استراتژی مدیریت قرارداد

پیکره دانش مدیریت قرارداد (Contract Management Body of Knowledge)

بخش چهارم: شایستگی‌های مدیریتی در مدیریت قرارداد

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What we will learn?

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

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The CMBOK structure

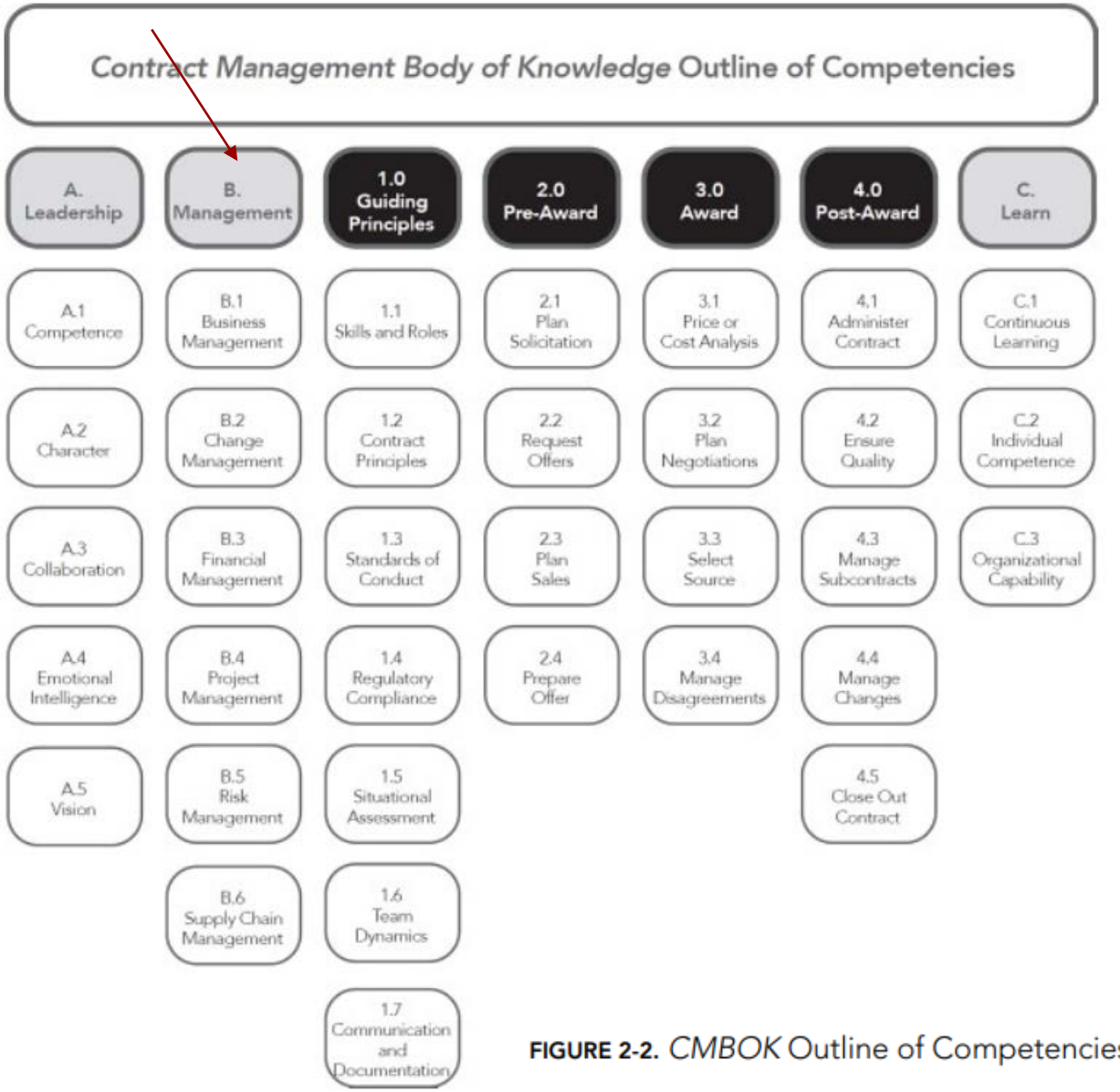

FIGURE 2-2. *CMBOK* Outline of Competencies

Risk management

1. **Risk management overview**
   - ❖ **Uncertainty in risk management**
   - ❖ **Risk-mitigation elements and practices**
   - ❖ **Opportunity and risk management (ORM)**
   - ❖ **Knowledge management in assessing risk**
2. **Sources of risk in contract management**
   - ❖ **Risk management framework in contract management**
   - ❖ **Sources of uncertainty and risk in contract management**
   - ❖ Risk management through contract terms and conditions
   - ❖ Risk sharing through contract types
3. Sources of risk in project management
4. Risk management: Common myths and best practices

Sources of risk in contract management: Sources of uncertainty and risk in contract management

- Uncertainty and risk in contract management arise from **five main sources**:
  1. Lack of buyer understanding of requirements,
  2. Shortcomings of language and differing interpretations,
  3. Behavior of the parties,
  4. Haste, and
  5. Deception.

Sources of risk in contract management: Sources of uncertainty and risk in contract management

1. Lack of Buyer Understanding of Requirements

- If the buyer

1. Does not have a clear understanding of its **requirements** or
2. Cannot express that understanding effectively in terms of specific deliverables or level of effort,

an **agreement cannot be reached** with the seller to fulfill those requirements.

“as required” or “as necessary”

Sources of risk in contract management: Sources of uncertainty and risk in contract management

2. Shortcomings of Language and Differing Interpretations

- A party to a contract may mean one thing but say another.
- Unfortunately, these **scenarios are all too common** in contract management.

Sources of risk in contract management: Sources of uncertainty and risk in contract management

3. Behavior of the Parties

- The **actions** of **one or both parties** after the contract is signed may give meaning to the words of the contract that the parties did not originally intend.
  - For example, the **seller** may choose not to enforce a late payment penalty clause when an important buyer consistently pays late.

    Thus, the seller establishes a precedence of performance, or lack thereof,

    which is **inconsistent** with the language in the contract.

Sources of risk in contract management: Sources of uncertainty and risk in contract management

4. Haste

- In business, haste causes many **problems**.
- Because of **impatience** with the bureaucratic contracting process, **stakeholders** often promote haste in contract formation.
- In the **rush to "get on contract**," many ideas are not fully developed or discussed by the parties.

6. Deception

- Deception, with both ill and benign intent, is a **reality of the business world**.
- Deception is a **deliberate defect** in the communication process.
- As previously discussed, **buyers often do not fully understand**
  1. Nature of the goods and services they buy,
  2. Methods of the industry producing them, or
  3. Practices of the market selling them.

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Sources of risk in contract management: Risk management through contract terms and conditions

- Collectively, **clauses** form the terms and conditions (T&C) of the contract, and they define the rights and responsibilities of the parties to the contractual agreement.

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.

- If called upon to enforce the contract in **arbitration or a lawsuit**, the arbitrator or court will look to these T&C in resolving the dispute.

Difference between term and condition?

Sources of risk in contract management: Risk management through contract terms and conditions

1. A condition is a **phrase** that either activates or suspends a **term**.
   - ❖ A **condition that activates** a term is called a **condition precedent**;
   - ❖ One that **suspends a term** is called a **condition subsequent**.

condition precedent

That which occurs before an event. Examples include:

- A condition that activates a term in a contract.
- An event that must occur before a party must perform.

condition subsequent

That which occurs should some other defined actions precede it. Examples include:

- A condition that suspends a term in a contract.
- An event that terminates the duty of a party to perform.

Sources of risk in contract management: Risk management through contract terms and conditions

2. A term is simply a **part of the contract** that addresses a specific subject.
   - In most contracts, **terms address** payment, delivery, product quality, warranty of goods or services, termination of the agreement, resolution of disputes, and other subjects.
   - Terms are described in clauses.

Let's see an example!

Sources of risk in contract management: Risk management through contract terms and conditions

- An example would be **payment terms**.
  - *When the **deliverable** is **accepted by the buyer**,*

    *then the **condition** is such that **payment terms are activated**, and the **buyer is obligated to pay the seller**.*
  - *However, if the **deliverable** is **not accepted by the buyer**,*

    *the **payment terms** are **suspended** until the **condition is cleared** by the seller.*

Sources of risk in contract management: Risk management through contract terms and conditions

- A **common misunderstanding** is that price is **separate and distinct** from the T&C, but that is not so.
  - Nearly all T&C affect price, either increasing or decreasing costs or liabilities to the parties.
- In worldclass companies,

  senior management ensures that all contract managers and stakeholders are **aware of and fully understand**

  the cost, risk, and value of T&C and how they affect price.

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Sources of risk in contract management: Risk sharing through contract types

- Figure 4-45 provides a **range of contract types** keyed to performance measurement and risk.

FIGURE 4-45. Range of Contract Types and Risk (Garrett 2009)

*T&M contracts typically involve higher levels of risk for buyers.

We will talk about this in the Contract Types in Pre-Award Phase

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Sources of risk in project management: Risk areas, definitions, and examples

FIGURE 4-46. Examples of Specified Areas of Potential Risks in Project Management

Risk Area	Definition	Significant Risks
Budget	Sensitivity of project to budget changes and reductions.	• Budget practices (releasing funds, quarterly or monthly) negatively affect long-term planning processes. • Budget changes or reduction can negate contractual arrangements and continuity of operations.
Business	Risk that an investment will fail to achieve the expectations of the project's stakeholders.	• Investment's statements of support of customers not carried through in project outcomes. • Investment planning has little or no customer involvement.
Cost	Ability of system to achieve life cycle support objectives; includes effects on budgets, affordability, and effects of errors in cost estimating techniques.	• Realistic cost objectives not established early. • Excessive life cycle costs due to inadequate treatment of support requirements. • Significant reliance on software.

Sources of risk in project management: Risk areas, definitions, and examples

Data/Information	Risk associated with data/ information loss or disruptions caused by natural disasters or by area-wide disruptions of communication or electric power or malicious acts; can also include the ability of the investment to obtain and manipulate data as planned.	• No contingency plans exist to deal with the loss/misuse of data or information. • Project may not be able to access data from other sources.
Logistics	Ability of the system configuration and documentation to achieve logistic objectives.	• Inadequate supportability late in development or after fielding, resulting in need for engineering changes, increased costs, or schedule delays. • Life cycle costs not accurate because of poor logistics supportability analyses. • Logistics analyses results not included in cost-performance trade-offs. • Design trade studies do not include supportability considerations.

