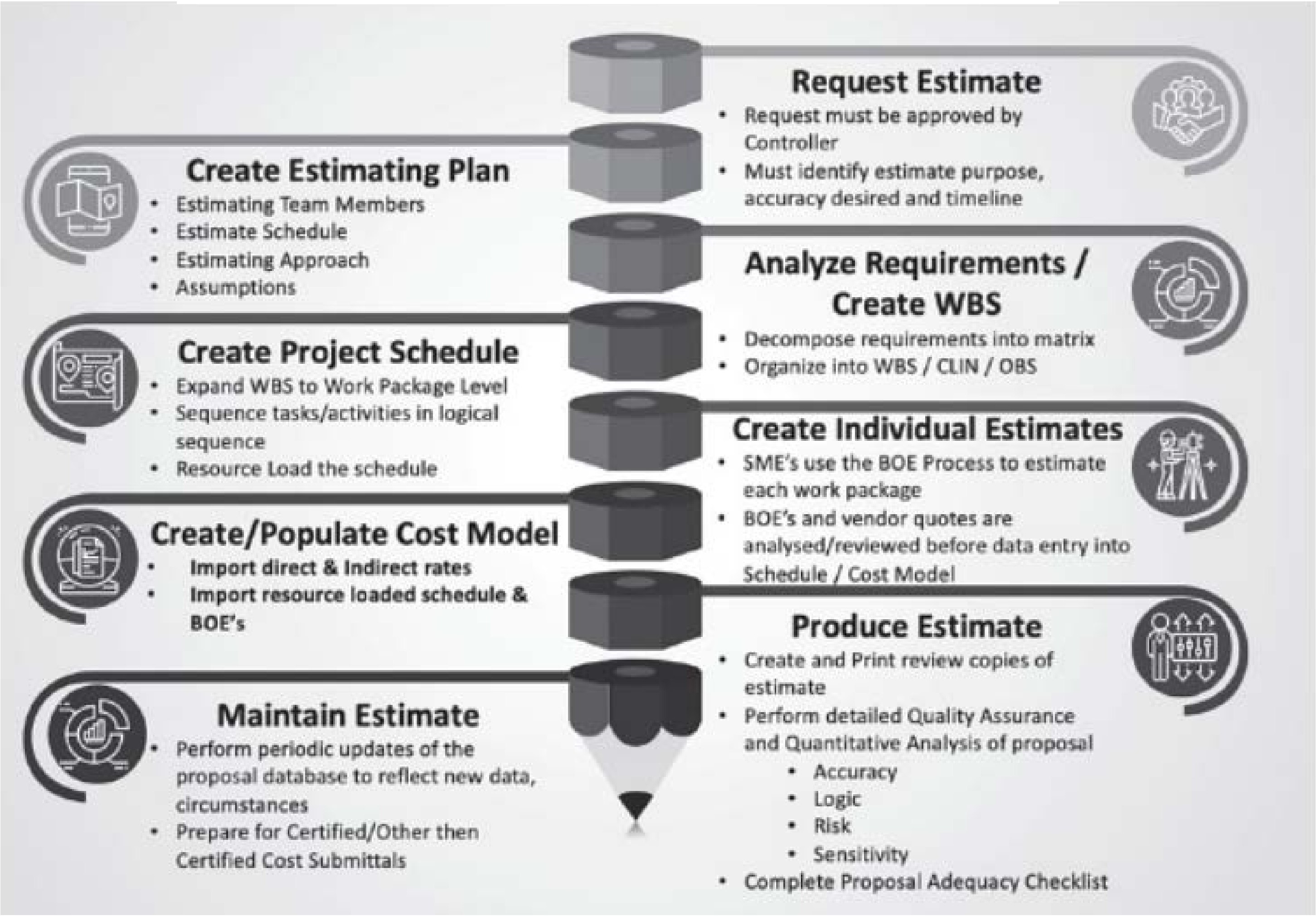
The contract finance life cycle

certificate of current cost or pricing data

A document submitted by the seller attesting that the cost or pricing data provided to the buyer were accurate, complete, and current as of the date negotiations were completed. For example, a prescribed certificate required to be executed by sellers that must submit certified cost or pricing data under the Truthful Cost or Pricing Data statute.

