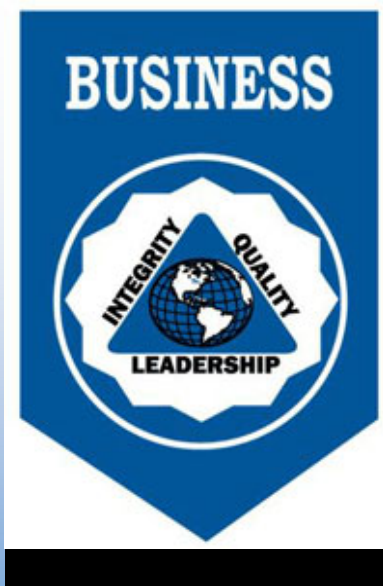


BUSINESS INSIGHTS

A COLLEGE OF BUSINESS RESEARCH JOURNAL

Volume 12

Spring 2024



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BUSINESS INSIGHTS

A COLLEGE OF BUSINESS RESEARCH JOURNAL

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As the new editor-in-chief, it is with great pleasure that I accept this position. I look forward to continuing the journal's legacy and fostering an environment of scholarly excellence.

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Sincerely,

Alana M. Daniel

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Editor-in-Chief

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Fundamental Skills of Strategic Leadership

Jenni R. Johnston
B.A. Individualized Degree Program

ABSTRACT

Leaders in today's organizations make decisions for how companies will proceed into the future. They have the burden of pushing an organization toward new growth or preserving its resources to mitigate potential risks. Using past experiences and a diverse knowledge base, certain leaders can foresee future problems and set up processes to maintain a company's vision and goals. This type of leader has been termed a strategic leader (Schoemaker et al., 2013). Strategic leaders must have the skills and knowledge to analyze situations and implement changes for success, influence those around them, and have an aptitude for strategic thinking and planning to give their organization a competitive edge. This paper will go through the fundamental skills anyone can learn to become a strategic leader.

Bloom's Taxonomy and Essential Skills

A strategic leader must think in a variety of ways using past experiences and present knowledge to make informed decisions about how an organization should operate. Certain skills can be learned through practice, while others may be inherent in a personality. These skills can set a strategic leader apart from an everyday administrator.

Bloom's Taxonomy

Bloom's Taxonomy is a concept that can be utilized in many sectors as a tool for learning and developing the cognitive skills needed to think strategically. This methodology consists of six levels. The levels can be utilized as building blocks working from one to the next. The lower levels are the fundamental skills, and the higher are more complex. These levels, however, do not have to be utilized in any specific order. Many people have different levels of cognition and may use different levels at various times in their careers (Sarfraz, 2017). The six levels are:

1. knowledge gained through the recall of facts and ideas;
2. comprehension of these facts and ideas and how they connect;
3. application of different facts, knowledge, and methods in existing or new structures;
4. analysis, examination, and gathering of ideas and information;
5. evaluation and synthesis of data and information in old and new ways;
- and 6. creation of criteria sets that confirm the quality of work or ideas and thus justifies decisions or judgments made or new products or services created ("How to Build and Enhance Strategic Leadership Capabilities," p. 20).

An example of a person who utilized Bloom's taxonomy was Steve Jobs. Jobs was on a continual learning journey between the taxonomy levels. He was labeled a strategic leader for his ability to use his knowledge in multiple unrelated fields to grow his ideas and inspire those around him to believe in his process. Through his various studies, he was able to comprehend and connect concepts that did not normally go together. He would then apply and analyze his ideas, evaluate, and create. Jobs was not only able to create new technology, but also implement old technology in new ways. His most powerful skill was knowing how to motivate people. He was able to see traits in others that he knew would be valuable in the future. His vision not only changed

technology, but had a ripple effect on society that continues even today (Sarfraz, 2017).

Essential Skills

Schoemaker et al. (2013) outline six essential skills of a strategic leader in a similar fashion, but with a simpler approach. The six skills they reference are anticipation, challenge, interpret, decide, align, and learn. Individually, these skills may seem basic; however, when in use together, they form the foundation for a successful leader. The use of these skills would not only be valuable in a business setting, but also in any sector that requires one to think critically.

Anticipation

This is the ability to predict how a trend is going to move or change based on the decisions that were made. This is the foresight portion of a strategic leader. Seeing the highs or lows and planning to protect or promote based on an analysis (Schoemaker et al., 2013).

Challenge

Having an easy plan with only one mode of execution would not be prudent for a strategic leader. All possible outcomes must be weighed out, and theories of completion must be challenged. Strategic leaders not only question the ideas of others, but also their own. This allows for more diverse thinking and a true brainstorming event (Schoemaker et al., 2013).

Interpret

A leader needs to be able to take all the information given to them, decipher how best to proceed, and propose the most fitting plan for success. Interpretation of a situation can be a pivotal moment for a strategic leader. The ability to interpret what someone is saying and what they mean can change the course of a project. This is especially true when working with different cultures that may subtly infer their goals and not verbalize them directly (Schoemaker et al., 2013).

Decide

A leader may be pressured to make decisions quickly. Speedy agreements that only allow one outcome can hinder potential future opportunities. When strategic leaders must

make swift decisions, they strive to make those that can give multiple outcomes. Even in a situation where a decision must be made based on a small amount of data, a strategic leader can weigh out all the possibilities and decide which will provide the highest opportunity for success (Schoemaker et al., 2013).

Align

A leader who is adept at networking and building trust within a company will have a higher chance of success. Leaders with employees who trust and respect their decisions create “buy-in” and can motivate a team to engage in and complete a desired goal (Schoemaker et al., 2013).

Learn

A strategic leader is a continual learner. Learning new processes, ways of thinking, and potential outcomes help keep a leader at the top of their game and not caught in a continual loop. Learning, however, does not always involve success. Strategic leaders learn from their failures, as well. Knowing what does not work and applying failed knowledge to future endeavors can increase the likelihood of a successful outcome later (Schoemaker et al., 2013).

Strategic Leaders as Influencers of People and Ideas

Strategic leaders must be able to influence people and situations to generate opportunities for creative thinking. The concept of the right place and right time may be imperative in any strategic plan. However, without the right motivation and the right people, a well-calculated plan may never be initiated. Strategic leaders may sometimes be viewed as a muse, encouraging situations where the ideal people are assembled to generate and execute innovation and ideas.

Influencers of People

Creating innovation in a company takes someone influencing employees, shareholders, or both. How and when that influence takes place does not matter as much as the outcome. However, it is important to note how strategic leaders influence others to obtain the desired goals of the organization. Cortez and Herrmann (2021) discuss how strategic leaders may influence innovation based on where they are positioned in the organization or how they execute daily activities. The first type they discuss is the discretionary influencer. This type gains favor for their ideas due to their hierarchy in the company. A strategic leader at an executive level will have a greater opportunity to get their ideas put into action than one that may be at an operational level. The second type is the architectural influencer. These types of influencers work more in the shadows setting up opportunities for individuals to generate creativity. These strategic leaders may organize the company structure, processes, resources, or culture to induce an innovative goal.

Influencers of Ideas

Strategic leaders may use their skills to influence the creation of ideas. Cortez and Herrmann (2021) note that strategic leaders influence idea generation, elaboration, championing, and implementation. Idea generation is the ability to influence the creation of ideas through the presentation of opportunities. In this concept, strategic leaders introduce a topic they think will be advantageous and allow executives to create ideas based on the information that is presented. Idea elaboration is the suggestion of one idea being better suited for a situation than another. For example, if one opportunity will cost more than

another, a strategic leader may subtly push for the cheaper option, especially if the less expensive choice is more logical and provides the same opportunities. Idea championing is pushing for a deeper exploration of certain ideas that are generated. If a strategic leader believes one idea is particularly advantageous, they may push for more research on the topic to promote more interest. They may also encourage other members of the organization to lobby for an idea. Idea implementation is the outcome of all the work put into the idea process. Strategic leaders, at this point, may be active or passive participants in the application of the idea. A strategic leader in a managerial position may actively participate through the allocation of people or resources. A leader in an executive position may passively implement the idea by setting up timelines for project completion and rewards for successful implementation.

Strategic Thinking and Planning

The question for some is which is more important for a strategic leader—strategic thinking or strategic planning? The consensus in a study by Mohammad (2018) is that both are equally important. Strategic thinking is the ability of a leader to foresee problems and advantages to situations and provide solutions even before they are necessary. “Strategic planning is defined as an interactive process between managers, leaders, and followers with the aim of creating common goals” (Mohammad, 2018, p. 324). Put another way, strategic planning is the assembling of people or assets necessary to put the goal into action. To be a strategic leader, it is necessary to be able to contemplate the problems or opportunities the future may hold and be able to put the necessary resources in place to avoid the issues or achieve the goals.

Conclusion

Strategic leaders are more than just those who make decisions. They have the foresight to see future problems and how current trends can help mitigate those obstacles. Using their skills and previous experiences, a strategic leader can decide on how best to implement a plan, while also gathering the best resources or people for action. They understand how best to utilize and inspire those resources to make an organization successful. Strategic leaders truly are the innovators of any organization. Individuals who wish to become strategic leaders must be willing to step out of their comfort zone and learn new concepts to create unique opportunities. Using the contents of this analysis, a journey can begin toward becoming a strategic leader and innovating new ways to inspire others, solve problems, and set up an organization for success.

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Analysis of the Importance of Communication: How Conversation Is the Foundation in Strategic Global Sourcing

Andreanna Trudell
M.S. Acquisition and Contract Management

ABSTRACT

Global strategic sourcing is made up of several different phases. Communication is the most important element of global strategic sourcing; because without proper communication in each phase, global strategic sourcing can be derailed. Thus, communication is the key to a solid foundation for each phase of the sourcing process. The importance of communication within the development of a company's global strategic sourcing, from the development of the mission and vision statement to the implementation of global sourcing, will be explored. An analysis of the importance of developing and maintaining a solid foundation of strong business relationships and ethics through clear communication among companies creates strong global strategic sourcing.