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Sources of risk in project management: Risk areas, definitions, and examples

Management	Degree to which project plans and strategies exist and are realistic and consistent.	• Subordinate strategies and plans are not developed in a timely manner or based on the acquisition strategy. • Proper mix (experience, skills, stability) of people not assigned to the project. • Effective risk assessments not performed or results not understood and acted upon.
Organizational and Change Management	Risk that the following types of activities will not be successful: 1) defining and instilling new values, norms, attitudes, and behaviors within an organization that support new ways of doing work and overcome resistance to change; 2) building consensus among customers designed to better meet their needs; and 3) planning, testing, and implementing all aspects of the transition from one organizational structure or business process to another.	• Organizational cultural resistance to proposed process change may be high. • Extensive employee training may be required to apply benefits of investment to the proposed process. • Initial operation of the new system demonstrates lack of use, improper use, or failure to properly use due to unchanged organizational structure or process.

Sources of risk in project management: Risk areas, definitions, and examples

Overall Risk of Project Failure	Risk that there is an inherent project weakness, such as the project missing a clear link between it and the organization's key strategic priorities, including agreed-to measures of success.	• Users of the project's deliverables may desire a different solution. • Investment solution may be transferred to another activity in a reorganization.
Privacy	The risk of possible violations of the legal restrictions on the collection, use, maintenance, and release of information about individuals.	• Investment may feature a publicly accessible website with personal data links. • Investment may involve a process that collects, manipulates, stores, or shares personally identifiable information. • Investment may convert paper files to electronic files.

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Sources of risk in project management: Risk areas, definitions, and examples

Project Resources	The risk that assets available or anticipated (e.g., people, funding, equipment, and facilities) used to plan, implement, and maintain the project will be insufficient.	• The scope of the investment is not clear. • Necessary project resources are not clearly or completely specified. • No examples of a successful approach to solving the problem are provided in either the project description or in discussion of alternatives.
Requirements	Sensitivity to uncertainty in the system description and requirements.	• Operational requirements vaguely stated or not properly established. • Requirements not stable. • Required operating environment not described. • Requirements too constrictive—identify specific solutions that force high cost.
Schedule	The risk of sufficiency of time allocated for performing the defined acquisition tasks.	• Schedule not considered in trade-off studies. • Schedule does not reflect realistic acquisition planning. • Acquisition project baseline schedule objectives not realistic and attainable. • Resources not available to meet schedule.

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Sources of risk in project management: Risk areas, definitions, and examples

Strategic	The risk of misalignment with organizational vision, mission, and strategic goals.	• The investment fails to achieve the strategic goals it states it will support. • Project objectives are not clearly linked to the organization's overall strategies, policies, and standards.
Technology	The risk that key technologies used in the project will lose value because a new, more functional product or technology has superseded the project's, or when the project's products become less useful or useless before the project has completed its full functional life cycle.	• Immaturity of commercially available technologies. • Strategies for avoiding the use of outdated technical resources over the system life cycle have not been incorporated into the project plan. • There is no plan for regular technology upgrades or refreshes. • Final product will be overly expensive, delivered late, or otherwise unacceptable to the customer.
Threat	Sensitivity to uncertainty of threat description.	• Uncertainty in threat accuracy. • Sensitivity of design and technology to threat. • Vulnerability of system to threat and threat countermeasures. • Vulnerability of project to intelligence penetration.

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Common myths and best practices

- **Myth 1:** Risk management is well defined, cost-effectively practiced, and successfully implemented by most sellers.

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Common myths and best practices

- **Reality:** **Most sellers** do **not have a comprehensive** or life cycle risk management methodology for their business.
  - **Some sellers** do take the time to conduct a risk identification and assessment as part of their **bid/no-bid process**.
  - While **aggressive sellers** submit offers on nearly every solicitation,

    not knowing if they **can** actually perform the contract.
  - Risk-mitigation planning and cost-effective implementation is **not consistently practiced** by many sellers.
  - Finally, prime contractors often do **not efficiently** or **cost-effectively** flow down appropriate clauses to their **respective subcontractors**,

    which can **result in** late deliveries, higher costs, reduced profits, and upset buyers.

flow down
The transfer and translation of prime contract requirements to subcontracts, and from subcontracts to lower-tier subcontracts.

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Common myths and best practices

- **Myth 2:** The use of a firm-fixed-price (FFP) contract places **all risk on the sellers**.

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Common myths and best practices

- **Reality:** The **buyer** also shares in the risk associated with **FFP pricing arrangements**.
  - The buyer has the risk that the selected **seller** may not adequately perform the work,

    thus **requiring** a **remedy for the seller's failure to deliver** (i.e., withholding of payment, liquidated damages, termination for default, etc.)
  - The **buyer** also has the risk of unclear definition or specification of the requirements and deliverables.
  - It is **entirely possible** for a seller to perform the work as required and specified by the buyer,
    - **yet the buyer** still does not get what it really needs or wants because of the **buyer's inadequate statement** of requirements and outcomes/deliverables.

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Common myths and best practices

- **Myth 3:** The creation of a **performance-based contract (PBC)** will **reduce risks** and **ensure the buyer** obtains successful contract/project results.

What is a Performance-based contract?

"Performance-based contracting" means structuring all aspects of an acquisition around the purpose of the work to be performed with the contract requirements set forth in clear, specific and objective terms with measurable outcomes as opposed to either the manner by which the work is to be performed or broad and imprecise statements of work.

Performance-based contracting methods are intended to ensure that required performance is achieved and that total payment is related to the degree to which services performed meet

What makes a contract performance-based?

Performance-based contracts contain (see FAR 37.601):

(a) Requirements described in terms of results required rather than the methods of performance of the work;

(b) Measurable performance standards (i.e., terms of quality, timeliness, quantity, etc.) used to assess work performance;

(c) Quality assurance surveillance plans (see FAR Part 46.103(a) and FAR Part 46.401(a));

(d) Procedures for reductions of fee or for reductions to the price of a fixed-price contract when services are not performed or do not meet contract requirements (see FAR Part 46.407); and

(e) Performance incentives where appropriate.

Read the PBC article uploaded!

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Common myths and best practices

- **Reality:** Unfortunately, **many buyers** do not properly create performance-based contracts, often resulting in higher risks and poor-to-mediocre performance results.
  - For example, **many buyers suffer** from the following challenges:
    - ✓ Incomplete or inadequate **performance work statements (PWSs)** or **statements of objectives (SOOs)**;

performance work statement (PWS)

A Statement of Work that defines requirements in terms that relate to the minimum acceptable standards or ranges of acceptable performance. A performance work statement may require a particular approach or a particular type of product, but it leaves most of the "how" decisions to the contractor. Performance work statements are less restrictive than design SOWs.

statement of objectives (SOO)

- A buyer-prepared document incorporated into the solicitation that states the overall performance objectives. It is used in solicitations when the buyer intends to provide the maximum flexibility to each offeror to propose an innovative approach.
- That portion of a contract that establishes a broad description of the buyer's required performance objectives.

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Common myths and best practices

- **Reality:** Unfortunately, **many buyers** do not properly create performance-based contracts, often resulting in higher risks and poor-to-mediocre performance results.
  - For example, **many buyers suffer** from the following challenges:
    - ✓ Use of an overly detailed and highly prescriptive statement of work (SOW);

statement of work (SOW)

That portion of a contract describing the actual work to be done by means of specifications or other minimum requirements, quantities, performance date, and a statement of the requisite quality. The SOW for the project should reflect all work to be performed. The SOW communicates the work scope requirements for a program and should define the requirements to the fullest extent practicable. It is a basic element of control used in the processes of work assignment and establishment of program schedules and budgets.

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Common myths and best practices

- **Reality:** Unfortunately, **many buyers** do not properly create performance-based contracts, often resulting in higher risks and poor-to-mediocre performance results.
  - For example, **many buyers suffer** from the following challenges:
    - ✓ **Insufficient** quality assurance surveillance plans;
    - ✓ **Poor selection** of performance standards and metrics to drive sellers to high-performance results;
    - ✓ **Inappropriate** contract incentive plans, or **failure** to properly administer and reward superior results or apply penalties for poor performance;
    - ✓ **Inadequate** post-award contract administration support due to **shortage of** resources, inadequate training, and poor quality control.

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Common myths and best practices

- **Myth 4:** The use of **owner-furnished property** will always **reduce** the cost and risk of the contract/project.

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Common myths and best practices

- **Reality:** Sometimes **owner-furnished property** does reduce the cost and risk of the contract or project,

  but many times it **does not**.

  - In fact, there are **times** when the owner-furnished property seems to cause more problems **than it solves**

    when it is delivered late, damaged, or defective.

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Common myths and best practices

- **Myth 5: All risk factors** can be identified, quantified, and mitigated.

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Common myths and best practices

- **Reality:** If a buyer or seller
  1. **Develops** and practices risk management as an integrated aspect of their business activities, and
  2. **Uses** knowledge management throughout the **project life cycle**,

     then most risk factors can be identified, quantified, and mitigated.

- *However, many organizations do not practice risk management as an integrated aspect of their business activities.*
- *Plus, most organizations have not fully embraced the power of capturing, sharing, and reusing knowledge to enhance risk management.*

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Common myths and best practices

- **Myth 6:** The **longer and more detailed** the **buyer's solicitation** planning and source selection process,

  the more **likely it will reduce** risk and obtain high-performance outcomes from the seller.

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Common myths and best practices

- **Reality:** It is not the quantity of people or total time spent; rather, it is the quality of people and their respective knowledge, experience, dedication, and executive-level commitment

  that **typically determines** whether a buyer's acquisition planning yields high-performance outcomes from the selected sellers.

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Common myths and best practices

- **Myth 7:** The **more competitors** in a procurement, the **better the competition**.

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Common myths and best practices

- **Reality:** Again, the quantity of sellers does not necessarily directly relate to the quality of the competition.
  - Sometimes, there may be **only one or two high-quality sellers** of the needed products, services, or solutions.