Financial management process

FIGURE 4-12. Financial Management Process



Financial management process

1. Estimating, budgeting, and controlling costs
2. Create the work breakdown structure (WBS)
3. The basis of estimate (BOE)
4. The schedule
5. Creating the contract budget
6. Controlling contract costs
7. Data currency
8. Labor
9. Ensuring sufficient budgetary authority is available
10. Creating and using an S-curve
11. Incorporating incremental funding
12. Determining a "funds through" date
13. Where is the finish line?

Estimating, budgeting, and controlling costs

- In that regard there must be **close cooperation** between
  1. Contracts manager
  2. Accounting function
  3. Project manager

  to ensure these documents are complete, accurate, and authoritative.

Estimating, budgeting, and controlling costs: Estimating contract funding requirements

- The first step in the financial management process.
- The name for this roadmap is a **‘time-phased budget’.**
- The **primary source** of the estimate is the project manager,
  - whose task (and **sometimes the contract manager’s** if there is no actual project manager)
    - is to **translate the work requirements** in the contract into **dollars and cents.**
- The review is intended to **apportion the estimate** created during the proposal effort to performing teams and
  - **marry those costs** with the schedule to identify when those expenses will occur.

Estimating, budgeting, and controlling costs: Estimating contract funding requirements

- **Regardless of when** it is performed

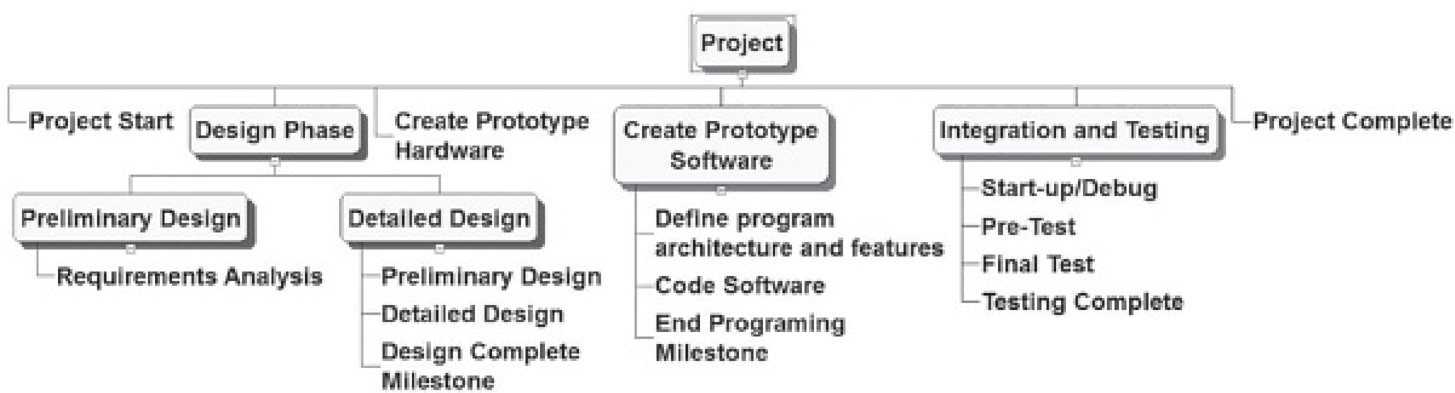
  estimating follows a **defined process**.

- Certain of these are explained in the following sections.

Create the work breakdown structure (WBS)

- **Each of these elements** aligns with specific <u>SOW requirements</u> and includes <u>specific contract deliverable items.</u>
- The **principal rule** in play is that all elements sum up to their parent element and represent 100 percent of the cost and effort required to do some <u>unit of work (work package).</u>

FIGURE 4-13. System XYZ Proof of Concept WBS



موسسه مهندسی و مدیریت ساخت علوی پور (ACEMI)

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