

Changing Counterproductive Behaviors in Real Acquisitions

Acquisition Archetypes

PMO versus Contractor Hostility

Relationship 101

A good relationship between the government project management office (PMO) and the prime contractor is the foundation of a successful software acquisition, in the same way that a trusting relationship is the foundation of a good marriage. Of course, the reverse is true, too: any seeds of distrust planted at the beginning of a relationship, if nurtured, can destroy it. In business as in marriage, credibility is lost. The presumption of innocence is replaced by an assumption of malice. Both parties go on the defensive, determined not to be taken advantage of. The stage is set for drama and disappointment.

Newlywed Squabbles

Looking back on one recent example, a program official said the PMO and contractor relationship started “with high hopes, and the best of intentions on all sides.” The contract was structured as “sole source and a 15-year marriage.”

As the development project began, the difficulty of the work surpassed what had been expected and planned for. In fact, the amount of functionality in each release fell short of the government’s expectations. The PMO became skeptical of the contractor’s ability to meet deadlines, even as the contractor was pointing out a need for “slack in the schedule for managing the risk associated with this development.”

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Although dissatisfied, the PMO realized little could be done. This was a sole-source contract, one government official said, and

“the government has no leverage. It [sole source] removes the motivation to be a sincere partner.” Another official concurred. “Even if they don’t do anything, you still have to pay them,” he said. “It is a vendor risk-free contract.”

Pointing Fingers

The ability of the contractor development team came under fire. One high-level government program official said “It’s not a marriage—it’s not even a partnership. We’re not getting the best engineers, the best managers, or the best development team.” Once the government had concluded that the contractor was unreliable, its managers felt their only option was to “tighten up on them” and “hold their feet to the fire.” As a result, even when the govern-

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ment saw early on that a schedule slip was inevitable due to delays in preliminary design, the PMO team deliberately didn’t perform any risk mitigation or contingency planning: “they wouldn’t let the contractor off the hook.” The government’s strategy to force the contractor to perform acceptably was now not just extending the conflict—it was actually worsening system cost and schedule performance.

Another point of contention was contractor access to government subject matter experts, or SMEs. The contractor received poor documentation of the legacy systems it was trying to replace—so the contractor asked for access to government SMEs. However, the government had only assigned a small number of SMEs to the program, and they began to push back, saying that it was “the contractor’s job to figure all of this out.”



The result of all the conflict between the parties—schedule problems, perceived capability inadequacies, unwillingness to provide SME assistance—led to general mistrust by each side for the other. They traded disparagements, and the bad feelings escalated: The government asked for too much capability in each release, the contractor complained. The government has no confidence in the contractor’s estimates, the PMO countered.

Heading for Divorce Court

As the relationship deteriorated, hostilities escalated. The government felt that the contract was “a recipe to milk a cash cow forever,” and acknowledged that it would like to end the relationship. However, a top government executive admitted “being beholden to the contractor... because if the contractor chooses to walk, or if the government says, ‘You’re banished,’ I don’t know what we’ll do.”

Results

Ultimately the PMO became resigned to consistently late releases, and what it believed were inflated estimates for requested work. In turn, the contractor was forced to provide even more heavily padded estimates. These protected it from the government demanding more than could be provided in each successive release.

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The Bigger Picture

In the “PMO versus Contractor Hostility” archetype two parties destroy their relationship through tit-for-tat retaliations for actions they *perceive* as being harmful to their interests. While they start out with the same goals and the best of intentions, at some point one partner takes an action that is in its own best interests, but is harmful to the other. When the other partner views that action as deliberate and a surprise (and perhaps hostile), it responds with an act that protects itself from the initial act. This response also may “send a message.” However, it may also, in turn, surprise and anger the first side. After a series of such actions the two sides can become sworn enemies, rather than the intended cooperative partners. Only the smallest perturbation is needed to push this dynamic out of its equilibrium and start it sliding into hostility.