    Thus, **seeking three or more offers** may result in higher acquisition costs due to a longer

    evaluation process and **related source selection activities.**

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Common myths and best practices

- **Myth 8: All sellers** are crooks.

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Common myths and best practices

- **Reality:** While
  1. Government buyers must provide **stewardship** over public funds and
  2. Industry buyers must contain **company expenses**,

     sellers must protect their revenue streams and generate profits.

- *Most sellers are honest, reliable, and dedicated. They are focused on supporting buyers in achieving their respective mission requirements while meeting their stakeholders' objectives. Unfortunately, there is a relatively small percentage of sellers who do act illegally and unethically, and their bad actions are frequently publicized by the media and Congress, creating a very negative perception of the industry.*

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Common myths and best practices

- **Myth 9:** Project management and contract administration are **less important** to **risk management**

  than acquisition strategic planning and source selection.

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Common myths and best practices

- **Reality:** Project management and contract administration are in fact just as important, **if not more so**, to risk management than the acquisition strategic planning and source selection.
  - **Said simply**, it is **good to have** an effective plan and a qualified contractor, but it is **better to ensure** project execution of the plan and contractor delivery of the promised results.

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Common myths and best practices

- **Myth 10:** Past Experience = Successful Performance.

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Common myths and best practices

- **Reality: Solely because** a seller has **experience** in providing a product, service, or solution in the past **does not necessarily mean** that same seller will be successful in delivering a similar product, service, or solution in the future.
  - In fact, if the seller has a track record of poor performance in their past experiences,

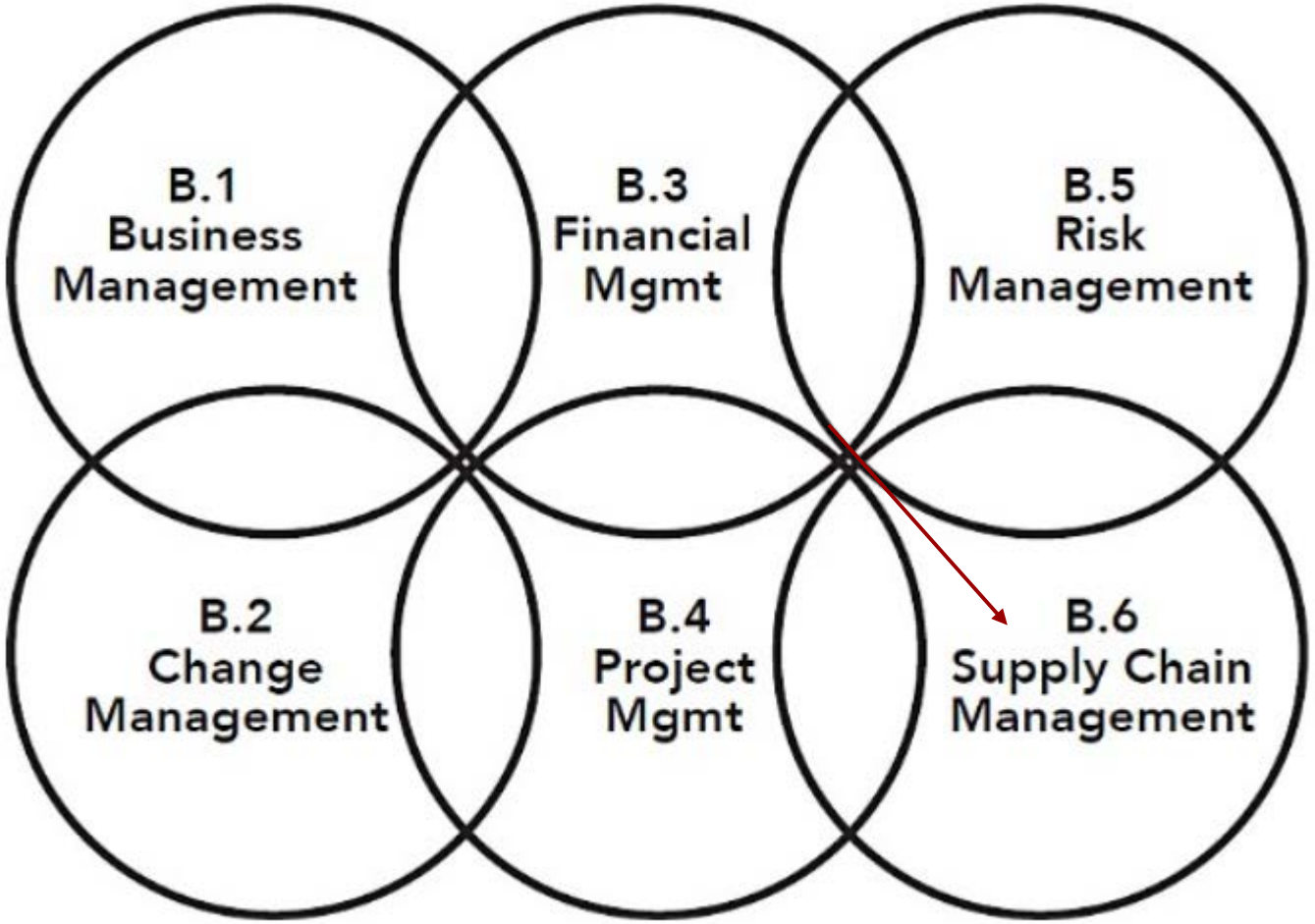
    then it is **quite likely** they will have challenges in achieving successful performance outcomes in the future.

MANAGEMENT COMPETENCY

(SUPPLY CHAIN MANAGEMENT)

Successful contract management competency

FIGURE 4-3. Management Competencies



Supply chain management

- The **purpose of this section** is to briefly discuss the essentials of supply chain management.
- The focus is on what a contract manager **should know about supply chain management.**

Supply chain management

1. Supply chain
2. Supply management
3. Supply management organizational structures
4. Key supply chain concepts related to purchasing/procurement
5. Supply chain management in industry
6. Contract managers need supply chain management knowledge

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Supply chain

- The Supply Chain Council uses a **"Supply Chain Operations Reference"** (SCOR) model to show the basic functions of a supply chain operation, with three basic functions being

"Source," "Make," and "Deliver."

Supply chain

- Using this model, these **three basic functions** of a company's organization are linked to both the customer's organization and the company's suppliers, as shown below in FIGURE 4- 47.

FIGURE 4-47. Supply Chain Operations Reference (SCOR) Model

Supply chain

FIGURE 4-48. The Chain of Supply

Supply chain management

1. **Supply chain**
2. **Supply management**
3. Supply management organizational structures
4. Key supply chain concepts related to purchasing/procurement
5. Supply chain management in industry
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Supply management: Responsibilities of supply management

- The **broad responsibilities** of supply management include these seven items:
  1. Provide an **uninterrupted flow** of **materials and services** to the operating system,
  2. Keep **inventory investment** to a **minimum**,
  3. Maximize **quality**,
  4. Find and develop **competent sources** of supply **internationally**,
  5. Standardize **requirements** for products and services,
  6. Purchase **materials and services** at the **lowest Total Cost of Ownership**, and
  7. Foster cross-functional relationships.

Supply management: Components of supply management

- Institute for Supply Management (ISM) states that the components of supply management are:
  - Disposition/investment recovery,
  - Distribution,
  - Inventory control,
  - Logistics,
  - Manufacturing supervision,
  - Materials management,
  - Packaging,
  - Product/service development,
  - Purchasing/procurement,
  - Quality,
  - Receiving,
  - Strategic sourcing,
  - Transportation/traffic/shipping, and
  - Warehousing.

Supply chain management

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Supply management organizational structures

- There are **many ways to organize** the supply management function.
- Each model has its advantages and disadvantages.
- The **organizational structure** will be influenced by the portfolio analysis discussed further.
- ISM identifies these **three common organizational models** (see FIGURE 4-49).

FIGURE 4-49. Supply Management Organizational Structures

Centralized	Hybrid	Decentralized
Authority and responsibility for most supply management-related functions are assigned to a central organization	Authority and responsibility are shared between a central supply management organization and business units, divisions or operating plants	Authority and responsibility for supply management-related functions are dispersed throughout the organization

Supply chain management

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Key supply chain concepts related to purchasing/procurement: Pareto analysis

- Pareto analysis (also known as ABC analysis or 80:20 rule) can be used to categorize purchases **according to dollar value**.
- For example, **20 percent** of the total number of items bought may account for **80 percent** of the total value of the purchasing.
- The total spend can also be divided into three categories as shown in FIGURE 4-50.

FIGURE 4-50. Pareto Analysis Categories

Category	Description
A	High dollar, critical item
B	Medium dollar value, medium risk
C	Low dollar, low risk