Communication and the Role It Plays in Strategic Global Sourcing

Global sourcing has developed and improved over the years. It has become evident that it involves more than just a simple transaction. Global sourcing is made up of smaller building blocks that together make up the overall strategy. There are strategies that companies use and implement to effectively remain competitive in the modern market. With the evolution of a technologically advanced society, past practices have become less relevant to today's methods; but some have maintained their importance of effectively acquiring the end product or service.

Procurement and contract management rely a good deal on global sourcing, whether it be local or international. In order for companies to be successful in developing relationships with each other, there are a number of factors that play into the successful development of these relationships. Depending on who is asked, some of these factors will be deemed less important than other factors for the successful development of a company's global sourcing. These factors include mission and vision statement, strategic sourcing, ethics in foreign business, supplier research and market analysis, soliciting bids and receiving proposals, supplier evaluation and selection, negotiation, supplier diversity, sustainability, risk, and global sourcing. The common element within these factors is communication. Without effective communication the factors have less impact and will make global sourcing for companies more difficult.

The modern technological world relies heavily on effective communication. Companies need to have clear communication guidelines for what they are looking for from vendors and from other companies, as well. It is easy to communicate through a screen, but the personal touch through face-to-face communication is essential, or businesses will be lost. An analysis of the importance of developing and maintaining a solid foundation of strong business relationships and ethics through clear communication among companies creates strong global strategic sourcing.

Communication

The key and core to any activity is communication. Success can almost be measured by how effectively communication is used in collecting, analyzing, and presenting the information to an audience. Companies may have the best ideas, services, and products, but will fail without communication that is tailored to the global and multicultural market. Communication

underlies the conditions for the establishment of good business relationships and includes history of cooperation, prospect of future interactions, and mutual recognition (see Figure 1). The importance of developing and maintaining a solid foundation of strong business relationships and ethics through clear communication among companies is key to creating a strong global strategic sourcing.

When communication does not occur seamlessly between the company and supplier, relationships and growth between the supplier and company can be affected. Communication becomes more difficult if either side does not make the effort to ask questions and speak up when issues begin to develop. Another factor that contributes to poor discussion is lack of follow-up on topics or questions. By following up within twenty-four hours from the initial communication with the other supplier or company, the sender will have a higher chance of receiving a response (Forbes, 2020).

In communication, interrupting other people while they are talking can send different messages to the people that are present. If this occurs, they will more than likely feel the opposite side does not want to listen, and that what the opposite party has to say is more important than who is talking at the moment. It is best for the person who interrupted to apologize to the speaker for interrupting (Forbes, 2020).

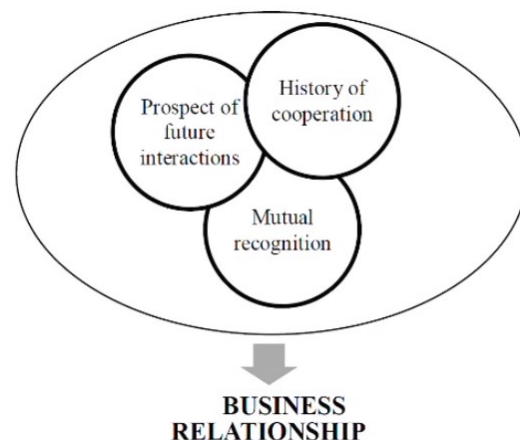


Figure 1—Conditions for the Establishment of a Business Relationship

Mission and Vision Statement

A company's mission and vision statements are important in defining who they are as an entity. These two statements help them define themselves and their goals in competing in the global marketplace. It also helps communicate the company's morals and values. It helps when employees communicate internally within the company to set a common goal that the entire company is looking to achieve. It is beneficial if everyone in the organization knows and understands what the vision and mission statements are in that organization (Sollish & Semanik, 2011).

"It is not surprising to find that very few employees know, much less understand, the mission of their organization" (Sollish & Semanik, 2011, p. 3). When the company's employees understand the company's vision and mission statements, they can feel unity within the organization and, therefore, help connect with the customers. Employees at Hirschbach Motor Lines, for example, describe first hand what it is like to have clear communication within the company and how it translates to communication with the customer. The statements also set the framework for competing in the marketplace and the procurement of products or services from the suppliers. As a result, external communication with these suppliers is improved.

In a short video interview with some of the Hirschbach Motor Line employees (2023), communication helps keep the company together and helps the employees move in the direction the company desires to go. This can include a wide range of factors, such as improved operational statistics and improved service to the customer. In order to achieve this, the company, as a whole, has to join forces. The better a company can communicate and collaborate collectively, the stronger the company will be.

Hirschbach Motor Line's (2023) employees also stated that when everyone in the company knows their role, understands their role, and how their role helps the company, it develops solid communication that helps the company thrive and function. It also helps to create a shared consciousness, since everyone has an understanding of what is happening within the company. This is beneficial for a company when creating a vision and mission statement. If it is a complex company with many moving parts, there are aspects that are always changing; and the more collaboration that happens within the company, the better the company will function.

Hirschbach Motor Line (2023) maintain that employees who share knowledge and communicate more openly help them develop a sense that they are part of a team, that leadership believes in their abilities, and that the company trusts them enough to voice their observations of what is occurring within the company. Companies who effectively develop solid communication enable employees to feel empowered, valued, and heard within the community in their company. This creates strong employees and individuals outside of the company.

Hirschbach (2023) also states that, during collaboration, trust is created within the company when employees know how each individual feels. Consequently, a sense of belonging and commitment is created within the company. Employees who put themselves in the shoes of the person they are talking to enables them to better understand the customer's need. This shows they are able to communicate openly and honestly with whom they are conversing.

Strategic Sourcing

According to Krishan Batra (ISM-INDIA, 2018, 0:02:57), strate-

gic sourcing is "a set of periodic processes that seek to reduce purchased costs by aggregating demand and rationalizing the supply base in selected commodities." This begins with procurement-led analysis which allows the employees to communicate with each other the results the company is wanting to acquire. The employees need to find target commodities and opportunities which results in a preferred-supplier contract. Category management teams then utilize strategic sourcing to obtain goals.

Category management teams use strategic sourcing to administer procurement expenditure to achieve mission value (ISM-INDIA, 2018, 0:06:42). Each category team has their own strategy (ISM-INDIA, 2018, 0:07:08). Category management evaluates not only the full cycle of a contract or supplier life cycle, but also analyzes holistically at the life cycle of the value chains which consume goods and services in the spend categories (ISM-INDIA, 2018, 0:11:25). In the first step, the team needs to discuss and look at their current suppliers to see if there are any problems with meeting current and future supply of goods and services required. In order to be successful, category teams need to converse and look at optimizing their category management (ISM-INDIA, 2018, 0:10:53). Supplier selection and management that meet geographically dispersed units is the responsibility of commodity management teams (Sollish & Semanik, 2011).

Strategic sourcing is a process that is organized, collaborative, and structured (ISM-INDIA, 2018, 0:21:09). It minimizes the costs of goods and services and retains and improves product quality (ISM-INDIA, 2018, 0:23:41). By having a good understanding of the supply market, businesses can easily adjust to changes, rather than react to the changes (ISM-INDIA, 2018, 0:49:17). In order to stay ahead of the rapidly changing market, the employees need to set up meetings to periodically discuss current market conditions. This is the most important step in the strategic sourcing process, since it will provide critical benchmarks to identify areas of supply opportunity (Sollish & Semanik, 2011). Understanding the current market trends can help the company complete their SWOT (strengths, weaknesses, opportunities, and threats) analysis.

The team can use the SWOT analysis to help draw conclusions. By analyzing and identifying internal strengths and weaknesses, the team will figure out where they need to improve to expand their suppliers. The team also uses the SWOT analysis to understand their external opportunities and threats. Once the team has answers for each letter of the SWOT analysis, they can start to research the supply market and the supplier information. Understanding the market trends can help the team develop their sourcing strategy and begin to solicit and review offers from suppliers (ISM-INDIA, 2018, 0:27:13). This also helps companies to standardize their strategic sourcing and build reputable ethics.

Building good ethical business practices is critical for developing strong business relations with foreign countries. Once this foundation is established, companies can build on standardizing their practices and products to network with other businesses, especially in foreign countries. In order to network with foreign countries, the company and its employees must take the time to fully understand the culture of that country and their values. This can be achieved by hosting training sessions throughout the year regarding the proper verbal and non-verbal communication for a particular culture and ethics in international business etiquette.

Ethics in Foreign Business

Ethics is a body of moral principles that is adopted within a culture as a common standard of guidance. In order to suc-

cessfully create connections with other countries, having an understanding of their culture and beliefs aids in making business ties more successful. However, business ethics are not always formal. Prior research will need to be done to learn how business ethics apply to that country and organization (Sollish & Semanik, 2011). Also, understanding body language and the different personalities people have can assist in creating strong business relationships. Some aspects of body language include behavioral clues such as visual, auditory, kinesthetic, and auditory digital which give meaning to the words the person is communicating (see Table 1).

When learning more about the country and business, some concepts in ethics in foreign countries are pursued by religious beliefs and some by tradition and law. It is up to the employees and the company to decide if the local codes and traditions are in line with the company policy and personal views. The company will also need to make sure that the foreign local codes and traditions are in line with governmental requirements (Sollish & Semanik, 2011). Companies have to follow what the government requires, generally the laws in their own country, in foreign business practices. Ethics helps in the decision-making process and in an organization's approach to conducting business (Sollish & Semanik, 2011). It is not wise for a company to sacrifice their ethics in order to obtain a product or service from a foreign country so the company can try to fit in. It is not only important to understand a coun-

try's ethics, but also the possibility of language barriers.