The irony in the example story is that the actions the government takes to deal with the contractor’s perceived “bloated estimates” become a self-fulfilling prophecy, creating the very inflated estimates they were intended to prevent. The contractor has little choice other than to pad the estimates further to help ensure that they can be met in the future.

Some innocent acts the contractor might perform which the PMO could misinterpret as deliberately provocative include the following:

- Missing delivery deadlines as the result of trying to be too accommodating
- Hesitating to accept a small proposed modification to a system requirement because, regardless of size, it is a modification that falls outside of the contractual agreement, and thus needs an engineering change order.

Some examples of acts the PMO performs innocently that a contractor could misconstrue as punitive or unwarranted include the following:

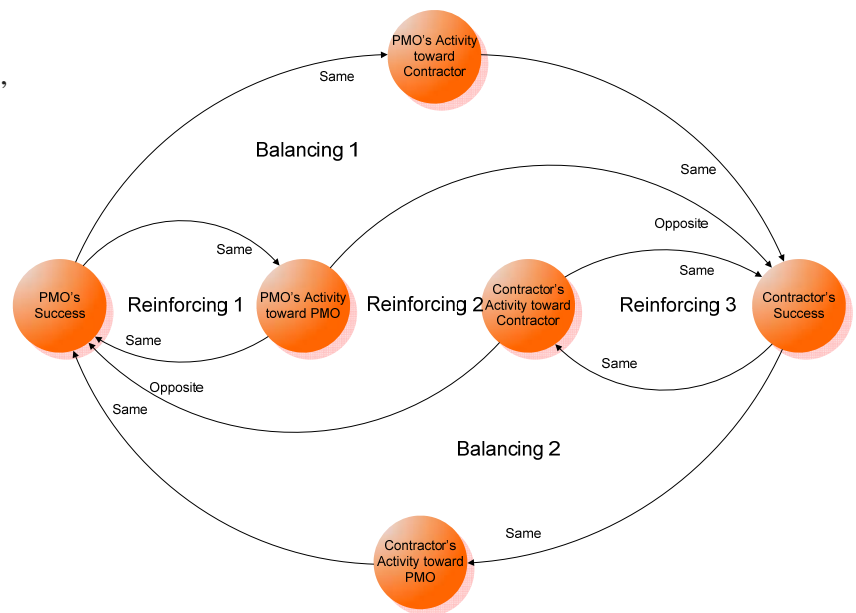
- Withholding a subjectively evaluated award fee
- Providing system requirements that haven’t been thought through or precisely expressed, obligating the contractor to do additional clarification on the requirements (and then making the contractor fully accountable for the resultant missed deadlines)

Breaking The Pattern

To stop the dynamic, first the cycle of escalation must be broken, and then, in cases where trust is lost, both sides need to signal their commitment to restoring it. This formal signal of commitment must have a substantial cost associated with breaking it: loss of public image, financial value, or something similarly valuable.

The signal must be a significant, unilateral offer that is initially extended by one party.

A Causal Loop Diagram of the PMO vs. Contractor Hostility effect.



System variables (nodes) affect one another (shown by arrows): Same means variables move in the same direction; opposite means the variables move in opposite directions. Balancing loops converge on a stable value; Reinforcing loops are always increasing or always decreasing. Delay denotes actual time delays.

This formal commitment is necessary because, with both parties enmeshed in the dynamic, it is not sufficient to simply start living up to the original expectations of the relationship. Both parties must now work *harder* than they would have had to at the beginning to re-establish the trust that has been lost.

Pre-marital counseling

Of course, the best way to deal with counterproductive behavior is to prevent it from ever starting. Assure that there is a healthy PMO and contractor relationship *before* the real work begins—rather than going through a painful reconciliation after the marriage. It is true that the PMO has a vital oversight role with respect to the contractor, but that needs to translate to a policy of “trust—but verify,” with the trust clearly demonstrated.

Finally, establishing and keeping open lines of communication between the PMO and contractor will not alone prevent or end hostility. But without communications, no other actions will succeed. Both parties need to have a method and opportunity to easily talk to one another about *what* actions each party is taking, as well as *why*.