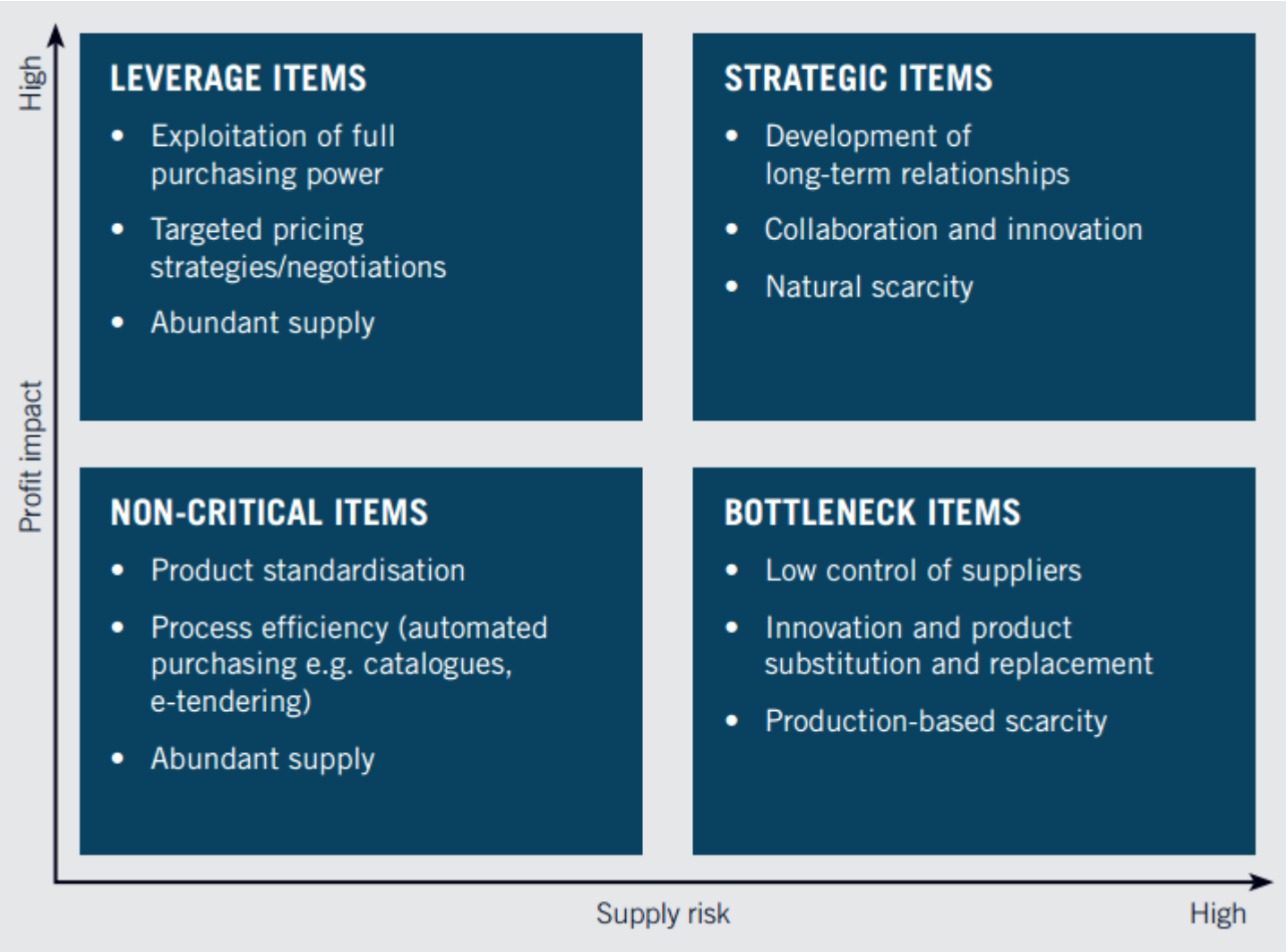
Key supply chain concepts related to purchasing/procurement: Portfolio analysis

- **Portfolio analysis** is an approach that assigns risk levels to value levels to further refine the categories.
- A Kraljic Matrix is a four-box matrix that reflects the segmentation of spend based on an assessment of the value of the spend relative to the market risk to acquire.
- A streamlined example is shown in FIGURE 4-51.

FIGURE 4-51. Portfolio Analysis: Kraljic Matrix

High	Value	
Risk to Acquire	Bottleneck	Strategic
	Noncritical	Leverage
Low		High

Key supply chain concepts related to purchasing/procurement: Portfolio analysis



Key supply chain concepts related to purchasing/procurement: Portfolio analysis

- Another approach is to show **risk by certain criteria**. A streamlined example is shown in FIGURE 4-52.

FIGURE 4-52. Risk Continuum

Criteria	Lower Risk	Higher Risk
Type of goods or services	Standard	Unique
Availability of goods or services	Ready supply	Custom or made to order
Number of subcontractors	Multiple	Single, sole or limited
Production runs	High volume	Low volume
Lead times	Short	Long
Prices	Competitive	Unique market pricing

Key supply chain concepts related to purchasing/procurement: Supplier selection

- The **criteria** for selecting suppliers should generally include at least the criteria shown in FIGURE 4-53.

FIGURE 4-53. Supplier Selection Criteria

Criteria	Key Considerations
Responsibility	Compliance with law and regulations
Past performance	On-time delivery, quality product, affordable price
Technical capability	Facilities, equipment, skills
Financial	Stable financial condition
Price	Best value
Diversity status	Large business or certified in a designated diversity category

Key supply chain concepts related to purchasing/procurement: supplier relationships

- The supply chain management **organization must also decide** what kind of relationship to establish with each supplier.
- There are a variety of relationships that can be established.
- A general supplier relationship model is shown in FIGURE 4-54.

FIGURE 4-54. Supplier Relationship Model

Transactional	Collaborative	Strategic Alliance
Suppliers used for standard supplies. Price is the main factor. Least important strategically.	Less important on a strategic level and are less volume- or dollar-intensive.	Implies a long-term commitment and strategically are the most important relationships because the suppliers involved are of the highest business importance.

Supply chain management

1. **Supply chain**
2. **Supply management**
3. **Supply management organizational structures**
4. **Key supply chain concepts related to purchasing/procurement**
5. **Supply chain management in industry**
6. Contract managers need supply chain management knowledge

Supply chain management in industry

"Purchasing and supply chain management today realize the importance of managing the best suppliers . . .. Supplier development, supplier design involvement, the use of full-service suppliers, total cost supplier selection, supplier relationship management, strategic cost management, enterprise-wide systems (enterprise resource planning or ERP) hosted on 'cloud' and integrated Internet linkages, and databases available 24/7 are now seen as ways to create new value within the supply chain."[28]

Supply chain management in industry

- The **risks proliferate** with the number of devices connected to a company's network and interconnection increases with **deeper collaboration** with suppliers.

- Smaller suppliers usually are
  1. At greater risk,
  2. Lacking funds to upgrade security, and
  3. Pose a risk to their larger customers.

Supply chain management in industry

- The **pandemic** also prompted **renewed attention** to contract terms and conditions to
  - Ensure **force majeure clauses** are present and
  - Ensure **all amendments**, **variations**, and other actions and decisions are **recorded and not just in email or oral agreements**

Supply chain management

1. Supply chain
2. Supply management
3. Supply management organizational structures
4. Key supply chain concepts related to purchasing/procurement
5. Supply chain management in industry
6. Contract managers need supply chain management knowledge

Contract managers need supply chain management

- It is clear that **contract managers** must ensure that contracts make explicit
  - what supply chain risks

    vendors are responsible for.
- They also **assess supplier performance**.
- In companies producing consumer goods, contracting staff help manage the supply chain by ensuring
  1. Goods are sustainably made,
  2. By free labor,
  3. In a free trade environment

استراتژی مدیریت قرارداد

پیکره دانش مدیریت قرارداد (Contract Management Body of Knowledge)

بخش پنجم: اصول راهنمای مدیریت قرارداد

ارائه دهنده:

سید محمدرضا علوی‌پور

(PhD, PMP, CMIT)

دانشگاه Illinois Tech آمریکا

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What we will learn?

- GUIDING PRINCIPLES
  - Skills and roles
  - Contract principles
  - Standards of conduct
  - Regulatory compliance
  - Situational assessment
  - Team dynamics
  - Communication and documentation