English is the usually accepted global business language, but there will be times when the person you are conversing with will struggle to translate their thoughts. It is good practice to remain patient with the individual while they put their thoughts together and to help them when it is appropriate. Also, having an interpreter from outside both organizations will help with the language barrier and prevent any bias to the contract's rank (Sollish & Semanik, 2011). When people understand the type of person they are working with and their cognitive style, then they know how to effectively work with the supplier. As a result, understanding cognitive style will help you to effectively work with them (see Table 2, p. 12). An example of cognitive style is the "analyst" who seeks to gather data and wants accuracy and attention to detail. The person working with the analyst will need to provide them with a logical plan accompanied by supporting data to capture their interest and continue discussions. Understanding the person's cognitive style of communication is critical to achieving a strong working relationship.

Supplier Research and Market Analysis

"Supplier research is the process of obtaining information for sources specific to the item (product or service) being acquired in order to facilitate competitive practices and supplier selection" (Sollish & Semanik, 2011, p. 71). There

Table 1: Representational Systems and Words to Detect Preferred System

Representational System	The types of words used by people with this system	Aspects of their behavior to help you detect their preferred system
Visual	Draw, Look, Perspective, Pattern, Picture, Recognize, See, Vision, Watch	<ul style="list-style-type: none"> • Appearances are important • Breathes from top of lungs • Difficulty remembering verbal instructions • Draws diagrams • Eyes up • Head and body held erect • Memorizes by seeing pictures • Organized and tidy • Possibly disturbed by noise • Sits forward in chair
Auditory	Hear, Listen, Loud, Noisy, Quiet, Say, Sounds, Words	<ul style="list-style-type: none"> • Breathes from middle of lungs • Distracted by noise • Eyes move sideways • Interested in what you have to say • Learns by listening • Likes to be told how they are doing • Memorizes steps and procedures • Repeats things back easily • Talk to themselves
Kinesthetic	Cold, Feel, Grasp, Hard, Hold, Sense, Texture, Touch, Warm	<ul style="list-style-type: none"> • Breathes from bottom of lungs • Moves and talks slowly • Needs to 'feel right' • Responds to touch • Stands close to people
Auditory Digital	Motivate, Recall, Remember, Think	<ul style="list-style-type: none"> • Exhibits characteristics of other systems • Needs to know 'it makes sense' • Talk to themselves

Source: *Better Business Relationships: Insights from Psychology and Management for Working in a Digital World*, p. 15

Table 2: Cognitive Styles and How to Effectively Work with Them

Cognitive style	What they are like	What you should do to work effectively with them
Synthesist	<ul style="list-style-type: none"> • Curious • Creative • Speculate with 'What if?' Questions 	<ul style="list-style-type: none"> • Listen until they have finished • Show interest in their ideas • Build on their ideas—use 'and'
Idealist	<ul style="list-style-type: none"> • Ambitious goals • High standards • Seek agreement and consensus 	<ul style="list-style-type: none"> • Link your ideas to broad, quality goals for the greater good
Pragmatist	<ul style="list-style-type: none"> • Flexible • Resourceful • Practical • Seek immediate reward/pay-off 	<ul style="list-style-type: none"> • Provide short-term objectives • Focus on quick wins
Analyst	<ul style="list-style-type: none"> • Accuracy and attention to detail • Gather data before making decisions • Methodical 	<ul style="list-style-type: none"> • Provide a logical plan with supporting data • Check that there are absolutely no errors
Realist	<ul style="list-style-type: none"> • Fast moving • Like to do things • Rely on sight, sound, taste, smell, and touch 	<ul style="list-style-type: none"> • Provide a three-paragraph executive summary

Source: *Better Business Relationships: Insights from Psychology and Management for Working in a Digital World*, p. 18

are multiple methods to search for other suppliers. Some of these methods include current suppliers, other market research, the internet, online databases, and trade shows (Sollish & Semanik, 2011). Many successful business relationships are a result of communication and meeting people face to face. Prior research for other purchases can help create a list of potential vendors for future projects and purchases. In government contracting, having a list of set aside vendors and large contract companies, which are pre-approved to do the work, can speed the contracting timeline. Depending on where the supplier is located, domestic suppliers are generally more reliable with communication and delivery, but foreign suppliers are cheaper due to low labor costs (Sollish & Semanik, 2011).

The business relationships will have positive and negative outcomes. Some of the positive effects include cost reduction, access to resources, and risk diversification. Some negative effects could be conflicts, lower flexibility, and loss of uniqueness. If the business relationship is developed correctly, the company will experience more positive results (see Table 3). The next step is market analysis.

“Market analysis is the process of gathering relevant information from economic indicators and emerging trends within the particular industry and the competitive environment of the product or service we are sourcing” (Sollish & Semanik, 2011, p. 71). Depending on the market, the market can advance at a

Table 3: Main Effects of Business Relationships

Positive	Negative
-cost reduction	-possibility of conflicts
-access to resources	-partner's unethical behavior
-use of the partner's distribution and communication channels	-lower flexibility
-risk diversification	-loss of uniqueness
-greater operating potential	

Source: *The Internationalisation Maturity of the Firm: A Business Relationships Perspective*, p. 54

rapid pace, making the market very profitable. However, there are changes that can affect the market, such as economic conditions and technological trends. Changing economic conditions affect the supply and demand of products and services and, as a result, also affect the pricing. During the COVID-19 pandemic, for example, the demand for certain products, such as cleaning supplies and toilet paper, skyrocketed, resulting in increased prices of these goods. Suppliers who are well versed in technological trends and the market they are in will increase their chances of receiving bids and solicitations. Next, there are two main factors to consider when researching vendors, developing bids, and reviewing proposals: operational and relational factors.

Simon Croom (2022a) describes operational factors as consisting of product knowledge, R&D (research and development) resources, CAD-CAM (computer aided design-computer aided manufacturing), “Corner” engineering ability, and quality assurance. These factors can help a company find a supplier who will match the product quality of the current vendors. These tangible factors are the technical core for a business.

Croom (2022a) continues by stating that relational factors are not given the same attention, since they are less tangible. However, relational factors include communication elements. Relational factors include empathy with the customer, familiarity between parties, reputation, team organizational structure, communications networks, interpersonal relations, and key individuals. It is important to pay attention, because being able to connect with the supplier through relational factors will help businesses reach their end goal. The company should look at how suppliers manage their communications. An example is when the company calls. Do they talk to the same person or a different person each time they call? By having a consistent spokesperson, it will create an easier communication system and relationship between the companies, which will develop into a dedicated relationship between the company and suppliers. Although the relational factor should be a key factor, the operational factor will outweigh the relational factor when the supplier and sourcing are new.

Soliciting Bids and Receiving Proposals

The solicitation plan needs to include, if possible, the method that will be used for the solicitation and the type of contract that will be used (Sollish & Semanik, 2011). Some of the ways to solicit to suppliers are Invitation for Bid (IFB), Request for Quotation (RFQ), reverse auction, and competitive negotiations (Sollish & Semanik, 2011). The method to contact potential suppliers can include mail/courier, published posting, web-based portals, email solicitations, telephone, mailing lists, and crowdsourcing (Sollish & Semanik, 2011). Companies need to determine the best solicitation method and communication of the solicitation to vendors in order to receive quality proposals. Once the suppliers receive the bids, they can develop and submit a proposal responding to the company’s requirements to win a contract.

Supplier Evaluation and Selection

Prior to sending out requests for bids, companies need to identify critical criteria, such as speed, cost, innovation, and flexibility, to evaluate and select the best vendors when it comes to the product and service required (Croom, 2022a, 0:01:20). The amount of time the supplier takes to effectively communicate in their proposal how they strategically manufacture quality products, creating a solid foundation for their business and showing solid business ethics, will be noticed. When companies review the proposals, suppliers who effectively communicate increase

their chances of being selected. It should be noted that when differences occur between the company and supplier, negotiation should occur.

Negotiation

When the company and supplier have different objectives, interests, or points of view, this can be resolved through negotiation. Negotiation is a process where an agreement can be reached through discussion, analysis, and bargaining (Sollish & Semanik, 2011). The key point in negotiation is knowing when to negotiate. It is important to address all issues up front, so that both companies will be satisfied. Negotiation does not have a winner and loser. There are times when both companies will win or lose. There is a time and place to be competitive, but having too much competition in the process of negotiation can pose severe limitations in ensuring value (Sollish & Semanik, 2011). Even when differences arise, the company and supplier can negotiate using effective communication skills and come to an agreement on their differences. According to Lou DeRose of DeRose Associates:

We can never develop and apply negotiating skills unless we overcome the negative attitudes we may have about the process. And this begins when we realize the need to negotiate, and the self-interest we have in satisfying that need. I have seen all kinds of money and time expended on “negotiation training.” All too often, these efforts jump immediately to the ‘how-to’ of negotiating, with little or no attention paid to the rationale, the whys, of negotiating. It has been my experience that if this rationale is not provided, those who are ‘trained’ to negotiate will not do so. They may find the training exercises stimulating, even fun. But they will not employ what they have ‘learned.’ Learning means that the learner changes his or her way of doing things, and if one’s attitude towards negotiation remains negative, they’ve truly not learned to negotiate (Sollish & Semanik, 2011, p. 126).

It is important to also keep in mind that methods of negotiation may vary in different countries. The amount of communication that takes place is also closely paired to a culture. “Team-oriented, consensus-driven cultures will rely heavily on communications, whereas individualistic cultures may value very little communication” (Sollish & Semanik, 2011, p. 136). It can also occur nonverbally. The company needs to learn how non-verbal communication operates within the given culture and its subcultures in order to be successful. “Non-verbal clues, which play an important part in effective communication, are absent when communicating over the phone or via emails and amplifies challenges due to language barriers and cultural differences” (Challenges of Global Sourcing, 2020). Taking the time to learn common body language and other signals in a culture can be helpful. Some cultures, such as Western cultures, typically do not enjoy ambiguity and ending a meeting without an agreement. In other cultures, ambiguity and ending a meeting without an agreement in order to decide later is more common (Sollish & Semanik, 2011).

