

# Keeping One's Perspective During Downsizing, Reengineering, Paper Lessening, and Customer Focusing

BY MARK WERFEL

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—Editor

Change is impacting everything we do and are about, not just the contracting function. The result is relentless improvement being demanded and delivered by the most competitive people and organizations—which is terrific for those who truly can. Many vaudevillians failed with the advent of the silver screen, but some prospered and a few (like Charlie Chaplin, the least imaginable, in part because of his tramp image and socialist political leanings), started new motion picture companies (United Artists). Many of those failed some decades later with the advent of television, or failed when government trust busters separated production from theater ownership.

The implications of a paperless and simplified contracting process and government/industry partnerships are clear. Meeting challenges with the flexibility and creativity that a business environment requires, however, is what our profession has always been about; it is only the pace of change that is unprecedented. Information technology is the latest new method, which demands new skills; but the need for wisdom in crafting business relationships is a timeless imperative.

Today, with many retired military and civilian leaders in corporate roles, and those still in military and civilian positions considering private-sector employment, organizational borders between careers and relationships can become fuzzy. With many contracts offering similar products and services to all federal users (and soon also to state and local government), there's pressure on contracting organizations to be very supportive of customers, or the customer will go elsewhere, potentially driving our function down to the lowest common denominator—FM radio is an interesting model.

The contracting officer's role must still be a dual one, to serve as an advocate and as a cop. Partnerships are important, but generally partners share the difference between costs and sales in some specific way and are directly responsible for and impacted by their organizations' contractual results: performance or nonperformance. While we use partnership terminology in government contracting, our contracting officers don't share in contract profits yet—we hope. As Robert Frost said, good fences make good neighbors, so we need to drive hard, solid business deals

that, if well performed and managed, offer results for government and contractors—but different ones.

Congress and the executive branch (Office of Management and Budget), concerned about matching resources to results, established the Government Performance and Results Act (GPRA). In a very real sense, it drives competition within the government; not just on the basis of promises that will be made by program managers and contractors, but on meaningful, measurable results that then tie to future program funding (for government) and also should tie to source selection decisions (for industry). Past performance is expected to measure real distinctions between its different "partners" (which would instead be classified as "winners" or if not, "results-challenged organizations"). Accordingly, contracting officers must then ensure government can establish, measure, and defend the distinctions it makes. If, as promised, initial awards are in fact sensitive to past performance in the context of measured, compared, and relevant results, we can expect real case law, and soon.

Today many contracting offices are vying for the same customers, resulting in many contracts and schedules available to fulfill various users' requirements. Tomorrow, many government organizations are likely to consolidate. Accordingly, the federal government market model is changing from monopolistic to oligopsonistic. In response, due to the Federal Acquisition Regulation Part 15 rewrite, use of effective competition, and past performance realities, contractors are combining, recombining, and teaming with each other, becoming oligopolistic. For those who remember their economics, this leads to very kinky (only one price point at which transactions readily occur) supply or demand curves, with the few buyers or suppliers at that point forcing out current and potential competitors. There's no telling which curve becomes the stronger pull if they don't meet, and, if they don't, a near-term market may not be set (products will not be produced or bought), causing turmoil until a new equilibrium occurs.

Our profession's true leaders must reconfirm, not redefine, the nature of our profession, or others will do it for us. Accommodating others led to fixed-price research and development contracting, unused weapons systems, and spare parts prices that were horror stories only because they were oversimplified. We must insist on making the decisions that are ours to make, and our leaders have the wisdom to create the environment that allows us to do so.

As before, we support our customer when we give him what he should have, not simply accede to what he wants. We support our customer when we demand the time, resources, and understanding to identify/develop new skills and to do a proper job. We support our customer when we demand the recognition and compensation due the professional that truly adds value, and bow out of situations that do not demand our skills. But most significantly, we support our customers and their partners by insisting on full, meaningful disclosure of both parties' business concerns during negotiations; by refusing to make agreements that cannot be kept; and by reflecting the spirit of a true business relationship—where both parties expect desired results, intend the other parties achieve theirs as well, but have written agreements that recognize their respective roles and rewards.

I ask our leaders to articulate what must be done to ensure we get the right outcomes, and representative managers to help determine what skills we need to get there, and I entreat them to include me in those deliberations. We've gone from full and open to effective competition; why can't we go to program life contracts, as is the case in industry—isn't that the logical extension of partnering? If we do so, and as it should be, current performance truly becomes more relevant than past performance.

At the 1997 NCMA East Coast National Educational Conference, Deputy Defense Secretary Hamre warned that those who want no mistakes in acquisition are reluctant to pay for the infrastructure that avoids mistakes. In my view, I pose the nature of that conflict differently. Contracting

leaders must remind others that either they or we are accountable for outcomes—when others impose unrealistic constraints on us, they become responsible for outcomes—and, of course, we'll still do our best. At the highest level, leaders are responsible for the very viability of their organizations. The best leaders will enable their organizations to prevail in today's particularly changing and hostile environment. The essential constant for those who would win is first the preservation of principle; then a clear, valid vision of the future; finally coupled with the courage to act. There's much good in change, especially today; but also a need for vigilance. ●

#### ABOUT THE AUTHOR

Mark Werfel is a U.S. Army employee who coined the phrase "Customer Focus" in 1991, called for government/industry "partnerships" in 1993 (Defense News, June 14, 1993, at 36), and suggested strategic multiple award contracts in 1994 (Contract Management, October 1994, at 10), but has yet to receive a royalty payment. The views presented in the above article are those of the author and do not necessarily represent the views of the Department of Defense or its components.

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