The CMBOK structure

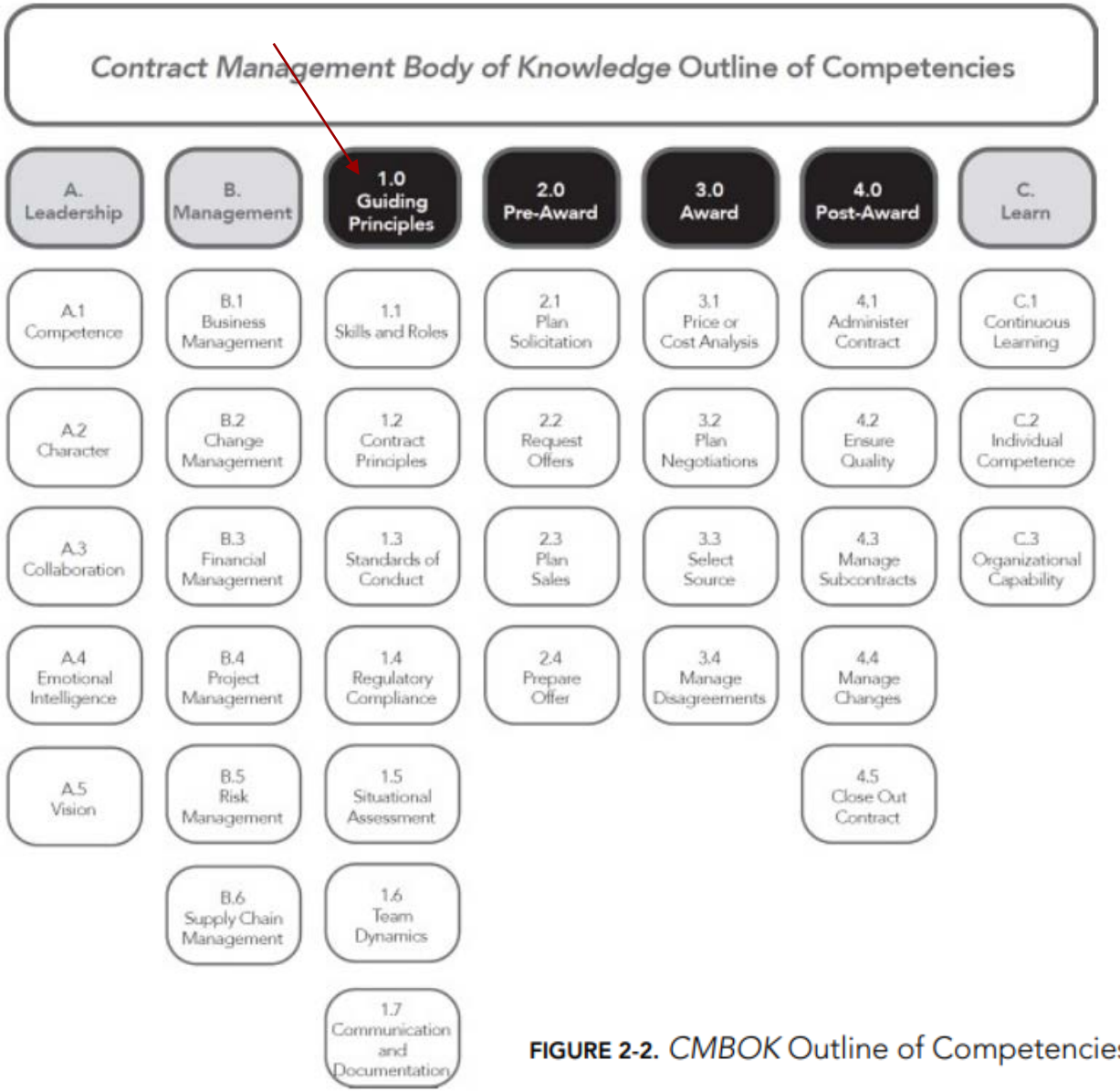


FIGURE 2-2. *CMBOK* Outline of Competencies

GUIDING PRINCIPLES

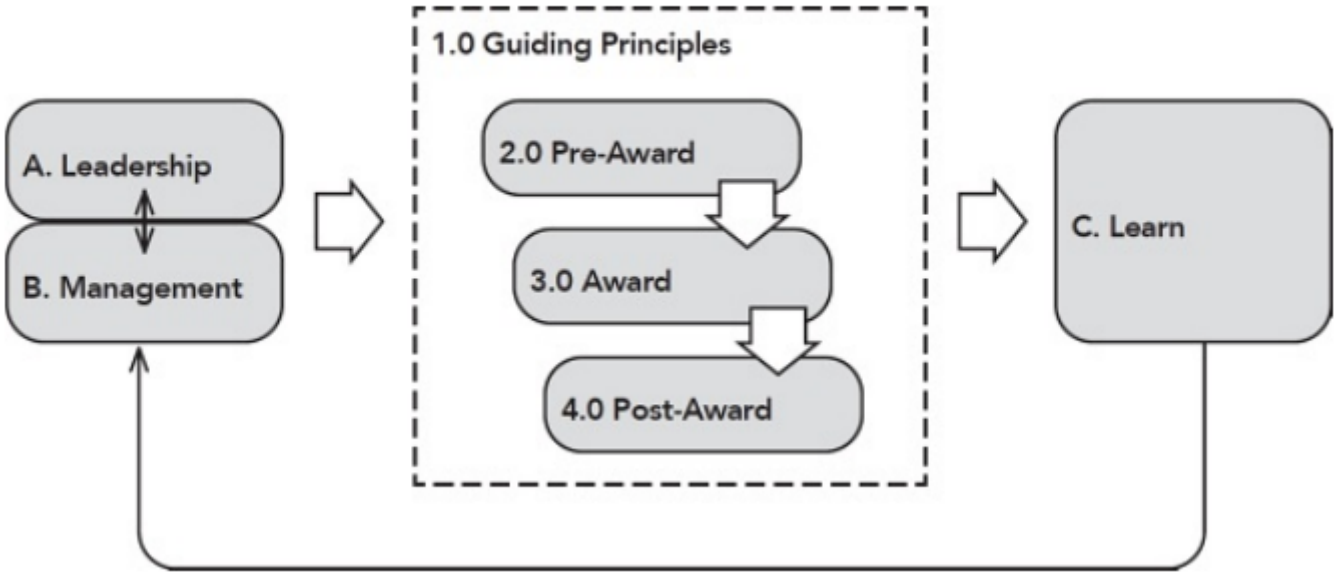
Applicability

- Guiding Principles for contract management are the **principles applicable** throughout
  1. All phases of the contract life cycle
  2. All contract management circumstances,
  3. Irrespective of changes in priorities, strategies, requirements, or resources (e.g., Personnel, money, equipment, time).

Applicability

- FIGURE 5-1 illustrates how the Guiding Principles align within the CMBOK Competency System.

FIGURE 5-1. The CMBOK Competency System



Competencies of guiding principles

FIGURE 5-2. The Guiding Principles of Contract Management

GUIDING PRINCIPLES

(SKILLS AND ROLES)

Competencies of guiding principles

FIGURE 5-2. The Guiding Principles of Contract Management

Skills and roles

- **Contract management** is the process of **managing contracts** throughout the contract life cycle while ensuring customer satisfaction.

What does contract management include?

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Skills and roles

- This **includes** the management of contract elements such as
  1. Negotiations,
  2. Changes,
  3. Requirement interpretations,
  4. Deliverables,
  5. Contract terms and conditions, and
  6. Risk management.

What does successful contract management need?

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Skills and roles

- **Successful contract management** demands:
  1. **Leadership proficiency** through
     - Cumulative effect of competence, character, collaboration, emotional intelligence, and vision;
  2. **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
  3. **Continuous, lifelong learning**
     - To advance individual competence and organizational capability.

What are two primary functions of Contract Manager?

Skills and roles

- Contract managers fall into two primary functions—the buyer and the seller.
  1. **Buyer:** The contracted party with the **requirement for** goods and/or services to be fulfilled by one or more sellers.
  2. **Seller:** The contracted party **tasked with fulfilling the buyer's requirement** for goods and/or services.

Skills and roles

- This section will present:

1. **Skills to develop in individuals**
2. Developing professionalism in team members
3. Comparison of Acquisition Workforce Roles and Responsibilities

Skills to develop in individuals

- To continually develop as a successful contract manager, the **following skills must be mastered**:

1. Sustained motivation
2. Stress management
3. Analytical reading
4. Researching
5. Creativity
6. Initiative
7. Diverse experience and skills

Analytical reading *is the process of carefully analyzing texts to understand their meaning and purpose. It is an essential skill for academic and professional success, as it helps us make informed decisions and think critically about the world around*

Initiative	Creative
Proactive approach towards achieving a goal or solving a problem	Ability to come up with new and innovative ideas
Strong sense of responsibility	Open-mindedness and willingness to take risks
Highly valued by employers	Allows individuals to develop new products, services, and solutions

Mastery of contract management comes from patience, practice, and diligence.

Skills and roles

- This section will present:

1. **Skills to develop in individuals**
2. **Developing professionalism in team members**
3. Comparison of Acquisition Workforce Roles and Responsibilities

Developing professionalism in teams members

- The followings presents guidance on professional development to contract managers in formal leadership positions:

1. **Be experienced**
   - Problem solving
   - Knowledge management
2. **Be well-trained**
   - Education and certification
3. **Be professional**
   - Modeling
   - Relationship building
   - Laws of attraction

Developing professionalism in teams members

❑ Modeling.

- ❖ The **team members** will be watching how the leader reacts to **various situations** and
  - ❖ will **model what they see**.
- ❖ All members have **total control** of their **attitude**.
  - ✓ Modeling is a contagious behavior and is especially prevalent in
    1. How hard the leaders work and
    2. How they take care of themselves.
- ❖ By modeling the leader's behavior, the **team** is holding the leader accountable for its success.
- ❖ The team will **adapt to the environment** that has been **fostered** through the leader's example.

Developing professionalism in teams members

Laws of attraction.

- For **employers**,

  professional development opportunities can be a **greater motivator** than pay and bonuses.

- For **employees**,

  support of employee professional development efforts is a strong differentiator among employers.

- The best-and-brightest employees tend to **flock together**—

  but so do those who are **still in need** of significant development.

- If the **leader** is **not concerned** with the professional development of all team members,

  then the **best and brightest employees** will find a leader who is.

Skills and roles

- This section will present:

1. **Skills to develop in individuals**
2. **Developing professionalism in team members**
3. **Comparison of Acquisition Workforce Roles and Responsibilities**

Comparison of acquisition workforce roles and responsibilities

- The federal acquisition workforce (AW) is comprised of

1. **Personnel responsible**

   for planning, forming, and signing the contract (contracting officers), and

2. **Those who administer**

   contract after award (contracting officer representatives or program/project managers).

Comparison of acquisition workforce roles and responsibilities

Contract Phase	The P/PM and COR are responsible for and take the necessary actions to:	The CO is responsible for and takes the necessary actions to:
Pre-Award	✓ Serve as a representative of the user to achieve program goals and performance.	✓ Serve as a representative of the government to achieve contract goals and compliance.
	✓ Perform market research to determine the level of capability of the marketplace.	✓ Perform market research to determine the level of competition in the marketplace.
	✓ Develop, de-conflict, coordinate, and submit functional program inputs (e.g., cost estimates, performance work statements (or statements of objectives), quality assurance plans, etc.) to the contracting officer for the solicitation.	✓ Ensure the incorporation of a well-written performance work statement or statement of objectives into the solicitation.
	✓ Comply with the following: • Systems engineering life cycle practices; • Testing and evaluation principles, methods, and tools; • Life cycle logistics concepts; and • All other related program management guidance.	✓ Comply with the following: • The *FAR*, • Executive Orders, • Laws, and • Regulations pertaining to contract management.
	✓ Be held accountable for program delivery.	✓ Be held accountable for the legal sufficiency of the contract.
	✓ Apply common sense and logic to influence program success.	✓ Enforce laws and regulations applicable to contract management.

FIGURE 5-3. Comparison of Acquisition Workforce Roles and Responsibilities (Dobriansky and Wilkinson, 2016)

PM = Program Manager/Project Manager
CO = Contracting Officer
COR = Contracting officer's Representative

Comparison of acquisition workforce roles and responsibilities

Award	✓ Shape evaluation factors to get the best contractor.	✓ Ensure evaluation factors do not unreasonably restrict competition.
	✓ Provide subject matter expertise to evaluate technical solutions offered by contractors.	✓ Ensure the integrity and veracity of the proposal evaluation and source selection process.
	✓ Advise the CO on which contractor is the best source for program success and to minimize risk.	✓ Award the contract based on competition and socioeconomic goals.
	✓ Develop, de-conflict, coordinate, and submit functional program inputs to the contracting officer for the resulting contract.	✓ Ensure the incorporation of a well-written performance work statements or statement of objectives into the resulting contract.