Methods of communication vary among cultures. Some emphasize direct and simple methods of communication; others rely heavily on indirect and complex methods. The latter may use circumlocutions, figurative forms of speech, facial expressions, gestures and other kinds of body language. In a culture that values directness, such as the American or the Israeli, you can expect to receive a clear and definite response to your proposals and questions. In cultures that rely on indirect communication, such as the Japanese, reaction to your proposals

may be gained by interpreting seemingly vague comments, gestures, and other signs. What you will not receive at a first meeting is a definite commitment or rejection (Sollish & Semanik, 2011).

Supplier Diversity

Supplier diversity helps create business relations between different suppliers and companies. It gives businesses an opportunity to meet other people in a different area and possible culture, depending on where they source. It helps the employees in the different companies learn to develop crucial business and communication skills that will help them interact with people in different cultures. Supplier diversity also helps large and small suppliers have a fair opportunity to offer their supplies and services to companies; this is important in contracts and long-term company stability. Two important entities which help small businesses are the U.S. Small Business Administration (SBA) and the National Minority Supplier Development Council (NMSDC). These two groups help small businesses and minority businesses have a chance to work with different suppliers, add diversity, and have an opportunity to compete against larger companies to supply goods and services.

Sustainability

Sustainability requires social responsibility and awareness of environmental concerns. Strong communication skills between and within one's own country will improve sustainability. The federal government, through its laws, regulations, and executive orders, is currently working toward reducing environmental impacts by lowering greenhouse gas emissions, using 100% renewable energy sources, reducing their carbon footprint, and achieving all electric buildings. Commercial businesses are also trying to reduce their impact to the environment. Suppliers who understand the future energy goals of governments and businesses will position themselves to also reduce their environmental impacts and provide products and services to help achieve these goals. On the other hand, suppliers who do not understand the sustainability requirement will not be competitive; instead, they could increase risk to the companies by not providing products and services meeting government mandates and requirements. Companies can leverage their sustainability activities through advertising to generate good will and develop the client base for growth.

Risk

Companies need to reduce risk in their everyday business practices. They need to ensure that they source vendors who are reliable at providing supplies and completing the job contracted. Not only is there a supply risk with contracting vendors, there are other risks, such as financial, scope, schedule, legal, and environmental. Companies cannot eliminate, but can reduce risks through well thought out and implemented business practices which are based on understanding their position in global sourcing.

"Risk management is also a process wherein the program or project team is responsible for identifying, analyzing, planning, tracking, controlling, and communicating effectively the risks (and the steps being taken to handle them) within the team's environment" (Sollish & Semanik, 2011, p. 173). The results of this development is then communicated to management and stakeholders.

Global Sourcing

Global sourcing from other countries mainly has been used to reduce costs. Global sourcing must help create and support supplier diversity and sustainability. Companies need to conduct market analysis to obtain an overview of how to strategically source their vendors based on the current trends of the economy. Gaining statistics from the market analysis helps companies become competitive in the field they are sourcing.

A company may understand the process and each phase to research and select vendors around the world. The process is only effective if the company understands the cultures and knows how to effectively communicate requirements and build business relationships that provide both companies with long-term benefits in the global market. Regularly meeting with suppliers helps improve communication. This gives the supplier and company a chance to offer options to each other and share ideas (Oxford College of Procurement and Supply, n.d.).

Conclusion

As a result of this analysis, maintaining strong communication is important to develop and strengthen business relationships. Based on research, the hypothesis was supported that communication is critical, even in this technologically advanced world. It is a key element in every stage of the global strategic sourcing process. Employees need to communicate and collaborate ideas to help the company grow and become stronger in their strategies. In order to be successful in developing international relationships, companies need to understand the cultures of other countries they are considering developing business relations with and communicate to their employees the necessity to learn about the culture. Distinct verbal and written communication aids in company contracts with the supplier. Clear directions, materials, and funding are crucial to ensure no laws are broken and the company and supplier are in agreement of the procurement activities. Precise communication ensures that there is no hidden agenda and there is agreement between the company and the supplier.

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Innovations in Contracting: Government and Industry

Matthew C. Smith

B.S. Acquisition and Contract Management

ABSTRACT

This research describes multiple innovations used by the government to better streamline contracting duties. Government desires to create new pathways to innovations in the acquisition and procurement cycles. This must be accomplished with cooperation from commercial and industrial partners. With the ever growing national defense requirements, contracting needs to be able to keep up with demands to ensure safety and success for the United States of America. The research for this project reflects the primary innovations over the last ten years. The research is backed by credible resources and includes examples.

Introduction

This is a research project discussing the innovations in federal contracting to better improve the outcome of acquisition and procurement processes for federal government programs. Many of the processes used in the past are obsolete and have severe consequences if not improved. Teams are in place to improve these processes. This research looks into the ways these changes are being implemented and the benefits of them.

Background of Research Topic

The federal government is the largest buyer of goods and services in the world. The federal government is composed of many separate agencies. The Department of Defense (DoD) is the largest purchaser of all government entities. Most of the department's acquisitions are subject to the Federal Acquisition Regulations (FAR). The purpose of this research is not to describe how the FAR is used to monitor government acquisitions and contracts, but is about the innovations made in recent years to improve this process and stay within the boundaries of the FAR. The FAR and other regulatory measurements are revised occasionally by the Administrator of General Services, Administrator of National Aeronautics and Space, and the Secretary of Defense, acting on behalf of the Federal Acquisition Regulatory Council. The FAR can also be revised, in certain situations, by the Administrator of the Office of Federal Procurement Policy (OFPP). Innovative and best value approaches are being considered more than ever in the federal contracting environment. The federal procurement workforce has awarded contracts based on cost and acquisition schedules for many years. This does not allow for innovative measures to be used for a better product (Stacks, 2017). In order to influence market driven innovations and reduce costs, policies have changed. During the Obama era, innovation advocates were appointed to test new ideas and solutions to improve contracting practices for the federal government. All of the 24 major CFO agencies participated in councils to increase collaboration across all government agencies to better improve these initiatives (Stacks, 2017). This was a major move to bring innovation measures into federal contracting in phases without redoing practices that were in place for years. The move is intended to grasp what has been and is working, while allowing new ideas and processes to provide new avenues into the federal government's procurement and acquisition programs. This is obligatory for the DoD to maintain a strong front to defend America from foreign enemies.

Researcher's Benefits and Role

The researcher for this project currently works in a field dealing with government contracts and other forms of contracts in the construction field. This research will be beneficial to learn the techniques and innovations from the largest buyer of goods and services in the world. This research was done with the use of many online resources and accredited journals comparing information about the topic.

Topic Research

For accuracy, the research for this topic is acquired from information obtained from accredited sources. The topic of innovations in contracting is a constantly evolving subject. This research is up to the current date without any speculation on future endeavors by the federal government.

As discussed in the introduction, innovations in federal procurement workforce procedures are in motion. The Obama administration began many of the changes in federal acquisition and procurement procedures. It has slowly gained momentum and, with the help of talented personnel and artificial intelligence, is showing improvement from the obsolete practices in the past. Innovation is what drives change and is a process requiring the culture to change along with it. With the high demand for talented contracting officers and project managers to help implement these practices, the federal government is short handed and in need of good leaders for this process to be better achievable (Stacks, 2017).

Innovation Labs

Innovation labs became mandatory in 2016 for all federal agencies (Stacks, 2017). This is a serious push by the White House guidance. The innovation labs performed research based on failures and underperformances from previous contracts. Agencies must be eager to embrace a culture that incessantly encourages new ideas and provides better methods to contemporary practices. The intents are for the labs to prepare and empower agency employees to implement concepts and create a culture of innovation that influences proven government and private sector practices. Federal acquisition and procurement have processes in place by every agency at every stage to monitor and suggest changes needed to produce better outcomes. These processes are created to aid both customers and industry partners. New acquisition procedures are

Barriers to Innovation

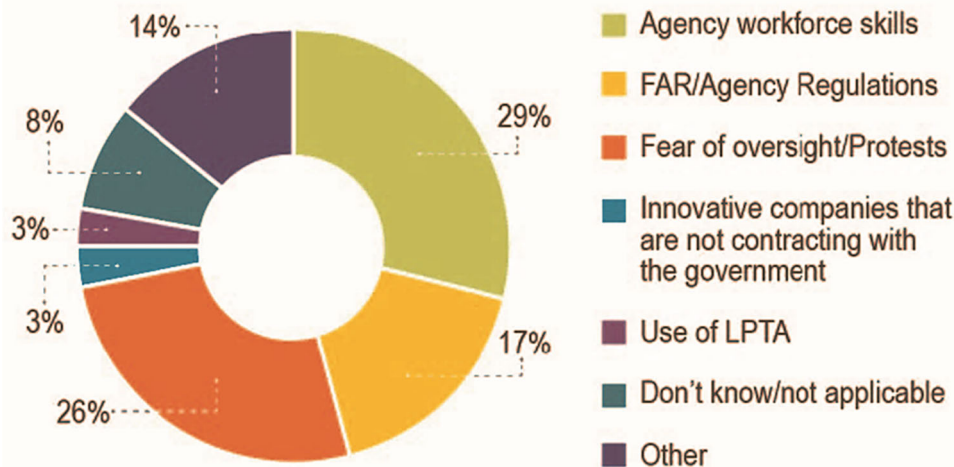


Figure 1—Barriers to Innovation

gained by rewarding participants who look for innovative methods and propose them to leaders with the intent of improving the process for everyone.