Comparison of acquisition workforce roles and responsibilities

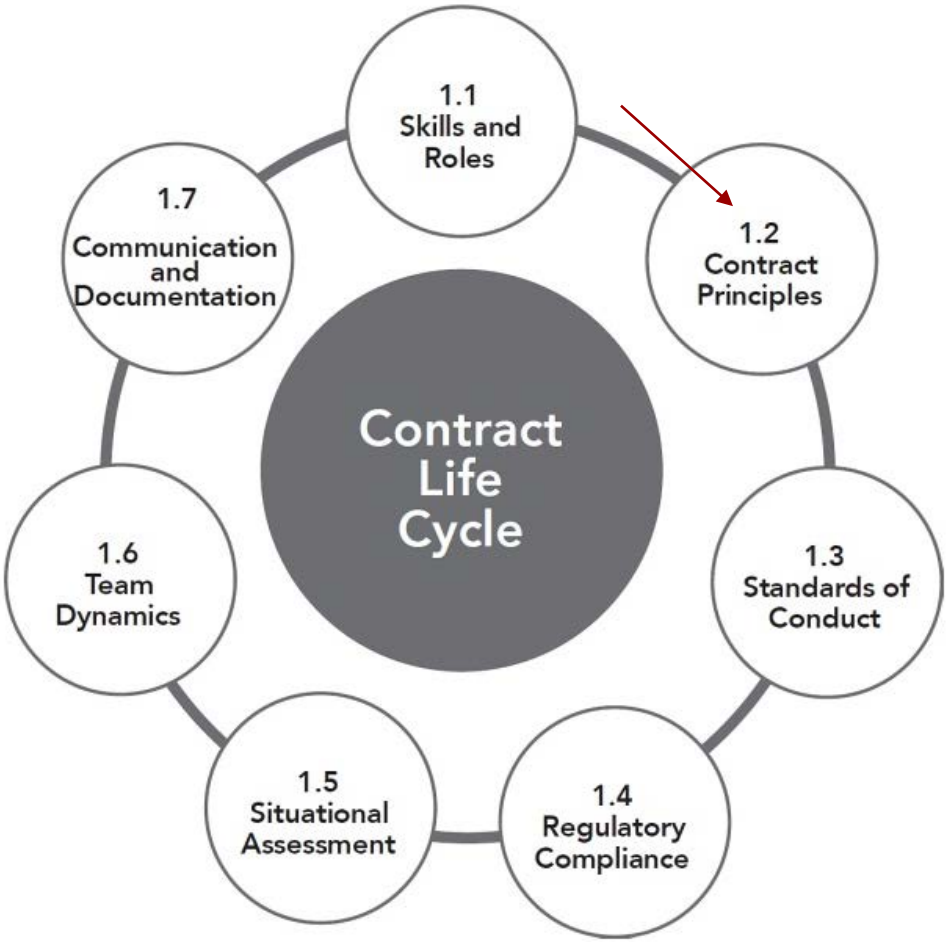
Post-Award	✓ Monitor contract performance and provide direction to the contractor.	✓ Manage contract changes while ensuring compliance with contract terms and conditions.
	✓ Manage program delivery and all aspects of the acquisition life cycle.	✓ Manage the business and legal aspects of the contract over the full acquisition life cycle.
	✓ Provide frontline oversight of the contractor.	✓ Depend on the P/PM and COR for day-to-day contractor oversight.
	✓ Provide frontline oversight of the contractor.	✓ Depend on the P/PM and COR for day-to-day contractor oversight.
	✓ Manage the program delivery and contractor on a routine basis.	✓ Become involved when contractual issues arise.
	✓ Execute authority as delegated by the CO.	✓ Delegate authority to the P/PM and COR.
	✓ Avoid apparent authority issues while working with the contractor.	✓ Maintain ethical and legal relationship between the P/PM, COR, and the contractor.
	✓ Manage program changes that lead to contractor requests for equitable adjustment and claims.	✓ Make decisions on contractor requests for equitable adjustment and claims.
	✓ Evaluate and document contractor performance.	✓ Ensure the evaluation and documentation of contractor performance is accomplished.
	✓ Ensure all actions are accomplished to formally close out the contract.	✓ Ensure all actions are accomplished to formally close out the contract.

GUIDING PRINCIPLES

(CONTRACT PRINCIPLES)

Competencies of guiding principles

FIGURE 5-2. The Guiding Principles of Contract Management



Contract principles

For a contract to be valid, both parties must indicate that they agree to the terms. For a contract to be binding, it must be for a legal purpose and it can only be made by parties who are competent.

Contract principles fall into two major categories:

- *General contracting concepts*—These include such notions as principal and agency, types of authority, essential elements of a contract, market research, competition, fair and reasonable prices, and ethics; and
- *Terms and conditions to address specific contract matters*—These include such things as inspection and acceptance, title transfer, force majeure, risk of loss, repudiation, warranties, payment terms, contract changes, and termination.

Contract principles

- Contract principles are divided into two sections:

1. "General concepts," including:
   - Principal and agency
   - Types of authority
   - Essential elements of a contract
   - Market research
   - Competition
   - Fair and reasonable prices
   - Standards of conduct
2. "Specific contract clauses," including:
   - Inspection and acceptance
   - Force majeure
   - Risk of loss
   - Anticipatory repudiation
   - Warranties
   - Payment terms
   - Contract modification
   - Termination

Contract principles

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   - Risk of loss
   - Anticipatory repudiation
   - Warranties
   - Payment terms
   - Contract modification
   - Termination

General concepts: Principal and agency

- "Agency is the **fiduciary relationship** that arises when **one person (a 'principal')** manifests assent to **another person (an 'agent')**

  that the **agent** shall act on the principal's behalf and

  subject to the principal's control, and

  the **agent** manifests or otherwise consents so to act."

  (Restatement of the Law of Agency (3rd ed, 2006) §1.01).

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General concepts: Principal and agency

- The **authority-granting party** (a company or government agency) is the principal.
- The **party who receives authority** from the principal to act on his or her behalf is called the agent.
- The principal is responsible for the **acts of the agent** and the **agent's acts** bind the **principal** in relation to third parties.

(Cornell University Law School, 2017)

Difference between general, universal, and special agents?

General concepts: Principal and agency

- A **"universal agent"** provides **broad authority** for an agent to act on behalf of the principal.

- A **"general agent"** is authorized to conduct a **limited series of transactions** involving a continuity of service and may be empowered to enter into contracts that are **binding on the principal**.

- The power and authority of a **"special agent"** is limited to accomplishing a specific and limited assignment;

  this agent does **not have the power or authority** to enter into contracts on behalf of the principal.

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Contract principles

- Contract principles are divided into two sections:

1. "**General concepts," including:**
   - **Principal and agency**
   - **Types of authority**
   - Essential elements of a contract
   - Market research
   - Competition
   - Fair and reasonable prices
   - Standards of conduct
2. "Specific contract clauses," including:
   - Inspection and acceptance
   - Force majeure
   - Risk of loss
   - Anticipatory repudiation
   - Warranties
   - Payment terms
   - Contract modification
   - Termination

General concepts: Types of authority

- In order to **bind the principal**, the agent must act within the **authority granted** by the principal.

General concepts: Types of authority

- In order to **bind the principal**, the agent must act within the **authority granted** by the principal.

- This authority may be one of the following **four types**:
  - *Actual authority*—An agent's specific authority that the principal intentionally confers on the agent. It confers a power to the agent to affect legal relations of the principals with third parties.

General concepts: Types of authority

- In order to **bind the principal**, the agent must act within the **authority granted** by the principal.

- This authority may be one of the following **four types**:

  - *Express authority*—Authority plainly granted, either verbally or in writing, to an agent by a principal. It is direction provided to the agent by the principal to do specific actions.

General concepts: Types of authority

- In order to **bind the principal**, the agent must act within the **authority granted** by the principal.

- This authority may be one of the following **four types**:

  - *Implied authority*—Authority given by a principal to an agent that is not actually expressed or otherwise communicated. This allows the agent to perform all the usual and necessary tasks to exercise the agent's expressed authority. The direction to do something is not provided expressly from the principal's words but is implied from what is understood as customary in the industry.

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General concepts: Types of authority

- In order to **bind the principal**, the agent must act within the **authority granted** by the principal.

- This authority may be one of the following **four types**:

  - *Apparent authority*—The appearance of being a principal's agent with the power to act for the principal. Corporations are liable for an employee's acts and promises to a third party if it appears to the third party that the employee has been granted authority by his or her corporate employer (principal) to do those acts that bind the corporation.

Contract principles

- Contract principles are divided into two sections:

1. "**General concepts," including:**
   - **Principal and agency**
   - **Types of authority**
   - **Essential elements of a contract**
   - Market research
   - Competition
   - Fair and reasonable prices
   - Standards of conduct
2. "Specific contract clauses," including:
   - Inspection and acceptance
   - Force majeure
   - Risk of loss
   - Anticipatory repudiation
   - Warranties
   - Payment terms
   - Contract modification
   - Termination

General concepts: Essential elements of a contract

- For a contract to be valid, it must contain **four essential elements** to demonstrate mutual agreement:
  1. Offer,
  2. Acceptance,
  3. Consideration (i.e., something of value—typically money), and
  4. Intent to create a legal relationship.

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Contract principles

- Contract principles are divided into two sections:

1. "**General concepts," including:**
   - **Principal and agency**
   - **Types of authority**
   - **Essential elements of a contract**
   - Market research
   - **Competition**
   - Fair and reasonable prices
   - Standards of conduct
2. "Specific contract clauses," including:
   - Inspection and acceptance
   - Force majeure
   - Risk of loss
   - Anticipatory repudiation
   - Warranties
   - Payment terms
   - Contract modification
   - Termination

General concepts: Competition

FIGURE 5-4. Types of Competition (Federal Acquisition Institute, 2012)

Level	Buyers	Sellers	Market Entry/Exit	Relative Pricing Power
Perfect Competition	Many independent	Many independent	Relatively easy	Pricing balance between buyers and sellers
Effective Competition	Limited independent	Limited independent	Relatively easy	Relative pricing balance between buyers and sellers
Oligopoly	Many independent	Few independent	Restrictions	Relatively greater pricing advantage to sellers
Oligopsony	Few independent	Many independent	Relatively easy	Relatively greater pricing power to buyers
Monopoly	Many independent	One	Restrictions	Considerable pricing power to sellers
Monopsony	One	Many independent	Relatively easy	Considerable pricing power to buyers
Bilateral Monopoly	One	One	Restrictions	Pricing power established by negotiation (as in sole source government negotiation)

Contract principles

- Contract principles are divided into two sections:

1. **"General concepts," including:**
   - **Principal and agency**
   - **Types of authority**
   - **Essential elements of a contract**
   - Market research
   - Competition
   - Fair and reasonable prices
   - Standards of conduct
2. **"Specific contract clauses," including:**
   - **Inspection and acceptance**
   - **Force majeure**
   - **Risk of loss**
   - **Anticipatory repudiation**
   - Warranties
   - Payment terms
   - Contract modification
   - Termination

Specific contract clauses

- The contract clauses described in this section are those that are **common** to both commercial and government contracts.

- This section is **not intended** to be an **all-encompassing discussion** of the terms and conditions surrounding these contract clauses.