Continuous Growth

Continuous growth is the key to outpacing the competitors. The Deputy Administrator for Federal Procurement Policy, Lesley A. Field, discusses how the training and development of contracting professionals is vital to success (Executive Office of The President, Office of Management and Budget, 2023). The Federal Acquisition Certification in Contracting (FAC-C) develops contracting officers into a highly trained workforce capable of developing new innovative techniques in the world of federal contracting. The best way to develop a culture adaptable to change is to set the tone up front. This allows the incoming contracting officers and project managers to expect and promote internal innovations. The DoD has provided a detailed Contracting Competency Model of what a FAC-C professional will follow (Department of Defense, 2020). Following through multiple techniques being implemented to develop stronger, more efficient acquisition and procurement processes, the question of “what is the goal” arises. The goal of introducing better procedures, training, and innovations is to pay contractors for results, not just superlative efforts. The DoD is the backbone of ensuring safety for everyone in America. The importance of remaining ahead of the enemy is imperative. Another research center working on innovative methods for federal and industrial contracting methods is the Acquisition Innovation Research Center (AIRC) (Kannan et al., 2022). This is a highly admired group aiding in successful contracting methods for DoD and other federal agencies, and is another source for innovative ideas to develop the federal contracting system.

As the research indicates, procurement innovation is a multi-step process. Building on the aforementioned initiatives is what determines the innovations for the federal government’s and industry partners’ futures in contracting. In order to create a more permanent and robust system, change is necessary. This change is required from all agencies. Development is not meant to be easy or done overnight. It is a constant process that has to be accepted by all involved parties in order to be successful. The stubbornness of not

accepting change in the workplace will not produce results needed to grow successfully. The federal procurement system is one of the agencies heavily involved in the success of growing the culture to evolve with the constantly changing federal environment. Learning to be agile and adaptive to the changes is imperative. They are on the front lines of introducing new techniques and applications to develop top notch processes for procuring needed items and services for the federal government agencies. One of the innovative procedures used is to test the innovative approaches before fully implementing them. This allows the kinks to be ironed out before it is a full-blown process change or modification.

During the research of this topic, the term “collaborates” kept coming up throughout every innovation process studied. Collaboration assists with cumulative growth across all branches of the government at a macro level. At a micro level, collaboration helps the acquisition teams and industry associates to allow the government to plan and source more effectively. The cross-agency initiatives allow evolving technology to revolutionize procurement processes and systems. These initiatives must be funded in order to make it possible to come to fruition. With the revolution of these initiatives, the socioeconomic objectives of the federal government’s procurement system will thrive.

Artificial Intelligence

The last researched contracting innovation found during this study is artificial intelligence (AI). This is computer-aided software used to speed up contracting processes and eliminate some human errors. The DoD’s Chief Digital and AI office is prototyping an AI-powered contract writing capability called “ACQBOT” as part of its Tradewind Initiative (Heckman, 2023). Tradewind was established by the DoD to advance and fund resolutions to the challenges of using AI technology for contracting purposes. The AI technology is still far from ready to be utilized completely, but it is assisting in filling out the monotonous paperwork used for contracting. This is the innovation that will change the future by eliminating daunting tasks that can easily be done without the waste of human energy. This will allow people to spend more time refining the processes and creating the necessary relationships to push contracting processes to the next level.

AI is not a replacement for people, but is intended to be used as a supplement for learnable processes (Heckman, 2023).

List of Definitions

1. Federal Acquisition Regulation (FAR) - The principal set of rules regarding government procurement in the United States, and is codified at Chapter 1 of Title 48 of the Code of Federal Regulations, 48 CFR 1. It covers many of the contracts issued by the U.S. military and NASA, as well as U.S. civilian agencies.
2. Department of Defense (DoD) - Responsible for providing the military forces needed to deter war and protect the security of our country. The major elements of these forces are the Army, Navy, Marine Corps, and Air Force.
3. Innovation - A new idea, method, or device; the introduction of something new.
4. Collaboration - To work jointly with others or together, especially in an intellectual endeavor.
5. Procurement - The act or process of procuring.
6. Acquisition - The act of acquiring something; something or someone acquired or gained.
7. Artificial Intelligence - A branch of computer science dealing with the simulation of intelligent behavior in computers.

Research Results

The research for this study brought many innovations to light, and a wide array of items were discussed in the topic research. Some of it may sound slightly repetitive, but it contains some of the most published items in the world of contracting innovations. This research not only provided data for the innovations being promoted or implemented, but it gives confidence that the federal government is moving. If one reads deeper into any innovation initiative, the common denominator for success is motion. Ideas and new practices cannot be created or fixed without being in motion. Being stale does not produce much.

The results are based on the success stories from the procedures examined. The first part of the topic, as shown in Figure 1, talks about barriers to innovation (DoD, n.d.). These are the items holding back innovation in federal contracting agencies. The number one barrier is agency workforce skills. This is caused by a lack of knowledge regarding the evolving world of federal contracting. From the reasons found, this points more toward industry changes in the workforce all together. Due to rapid changes and talented people retiring or leaving the workforce, the new workforce is required to receive training more quickly (Stacks, 2017). The transition is not as smooth as it should be. The training programs and labs put in place are working to correct these issues and get the incoming contracting officers and project managers up to speed and create the innovative accepting culture needed to succeed. The labs are allowing subject matter experts to study the processes and industries and develop ways to better streamline the existing processes. The training from internal and external sources are preparing the incoming workforce on how to operate in the evolving world of contracting (Hall, 2021). FAC-C does a tremendous job preparing contract officers and project managers on how better to lead and reduce costly, inefficient mistakes. The innovations created by proper training and preparation for the tasks can greatly influence successful contracts. For existing contracting officers and project managers, accepting change is the biggest step. It is difficult to change someone's methods of operation if they have been doing a certain task for a long time. This may require a change process consultation to introduce the new methods for performing tasks.

Allowing growth to happen is a vital part of innovation. The ideas and changes that are redeveloping acquisition and procurement processes are a sign of growth. This growth is allowing the United States to keep up with or outpace the competition (Price Act, 2021). The budgets are always changing, not always for the good. Once a budget is established and projects defined, the purpose of the contracting officers is to "get the most bang for their buck." This requires being thorough and collecting all necessary data to make some difficult decisions. Figure 2 illustrates the building blocks of international pro-

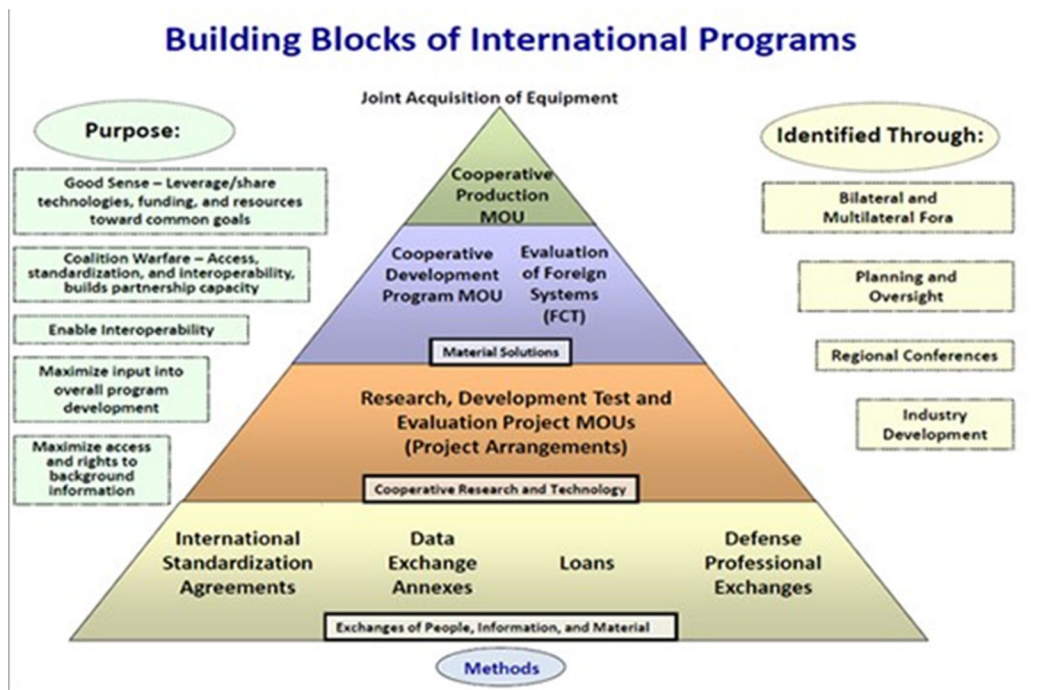


Figure 2—Building Blocks of International Programs

grams for the government (DoD, n.d.). The pyramid helps show the level of importance for each stage of the process. All of the results, so far, are what is referred to as workforce development. Although this does not readily resemble innovation, it is. Innovation is not just technology driven; it is also thought driven. The thought process is done by the employees; so, in reality, the first step to innovation comes with the people who accept and implement the ideas (Hall, 2021).

The second part of the research topic points us to the software and technical side of procurement. Once people start to accept and understand the end result of what is trying to be accomplished, the project can move forward. Now with the help of technology, products and processes are being reworked to do more and better functions.

Conclusion

Contracting is involved in every industry and government function. Services and supplies will always be needed to complete projects to adhere to America's and the world's growth. The United States is constantly in an arms and technology race with other countries. Being able to produce products at a high level is the only way to stay ahead or, at the very least, not fall behind. The innovations in contracting are a small part of what keeps that process in motion. Many contractors and suppliers are involved in this cycle. The purpose of the contract is not just meant to define what is needed, but also how and when it is needed. Intelligence is necessary to monitor the quantity and quality of this procedure.

The knowledge gained from this research should prompt a closer examination of contract documents and the processes related to forming contractual agreements. Due to potentially outdated methods, are some contracts missing important details that could possibly make the company more competitive in the market? This research highlights the importance of this type of question and provides useful tips for refining the acquisition and procurement processes.