- Rather, the intent is to **make the reader aware of common elements** and provide basic information for further research if desired.

Specific contract clauses: Inspection and acceptance

1. Inspection involves **examining (including testing)** supplies and services to determine if the supplies and services meet the contract's requirements.
   - ❖ Inspection **may also extend** to raw materials, components, and intermediate assemblies.

2. Acceptance occurs when the **buyer either**
   (1) Inspects the goods and signifies that the goods **conform to** the contract's requirements or
   (2) Fails to **reject** the delivery. (See UCC 2-606.)

*Both government and commercial contracts should have **specific inspection** and **acceptance clauses** to avoid disputes after delivery.*

Specific contract clauses: Force majeure

- Force majeure is a **French term** that refers to an unexpected or uncontrollable event that upsets the plan or releases one from obligation.

- Government contracting uses the phrase **"excusable delay"** to convey the same meaning.
  - To be an excusable delay in government contracting, the failure to perform must be
    1. Beyond the control and
    2. **Without** the fault or negligence of the **contractor** or its **subcontractors**.

(See FAR 52.249-14, Excusable Delays.)

Specific contract clauses: Force majeure

52.249-14 Excusable Delays.

As prescribed in 49.505(b), insert the following clause in solicitations and contracts for supplies, services, construction, and research and development on a fee basis whenever a cost-reimbursement contract is contemplated. Also insert the clause in time-and-material contracts, and labor-hour contracts. When used in construction contracts, substitute the words "completion time" for "delivery schedule" in the last sentence of the clause.

EXCUSABLE DELAYS (APR 1984)

(a) Except for defaults of subcontractors at any tier, the Contractor shall not be in default because of any failure to perform this contract under its terms if the failure arises from causes beyond the control and without the fault or negligence of the Contractor. Examples of these causes are (1) acts of God or of the public enemy, (2) acts of the Government in either its sovereign or contractual capacity, (3) fires, (4) floods, (5) epidemics, (6) quarantine restrictions, (7) strikes, (8) freight embargoes, and (9) unusually severe weather. In each instance, the failure to perform must be beyond the control and without the fault or negligence of the Contractor. "Default" includes failure to make progress in the work so as to endanger performance.

(b) If the failure to perform is caused by the failure of a subcontractor at any tier to perform or make progress, and if the cause of the failure was beyond the control of both the Contractor and subcontractor, and without the fault or negligence of either, the Contractor shall not be deemed to be in default,- unless-

(1) The subcontracted supplies or services were obtainable from other sources;

(2) The Contracting Officer ordered the Contractor in writing to purchase these supplies or services from the other source; and

(3) The Contractor failed to comply reasonably with this order.

(c) Upon request of the Contractor, the Contracting Officer shall ascertain the facts and extent of the failure. If the Contracting Officer determines that any failure to perform results from one or more of the causes above, the delivery schedule shall be revised, subject to the rights of the Government under the termination clause of this contract.

(End of clause)

Specific contract clauses: Risk of loss

- The **contracting parties** should establish in advance

  who bears the risk of loss under certain circumstances.

Risk of loss is a term used in the law of contracts to determine which party should bear the burden of risk for damage occurring to goods after the sale has been completed, but before delivery has occurred. Such considerations generally come into play after the contract is formed but before buyer receives goods, something bad happens.

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Specific contract clauses: Risk of loss

Under the Uniform Commercial Code (UCC), there are four risk of loss rules, in order of application:

1. Agreement - the agreement of the parties controls
2. Breach - the breaching party is liable for any uninsured loss even though breach is unrelated to the problem. Hence, if the breach is the time of delivery, *and* the goods show up broken, then the breaching rule applies risk of loss on the seller.
3. Delivery by common carrier other than by seller.
    1. Risk of loss shifts from seller to buyer at the time that seller completes its delivery obligations
    2. If it is a destination contract (FOB (buyer's city)), then risk of loss is on the seller.
    3. If it is a delivery contract (standard, or FOB (seller's city)), then the risk of loss is on the buyer.
4. In cases not covered by the foregoing rules, if the seller is a merchant, then the risk of loss shifts to the buyer upon buyer's "receipt" of the goods. If the buyer never takes possession, then the seller still has the risk of loss.[1]

Specific contract clauses: Risk of loss

- Typically, **risk of loss does not pass** to the buyer

  until the buyer accepts the **goods** under a **"sale on approval" contract**.

Specific contract clauses: Anticipatory repudiation

- Repudiation occurs when

  one contracting party (A)

  gives the other contracting party (B)

  reason to believe that they (party A) will n**ot perform the contract** through an action or statement.

  - When repudiation occurs, contracting party B may then pursue a remedy against contracting party A for breach of contract. (See UCC 2-610 and 1.4.1.6 Repudiation.)

GUIDING PRINCIPLES

(STANDARDS OF CONDUCT)

Competencies of guiding principles

FIGURE 5-2. The Guiding Principles of Contract Management

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Standards of conduct

Standards of conduct help to define the ethical behavior expected of all contract managers and their organizations. Standards of conduct are intended to create trust and confidence in the integrity of the contract management process. The standards require contract managers to conduct themselves in such a manner as to bring credit upon the profession. Contract managers conduct all business in good faith while:

- Making timely and reasonable decisions;
- Being transparent in making appropriate disclosures;
- Adequately protecting proprietary information; and
- Avoiding actual or apparent conflicts of interest.

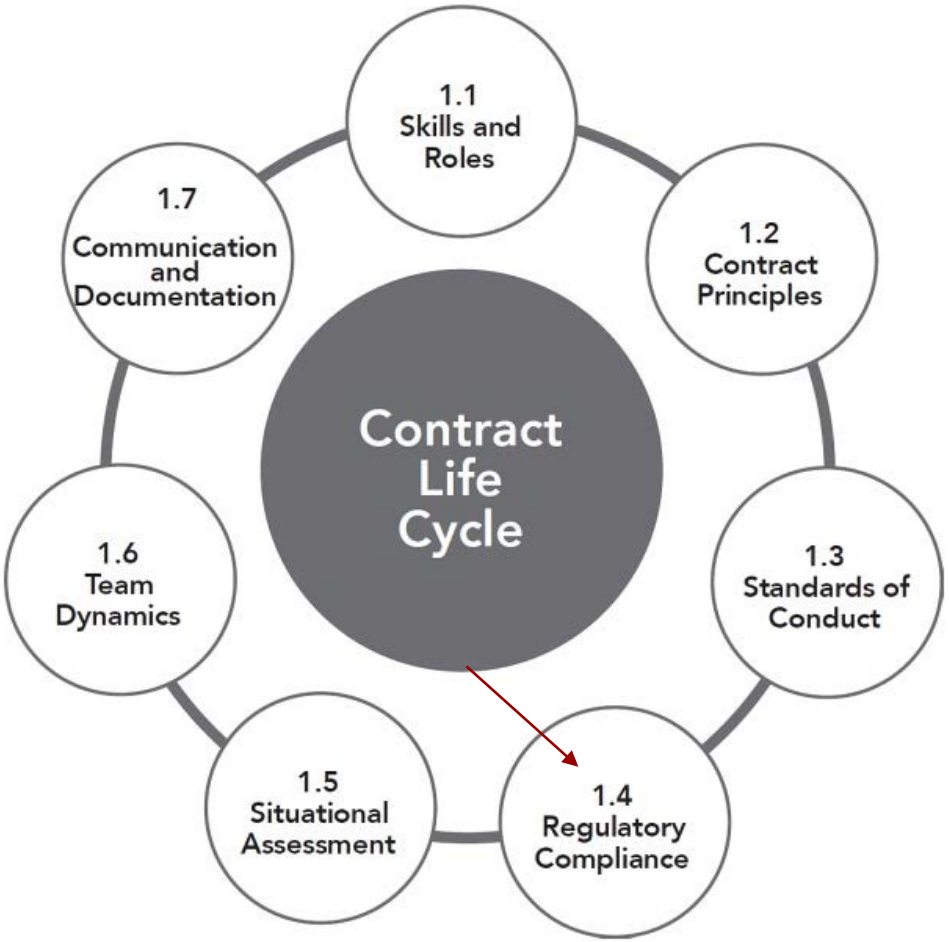
This ethical behavior not only applies to collaboration with other professionals, but it also applies to the technical aspects involved throughout the contract life cycle phases. All contract managers must abide by the letter and spirit of the standards of conduct.

GUIDING PRINCIPLES

(REGULATORY COMPLIANCE)

Competencies of guiding principles

FIGURE 5-2. The Guiding Principles of Contract Management



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Regulatory compliance

Fundamentally, the contract management profession is about the knowledge and application of laws, codes, and regulations. Contracts are legal documents that represent an agreement between the parties whose terms and conditions are legally binding and enforceable in courts of law and other administrative bodies. As such, it is important for contract managers to have a working knowledge of the laws, codes, regulations, and other sources of guidance that define, to a large extent, the environment in which the contract manager operates.

Regulatory compliance

FIGURE 5-9. Federal Government Contract Laws and Regulations

Antideficiency Act (1870)	Buy American (1933)	Bonds (1935)	Contracts for Materials, Supplies, Articles, and Equipment Exceeding $15,000 (1936)	Procurement (1949)
Small Business Act (1958)	Truthful Cost or Pricing Data (1962)	Contract Work Hours and Safety Standards (1962)	Service Contract Labor Standards (1965)	Office of Federal Procurement Policy Act (1974)
Contract Disputes (1978)	Prompt Payment Act (1982)	Competition in Contract Act (1984)	The Federal Acquisition Regulation (1984)	Restrictions on Obtaining and Disclosing Certain Information (1988)
Government Performance and Results Act (1993)	Government Management Reform Act (1994)	Federal Acquisition Streamlining Act (1994)	Federal Acquisition Reform Act (1996)	Services Acquisition Reform Act (2003)

Truthful cost or pricing data

- **Originally passed in 1962**, Truthful Cost or Pricing Data was enacted for **purpose of providing** for full and fair disclosure by **contractors** in the conduct of negotiations with the government.

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Contract disputes

- Passed in 1978, this act (41 U.S.C. 71) states that

1. All claims by a contractor against the government relating to a contract

   shall be in writing and shall be submitted to the contracting officer for a decision.

2. All claims by the government against a contractor relating to a contract shall be the subject of a **decision** by the contracting officer.

- **Each claim** by a contractor against the government relating to a contract and each claim by the government against a contractor relating to a contract

  shall be submitted within six years after the **accrual of the claim**.

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Contract disputes

33.201 Definitions.

As used in this subpart-

Accrual of a claim means the date when all events, that fix the alleged liability of either the Government or the contractor and permit assertion of the claim, were known or should have been known. For liability to be fixed, some injury must have occurred. However, monetary damages need not have been incurred.

Issue in controversy means a material disagreement between the Government and the contractor that-

(1) May result in a claim; or

(2) Is all or part of an existing claim.

Read Article US 71

Prompt payment act

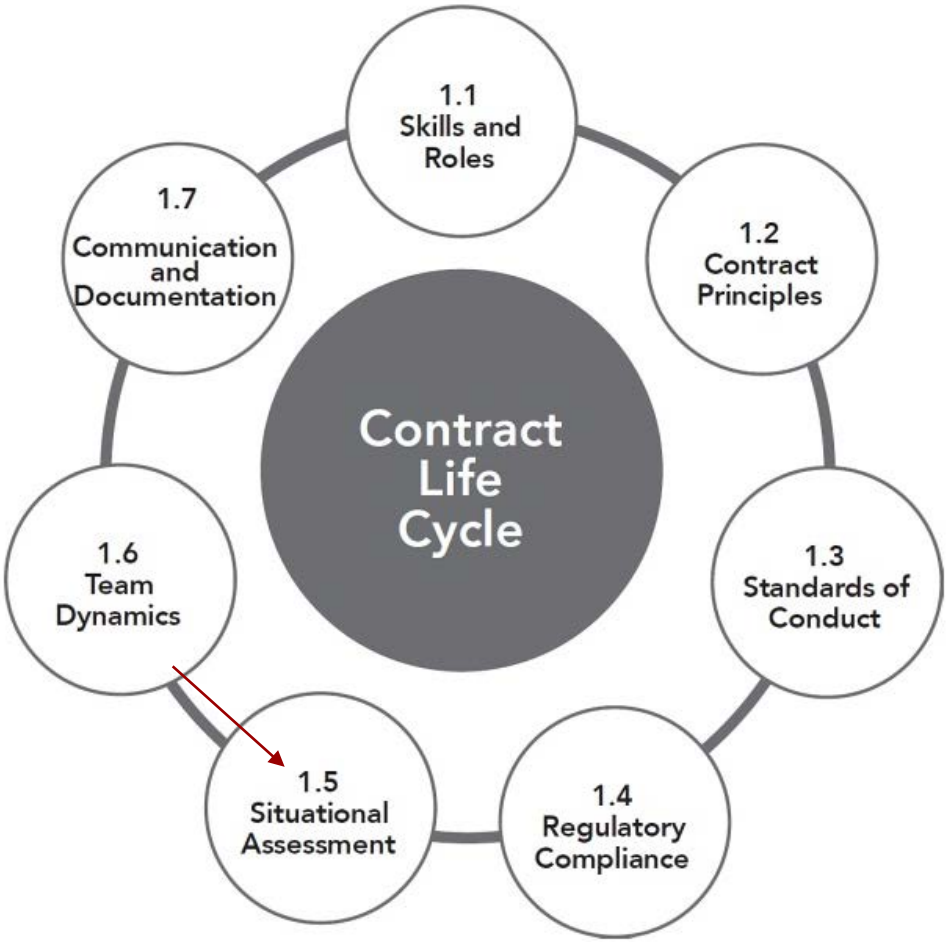
- Passed in 1982, this law (31 U.S.C. 3903) was enacted in order to ensure that companies **transacting business** with **the federal government** were paid in a timely manner upon submission of a proper invoice.
  - The act provides for **interest payments** for late payments.

GUIDING PRINCIPLES

(SITUATIONAL ASSESSMENT)

Competencies of guiding principles

FIGURE 5-2. The Guiding Principles of Contract Management



Situational assessment

- For **contract managers**, situational assessment is the **ability to recognize** how current requirements can **impact** concurrent and future projects.

- To make these connections and to help guide contract management behavior, a strong **knowledge management (KM)** program must exist.

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Situational assessment

- **Professional contract managers** will hone their thinking skills which can be understood and discussed in the context of **three primary areas** of thinking, namely
  1. Critical thinking,
  2. Systemic thinking
  3. Strategic thinking

(Reid, 2018)

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Critical thinking

- In critical thinking, the primary question is “Why?” or depending on the situation, “Why not?”
  - Why has a contractor asked for this equitable adjustment?
  - Why has this offeror proposed this solution?
  - Why is the program off schedule or over budget?
- Each of these lead the **contract manger to conclusions** of cause and effect related to the situation.
- Critical thinking also calls into
  1. Decision the various laws, policies, or procedures and an understanding of why they exist,
  2. Contributing to an understanding of how they should be applied.

Systemic thinking

- **Systemic thinking** recognizes that nothing happens in isolation and that any decision made will have **ripple effects** elsewhere.

- Whether it is a **simple process** of receiving an invoice, authorizing payment, making payment, or it involves a sophisticated piece of equipment or a comprehensive change in policy,

  decisions **made in isolation** tend to have unintended consequences.

  - This is just a convenient way of saying, **"I did not think this through systemically"** and

    expresses an attempt to avoid fault or blame.

Strategic thinking

- Strategic thinking asks the questions that establish
  1. Where you are now,
  2. Where it is you want to be, and
  3. Means and modes (and people) required to get you there.

It is also important to determine

how you will know when you have gotten where you intended.

(Reid, 2018)

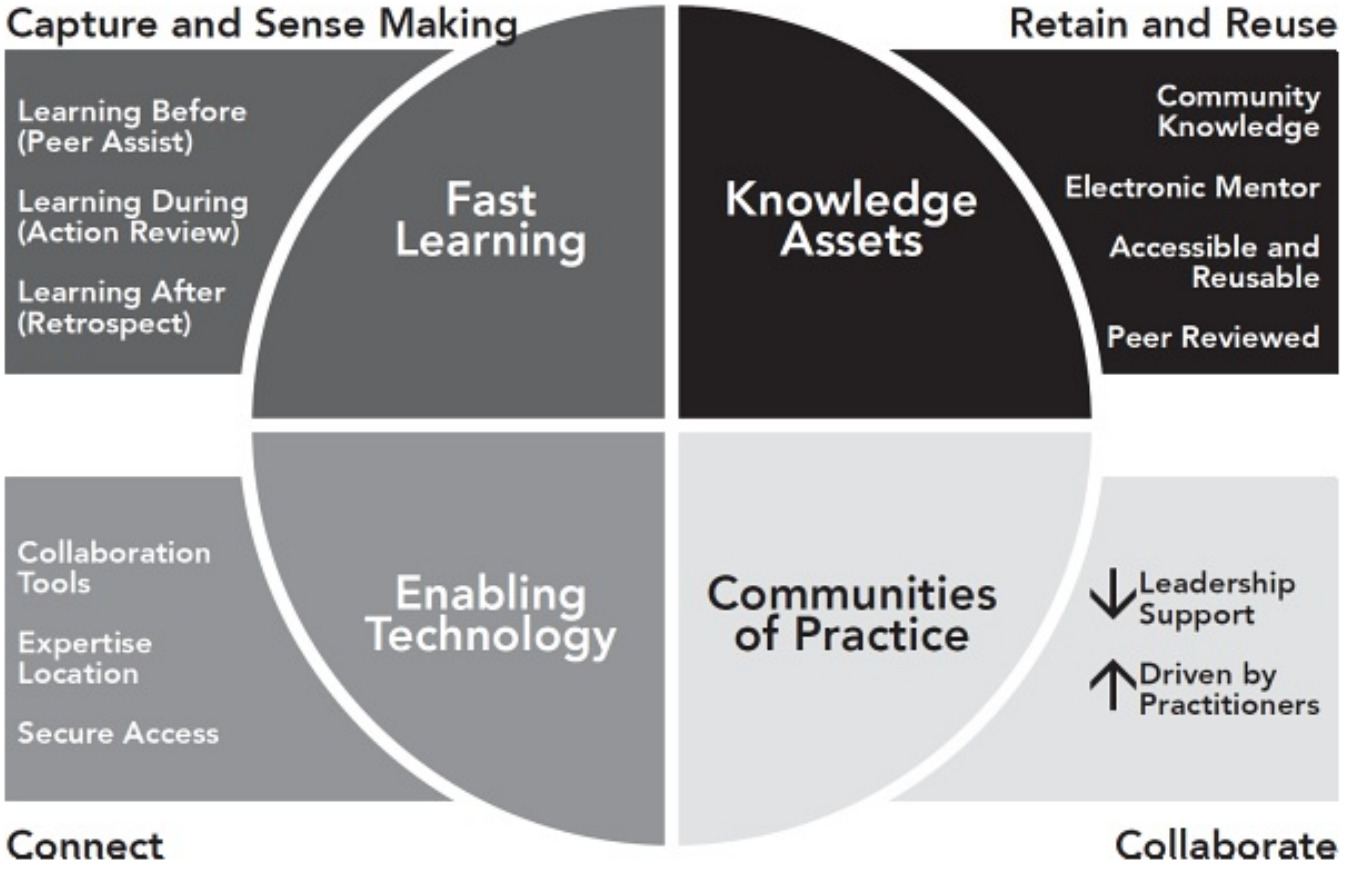
Concept of knowledge

FIGURE 5-12. Concept of Knowledge (Kaplan, 2016)

KM framework

- Characteristics of successful frameworks include four parts as depicted in FIGURE 5-13.

FIGURE 5-13. KM Framework (Kaplan, 2016)



Knowledge leadership

- To lead as a **successful contract management** professional, you must act.

- Knowledge Leadership is about
  1. Being a **role model** and
  2. **Demonstrating a commitment** to knowledge management as a way of being, not just something to talk about.

- People judge you by
  1. What you do
  2. Why you do it and
  3. For whose benefit

not by what you say.

Staying current through knowledge

- **Peter Drucker** rightfully said,

  "Knowledge has to be improved, challenged, and increased constantly, or it vanishes."

  - It is the **duty of contract managers** to continually update their knowledge.

GUIDING PRINCIPLES

(TEAM DYNAMICS)

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