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Managing Contracts

Canon Clark

B.S. Acquisition and Contract Management

ABSTRACT

Federal government contracting provides a way for organizations to partner with the United States Government (USG) and purchase property or services for its benefit. This is an especially common and profitable career path in Huntsville, Alabama. An endless number of opportunities are available for all companies, especially for small business set asides; especially, since the USG has annual small business contracting goals they are required to meet. There are many intricate steps involved in the process of managing contracts, which is why it is imperative to have detail-oriented professionals administering them. The solicitation phase is an important area for all potential offerors to be heavily involved in, as this is the starting point for the opportunity to win contract awards. Organizations must look out for solicitations to “drop” and already have a plan in place to begin preparing a successful bid. The process of managing contracts is very important to follow from contract award through contract closeout and is explained thoroughly through the research provided. It is crucial to build and maintain healthy relationships with competitors and USG personnel in order to win more valuable work and continue supporting the government.

Introduction

Federal government contracting is a very lucrative area of legal business and is beneficial for many individuals and entities. There is an endless number of opportunities that allow one to become successful, which is why it is such a common career path. The day-to-day job duties involved with managing contracts are very intricate, from the solicitation process, to contract award, through contract closeout. It is vital for the United States Government and federal contracting industries to maintain a healthy relationship, as this increases their chances of winning more work with the customer. Specific

knowledge and expertise are required for individuals to successfully manage contracts. With each effort awarded, the same contract lifecycle is implemented and conducted, and it is fundamental for industry to understand the significance of each step in the process (see Figure 1).

Request for Information (RFI) / Request for Quotation (RFQ)

Requests for Information (RFI) and Requests for Quotation (RFQ) are the beginning steps of the managing contracts' lifecycle when the government needs to receive more infor-



Figure 1—Contract Lifecycle Management

mation from the contractors. Typically, the government does an RFI/RFQ as part of their market research when determining their acquisition strategy. An RFI is the professional structure of giving information about a contractor's capabilities and services. This allows the contractors to present themselves to the government with what they can offer and why they are the best contractor to choose for the award. An RFQ is the professional structure of giving information about the procurement options in a contract. The contractor sends the government their pricing, as specific and detailed as possible, to precisely present what they offer. An RFI and RFQ request very different information. The government needs to know what request to give to the contractors so that they receive the information they need. Information from both the RFI and RFQ is essential for the government to help choose what contractor to award the contract. When the government sends out an RFI, they are looking for the contractor that provides vendors and suppliers who are most qualified to accomplish the contract. RFI and RFQ are at the beginning of the lifecycle because they allow the government to receive information that can help shape a Request for Proposal (RFP). This resource advises, "These responses inform the agency to resolve any gaps in their requirements, approach to the procurement before moving on to the Request for Proposal (RFP)" ("Six Ways RFI Responses Help You Succeed in Government Contracting," 2022). This explains that the RFI and RFQ help the government research the capabilities and pricing range that contractors could offer. Although it is not a requirement for the government to request an RFI or RFQ from contractors, it is the most effective way for the government to gain the necessary knowledge to understand what obligations need to be implemented in the contract.

Request for Proposal (RFP)

The government will announce a Request for Proposal (RFP) to contractors when they decide to further the opportunity of awarding a contract. An RFP is documentation that declares the requirements and needs the government will use while performing the contract. The RFP allows the government to communicate with contractors what their needs are and back up their decisions of awarding the contract with reasonings from the RFP. This eliminates the contract being awarded to a contractor just because of their relationship with the government or based on any other assumption. The government communicates the requirements and needs through Section L and Section M in the RFP document. The information the government gives in Section L lets the contractors know how the government wants their proposal to appear and how it should be organized. The information the government gives in Section M affirms the criteria to be evaluated and on what factors their decision will be based. Contractors will use this information to promote their best offering to the government that could potentially win the contract. The government, on the other hand, will use the information from the RFP to evaluate each contractor that solicits a bid. The magnitude of the solicitation requirements usually determines the RFP timeline. For example, a \$2 million dollar firm-fixed price re-compete opportunity will likely have a faster turnaround than a \$300 million dollar cost plus opportunity. Most proposals of greater length and complexity will require more cost and technical solutioning details. It is imperative that the incumbent contractor, if applicable, and new competitors pay close attention to all RFP requirements to ensure they are submitting a technically acceptable proposal. Typically, a quick turnaround proposal provides great benefits to an incumbent contractor, as this makes it more difficult for competitors to write an outstanding proposal that has the potential to de-

feat the incumbent who already has past experience with the technical work and current relationships with government personnel.

Contractor Bidding

After the submission due date has passed and all proposals have been offered, the government begins evaluating all proposals. This is part of a competitive contractor bidding process. This contract bidding process encourages competition because of the establishment in 1984 of the Competition in Contracting Act (CICA). The CICA allows for a "full and open competition in the awarding of government contracts" so that all contractors have an opportunity at winning the award and also for the government to receive lower costs through competitive pricing (Kenton, 2022). FAR Part 15, Contracting by Negotiation, provides information for how contracts are supposed to be competed. It discusses the source selection processes and techniques.

There are multiple ways a contract can be bid on, such as best value continuum, tradeoff process, and lowest price technically acceptable (LPTA). Best value continuum is a technique used by the government that measures the overall best value provided by a contractor. Depending on the requirement, the contractor should be able to determine which factor is most important. They must provide the best price with the best solution. Solution is extremely important, as that is the sole purpose for awarding a contract. A contractor with a significantly lower price does not mean they should be chosen, if they do not provide the best value solution. The government is willing to pay more for a contractor with more expertise and a better solution than a contractor with a cheaper solution that may involve performance issues.

The trade-off process is a technique used by the government that allows them to make the decision that one proposal may be worth trading for another under a non-price factor that provides a solution that is worth a larger cost. This is similar to the best value technique whereas it is in the government's best interest to choose a contractor with a better solution for a larger cost. The LPTA technique is an appropriate source selection method when the government solely chooses the technically acceptable awardee based on the lowest price. It is crucial for contractors to price their bid in a way that is still profitable, yet provides the lowest price for the government. This method requires a large amount of strategic effort. It can be one of the most difficult proposals to bid on, as organizations do not know at what price their competitors are bidding. This takes a lot of skill; often times, an external consultant with substantial knowledge is hired to assist in proposal pricing. The government uses this technique when contract performance risk is minimal, requirements are clear, and the lowest price is the most important factor. Contractor bidding techniques produce fair competition from the government to receive lower prices and higher performance solutions.

There are three key areas the government focuses on when evaluating proposals for award: cost or price, past performance, and technical. The evaluation of cost is where the government analyzes all of the individual elements that make up a single price. A price analysis is where the government solely looks at an individual dollar amount, or price, needed to complete an effort. Past performance evaluation is critical to ensure all contractors have the substantial knowledge and previous experience needed to complete the effort. It enables government agencies to analyze which competitor has provided the highest quality work at

the best value and maintained exceptional customer satisfaction throughout. Lastly, the technical evaluation of proposals is one of the most important elements of analysis because it proves the offeror has the ideal capabilities required to perform the work. All offerors must write to the RFP showing they can provide the goods or services at the best value cost or price, provide substantial past performance, and understand the technical work being performed.

Contract Award

Before the government announces what contractor the effort is awarded to, they first post pre-award notifications to unsuccessful offerors. This is a requirement that provides all bidders with an opportunity to review why they were not chosen, whether they were not technically acceptable or if they were not providing the best value solution. Once the contract is awarded, the contractor has an opportunity to protest the award if they believe their unsuccessful offer should have been a successful offer. FAR Part 33 discusses all terms and conditions relating to protests, disputes, and appeals. Protests provide a contractor the opportunity to challenge a contract award and ensure it is being awarded fairly and reasonably. Though it can be a huge disadvantage to the awardee, this lengthy action happens relatively often. It can be an advantage to a competitor if the protest is sustained, because it could result in a new award; and it can be a disadvantage to the original awardee if the protest is denied, because it likely took months away from the contract start date, as this process can take many months. It is mandatory for the government to post non-award reasoning to unsuccessful offerors, so they have the opportunity to review and protest if they choose. It is vital for industry to pay close attention to SAM.gov. This is a public website where all contractors must go to check for notifications and updates regarding solicitations. Contact data and reports from fpds.gov have been migrated into SAM.gov allowing one to access DataBank and pull applicable contract reports (SAM.Gov, n.d.). The contract award announcement is posted to the SAM.gov awardee by the Procuring Contracting Officer (PCO). The PCO is constitutionally authorized to buy goods and services for the government. This individual is essentially responsible for spending citizens' tax dollars. Specifically, they are responsible for awarding, administering, modifying, and/or terminating a contract. FAR Part 1.6 provides greater detail on the many responsibilities of a PCO. Once the executed contract has been delivered to the offeror, a post-award debriefing is scheduled. After the debriefing has been held, the protest clock starts; and all unsuccessful offerors are able to protest the award if they find evidence of it being awarded unfairly.

Contract Interpretation

Upon contract award, government and industry must take time to interpret the contract. The sole purpose of contract interpretation is to "find a single interpretation that accurately reflects the intent of all parties who signed the contract" (Mlinarchik, 2019). The reference for performance is the full text and language of the contract. All parts of the contract are 100% legally binding, which is why it is so important to understand all language. There is no area of a contract that should be looked over as unimportant or not be reviewed by a contracts professional. Government rules and regulations, such as the Federal Acquisition Regulations (FAR) or Defense Federal Acquisition Regulations System (DFARS), simply provide industry direction. These regulations do not alter any words of the contract. It is very critical for the PCO and other team members writing the RFP to not

be vague in writing and remember to include specifics in the contract leaving little room for misunderstanding. If industry has questions when interpreting certain areas of the contract, they should reach out to the appropriate POC, usually the PCO or Contracting Officer Representative (COR) and ask for clarification. When interpreting the contract, it is vital to review the definitions section, because words derive meaning from the context which varies from contract to contract. The COR is responsible for researching and understanding all FAR clauses, the Statement of Work (SOW) or Performance Work Statement (PWS), all specifications, invoicing and payment provisions, and inspection and acceptance terms and conditions. FAR clauses must be understood by both the COR and industry contracts professionals because they typically hold administrative requirements that must be met by contractors. If all contractual obligations are not met as they are required, the government has the power to terminate the contract for default. According to FAR 49.402-2(a), "Under a termination for default, the government is not liable for the contractor's costs on undelivered work and is entitled to the repayment of advance and progress payments, if any, applicable to that work" (Acquisition.gov, n.d.-c). This can be an extremely costly punishment that can result in the contractor being unable to win future work. On future opportunities, the government will have many concerns and red flags when they notice one of their offerors has previously been terminated for default. The SOW and PWS contain the contract's technical scope of work and define all management features of the project. This is one of the most-referenced documents throughout the life of the contract, as it advises exactly how the project is to be completed throughout the period of performance (POP). The invoicing and payment provisions section of the contract is important to review, as the information must be passed to the finance department to populate information into their cost accounting system. This must be accomplished as soon as possible, so the contractor is able to make payments to the government and create invoices to bill the government. Lastly, the inspection and acceptance duties are the heart and soul of the COR's job. All other functions performed by the COR lead up to the monitoring, inspection, and acceptance duties, which are the most important duties they perform. The COR's responsibilities culminate in the final acceptance or rejection of the contractor's work.

Contract Management and Obligations

The PCO is responsible for monitoring the technical performance of the contract. Their primary duties are based around managing all aspects of the contract, such as providing administrative, technical, or funding modifications. The PCO can delegate specific tasks to the COR or Contract Specialist; however, they are not allowed to make any binding commitments or changes to the contract. There are many different types of modifications a PCO must generate throughout the life of the contract. An administrative change may be as simple as changing a point of contact's address or appointing a new individual to take the position of a former individual. Oftentimes, a memorandum is created and sent to the contractor for notification of the change along with a modification to the contract. Technical modifications are anything that changes the technical requirements of the contract; frequently, with incremental funding, they must modify the entire contract, so it is in writing and legally binding. Depending on the length of the contract and the type of contract, the government will provide incremental funding to contractors. Incremental funding is generally provided when a contract has multiple option years following the base POP. The government typically has dollars obligated to the specific

contract; however, they may not have the dollars on hand yet to provide to the contractor. Contractors awaiting incremental funding modifications may result in them and any active sub-contractors working at risk. This can happen quite often; however, the risk is mitigated quickly, as the government does not tend to leave contractors working at risk for a long amount of time. The process is usually rushed on their side in order to provide dollars to the contractor in a speedy manner.

The PCO is also responsible for managing contract terminations. There are two main types of contract terminations: Termination for Convenience (T4C) and Termination for Default (T4D). A T4C occurs when the government, at their discretion, terminates the contract at any time by giving the contractor a notice of its intentions to terminate the contract, whether or not the contractor is in default of its obligations of the contract. A T4D occurs when the contractor fails to perform its contractual obligations. Another important aspect of a PCO's managing duties is reviewing incurred cost proposals. If a contract includes FAR 52.216-7, Allowable Cost and Payment, they are required to report and submit, annually, a reconciliation of actual costs incurred. If not submitted promptly, the ICS "can be subject to a unilateral decision by the Contracting Officer (CO) to apply a decrement factor which will reduce reimbursement of incurred costs" ("Government Contract Rules on Incurred Cost Proposal," n.d.). It is imperative that the PCO is heavily involved in the day-to-day duties of managing contracts as all contractual decisions are their responsibility to supervise and administer.

Contract Closeout

The final step to managing contracts is administering contract closeout. A contract closeout occurs when "a contract has met all the terms of a contract and all administrative actions have been completed, all disputes settled, and final payment has been made. This includes those administrative actions that are contractually required; i.e. property, security, patents, and royalties" ("Contract Closeout," n.d.). FAR 4.804 discusses all required duties relating to contract closeout, from government responsibilities to industry responsibilities. The contract type affects the length of closeout. Firm-fixed-price contracts must be closed out within six months of the PCO's receipt of evidence of physical completion. Cost-plus-

fixed-fee contracts, or any type of contract requiring settlement of indirect cost rates, must be closed out within 36 months of the PCO's receipt of evidence of physical completion. All other contract types, such as time and material contracts, must be closed within 20 months of the PCO's receipt of evidence of physical completion (Acquisition.gov, n.d.-a). Working for the federal government has great advantages; however, when it comes to contract closeout, the final payment can be very arduous and can take months for a contractor to receive. So staying ahead in managing the contract, and staying on top of the administrative burden, is key. The administrative burden placed on professionals comes from the lengthy and complex administrative actions such as settling indirect cost rates, completing contract audits, de-obligating excess funds, completing the final patent report, ensuring all subcontracts have been settled, and ensuring classified materials have been disposed of correctly. It is vital for a contractor to notify the government of any excess funds remaining on the contract, so they are able to de-obligate these funds and place them elsewhere. If a contractor fails to notify the government of excess funds, this can result in the funding organization losing the opportunity to move these dollars to another effort. FAR 42.708 provides the procedure for quick closeout. Quick closeout is an option that can only be done on two conditions—if the contract is physically complete and the amount of unsettled direct costs and indirect costs do not exceed the lesser of \$1,000,000 or ten percent of the total contract amount (Acquisition.gov, n.d.-b). Quick closeout is a beneficial alternative to traditional contract closeout, as it allows the government to settle its financial records in a timely manner. Contract closeout is the final step to managing a contract, as it certifies all work has been completed and final payment has been made. Once closeout paperwork has been fully executed and filed, it releases the government to make any other claims against the contractor and releases the contractor to make any other claims against the government.

Conclusion

In closing, federal government contracting is a very profitable area of legal business; therefore, it is important to understand how to manage the work effectively. There are many details involved in managing contracts, from pre-contract award, introducing the solicitation to competition, leading up to contract award (see Figure 2). The PCO has a great influ-

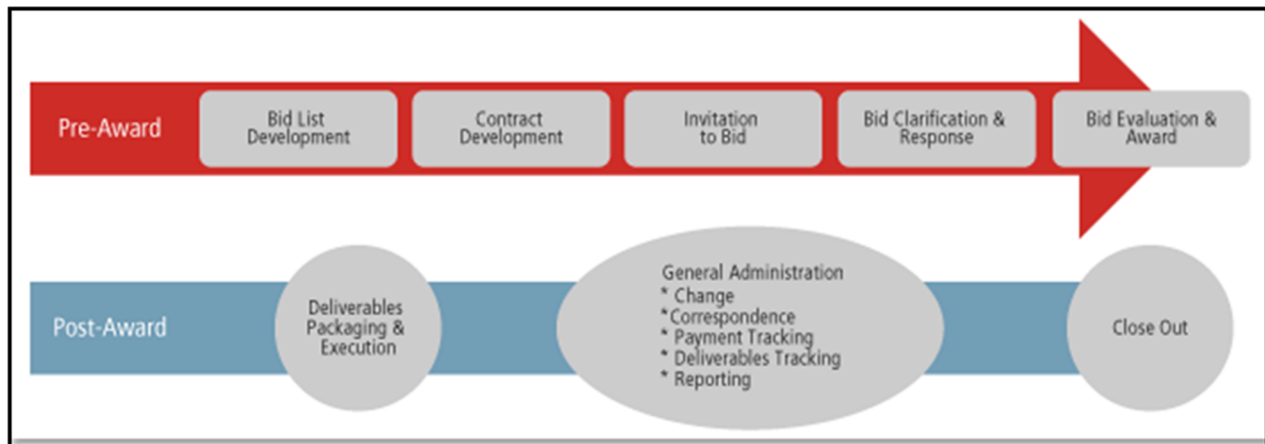


Figure 2—Diagram of Pre-and Post-Award Contract Steps

ence on the work of the contract, as they are the one who is making all of the decisions. The COR and Contract Specialist assist the PCO with the day-to-day duties involved with managing contracts. With each effort awarded, the same steps in the contract lifecycle are followed and it is critical for all team members to comprehend the importance of each step and understand how to execute the work efficiently. It is vital for contractors to maintain a healthy relationship with government personnel, as this increases their likelihood of winning more work. Working in a contract capacity allows individuals to gain favorable experience and provides a foot in the door for greater opportunities. Excellent rewards, such as a stable work environment, job security, and substantial income, are given to those who are able to successfully administer and manage federal government contracts.

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Leadership Competencies in Contract Management: Essential Skills for an Effective Contract Manager

Tamara L. Slade

M.S. Acquisition and Contract Management

ABSTRACT

Contract managers and contracting professionals must exhibit leadership in all situations and be competent in contract management. Organizations rely on contract managers to be proficient in their profession by accomplishing their mission, vision, and goals. Influential leaders with leadership competencies can successfully build trust in team relationships and create a healthy work environment that contributes to an organization's growth. Contract managers must have leadership competence to meet organizational and team objectives. Some key leadership competencies include communication, integrity, teamwork, conflict management, and problem-solving. An effective contract manager strives for continual growth through leadership and professional development. With organizational support, contract managers must maintain essential skills through technical degrees, certification, experience, and continuing education opportunities.

Introduction

Each organization in the government, public, and private sectors require certain levels of leadership. Whether formal or informal, leadership positions require effective leadership competencies. Contract managers must possess leadership competence in contract management to perform their duties successfully (NCMA, 2023). According to NCMA (2023), "leadership competence integrates and fortifies all the contract management competencies, and increases the depth, breadth, and impact of contract management" (p. 34). Those in leadership positions must consistently demonstrate leadership competencies and skill proficiencies. Contract management leaders must exhibit leadership traits, especially in resolving business problems related to contract management for competent contract performance (NCMA, 2023).

1.1 Leadership

What is leadership? Organizations define "leader" and "leadership" in many ways. According to Barney and Pratt (2023), "leadership is the ability of an individual or group of people to influence and guide followers or members of an organization, society or team" (para 1). When describing a leader, General Norman Schwarzkopf is quoted as saying, "To be an effective leader, you have to have a manipulative streak—you have to figure out the people working for you and give each tasks that will take advantage of his strength" (Schwarzkopf, n.d.). The two previous examples

provide a basis for views on leadership. Contract management leadership involves a formal or informal approach. In leadership competency, successful contract management demands the following three elements:

- 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 (NCMA, 2023, p. 33).

These three elements shape the framework of a contract manager's behavior and performance in leadership competency (see Appendix A, p. 33).

When motivated, employees contribute to organizational success by accomplishing the organization's vision, mission, and goals (NCMA, 2023). Contract managers play a critical role in an organization by directing and managing contracts throughout the contract life cycle (Concord, 2023). Contract managers liaise between stakeholders, employees, customers, vendors, and independent contractors (Concord, 2023). In Figure 1, The *Contract Management Body of Knowledge (CMBOK®)* Com-

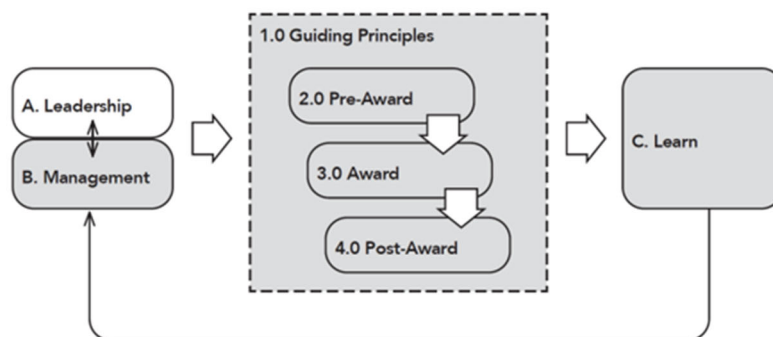


Figure 1—The CMBOK® Competency System

petency System, leadership and management are blended to illustrate the technical application of contract management (NCMA, 2023). Leadership competency allows contract managers to grow and become more proficient contract management leaders (NCMA, 2023).

1.1.1 Leadership Development

Leadership development is a critical component of any organization. According to Lawson (2008), “leadership development is a strategic investment in a structured process that provides individuals with the opportunities, training, and experiences to become effective leaders in their organizations” (p. 10). Leadership development can be viewed as an integrated approach in which employees aid in the success of their organization by knowledge and skill development (Lawson, 2008). Focusing on leadership development allows leaders to develop the skills needed to perform their leadership position (Sindell & Sindell, 2022). In contract management, an organization’s level of success depends on how actively they are involved in the member’s professional and leadership development (NCMA, 2023). Blending professional development and leadership development contributes to achieving individual competence and organizational capability (NCMA, 2023).

All organizations strive to have the best and most proficient leaders on their teams. Regardless of rank, title, position, or job grade, leadership applies to everyone in the organization, whether formally or informally (Lawson, 2008). To be successful, organizations must manage some critical success factors in the following examples:

- Maintain financial performance about peer or industry norms
- Develop and maintain high-quality service programs and systems
- Provide profitable, quality services to meet the needs of the customer
- Establish measurable and attainable growth goals and targets
- Ensure compliance with regulatory and legal issues
- Strengthen and promote corporate image in the community (Lawson, 2008, p. 12)

Compared to Lawson’s critical success factors, organizational leaders profoundly affect contract management by improving policies and procedures and inspiring effective contract management to align the organizations’ objectives (NCMA, 2023). Contract managers are expected to be technically competent, achievable through organizational leadership development.

1.1.2 Being a Leader

As discussed previously, leadership can be defined in several ways and often depends on the situation. A leader is a person that leads a group or organizations to accomplish objectives and goals. The follower is in a supporting role to the leader in which tasks and responsibilities are delegated (Hossain, 2022). Consequently, the leader-follower relationship is crucial for efficient teams and positive organizational culture. NCMA (2023) outlines two scenarios regarding leadership. In the first scenario, “leader to the follower,” the definition of leadership pertains to the leader’s ability to influence people to achieve organizational goals (NCMA, 2023). NCMA (2023) specifies that the basis of leadership competency is the “cumulative effect of competence, character, collaboration, emotional intelligence, and vision” (p. 35).

In the second scenario, “follower to the leader,” leadership is viewed as a gift that a follower bestows on a person, which

correlates to the *CMBOK*’s five leadership competencies:

- Advocates for our *competence*,
- Validates our *character*,
- Encourages *collaboration*,
- Applies *emotional intelligence* and
- Inspires *vision* (NCMA, 2023, p. 35).

NCMA (2023) uses the analogy that leadership is a gift that “must be earned and continuously re-earned by the leader” (p. 35). In a speech to the United States Air Force Academy cadets, General Mark Welsh explained, “Leadership is a gift. It is given by those who follow. You have to be worthy of it” (USAFA, 2011). A key takeaway from General Welsh’s message was the importance of getting to know the people you lead; without them, you cannot be a leader (USAFA, 2011). Contract management demands that leaders understand their responsibilities and their impact on team and organizational success. This gift of leadership grants contract leaders the ability to develop leaders and integrate the five competencies successfully in contract management (NCMA, 2023).

1.2 Competence

Competence means the ability to do well at something and be effective in performing tasks or a job (see Appendices C and D, pp. 35-36). In contract management, contract leaders must be technically proficient at leading others effectively and interacting with stakeholders (NCMA, 2023). Stakeholders will seek technically competent contract managers to solve contract management issues or challenges (NCMA, 2023). Contract leaders must understand contract management’s laws, practices, policies, regulations, and processes. For example, government contracting professionals must comply with the Federal Acquisition Regulation (FAR) in the contracting process. Additionally, commercial businesses are governed by the Uniform Commercial Code (UCC).

According to the NCMA (2023), “Contract management is a profession that requires higher education, professional training, and occupational experience” (p. 371). Expertise in education, training, and experience is developed over a long time by contract leaders (NCMA, 2023). A technically proficient contract leader is involved in a continuous study program that aids in the maintenance of contract management knowledge and skill sets (NCMA, 2023). For example, contracting professionals can benefit from participating in “career broadening” or rotational assignments (Shannon, 2020). Such assignments provide contract professionals with exposure to different leadership styles and various positions (Shannon, 2020). See Appendix B on page 34 for professional attributes. As contract leaders progress in their profession, they must also recognize and abstain from engaging in forces that oppose competence, such as ineffective delegation, unproductive habits, overreliance on personal knowledge, and poor time management (NCMA, 2023).

1.3 Character

Character is what makes you who you are, whether it is good or bad. According to NCMA (2023), “character fortifies leadership competence and competence fortifies leadership character,” and the blending of both is needed for contract management performance (p. 36). The high standards of ethical behavior and conduct of contract managers are required to perform contract management effectively (NCMA, 2023). The leadership of an organization must utilize character as a focal point and follow three essential principles:

- **Principle #1: Leaders lead by example.**
 - ◇ The entire organization is responsible for ethical conduct.
 - ◇ Integral parts of every organization include integrity, honesty, and accountability.
 - ◇ Leadership starts at the top.
 - ◇ Leaders set the examples—formal or informal.
- **Principle #2: Character building is a process.**
 - ◇ Standards set by leadership should establish values and expectations.
 - ◇ Empower positive behavior and address negative behavior.
 - ◇ Possess knowledge, skills, and behaviors for a cohesive culture.
 - ◇ Integration of character and excellence in every organizational function is vital.
- **Principle #3: The real test is when the stakes are high.**
 - ◇ Regulatory guidance is challenging in contract management.
 - ◇ The importance of making decisions based on character should never be underestimated.
 - ◇ Build character and learn from mistakes (NCMA, 2023, pp. 37-38).

Additionally, contract managers can build character through integrity, decisiveness, and optimism.

1.3.1 Integrity

Integrity means you do the right thing even when no one is watching you. The most important attribute in business is integrity (NCMA, 2023). All employees should demonstrate integrity regardless of job grade; however, those in leadership positions have a duty to set an example for others. Integrity can be shown through the following behaviors:

- Being dependable and following through on commitments.
- Being open and honest when communicating with others.

- Holding yourself accountable and owning up to your shortcomings (Indeed, 2022).

For example, one of the seven Army Values in the United States Army is integrity; “do what is right, legally and morally” (Department of the Army, 2019). This value challenges leaders to be honest and “do the right thing because their character permits nothing less” (Department of the Army, 2019).

As illustrated in Table 1, there are three common characteristics of integrity: Ethics and Values, Honesty, and Trust (NCMA, 2023). Forces that oppose integrity, such as cutting corners, lack of trust, and abuse of power, are unsuited for contract managers (NCMA, 2023). Contract managers must refrain from cutting corners by using practical problem-solving skills. They must develop trust among other professionals and understand the boundaries of power.

1.3.2 Decisiveness

Decisiveness involves making decisions even when it seems unpopular or poses risks (NCMA, 2023). As indicated by Sharma (2023), “Decisiveness helps leaders make the right decision at the right time. It helps them manage resources optimally and achieve results faster with less risk” (para 1). In contract management, contract managers must be able to implement decisions once they are made, sometimes with incomplete information (NCMA, 2023). Common characteristics of decisiveness are outlined in Table 2.

Forces that oppose decisiveness include inhibitors, outdated priorities, being too indecisive, and unknown priorities (NCMA, 2023). Inhibition occurs when there is insufficient information, too much information, or insufficient knowledge of priorities (NCMA, 2023). Outdated priorities require monitoring to ensure relevancy with the organization’s current priorities (NCMA, 2023). Being too indecisive demands understanding consequences when decisions are made too quickly. Contract leaders must recognize when indecisiveness impedes progress. If true priorities are unknown, the leader cannot focus on higher-priority tasks (NCMA, 2023).

1.3.3 Optimism

Optimism is the third element of character. Merriam-Webster

Table 1: CMBOK’s Common Characteristics of Integrity

CMBOK’s Common Characteristics of Integrity	
Ethics and Values	<ul style="list-style-type: none"> • Thought values through and is clear about them. • Deals with close calls by applying them. • Understands value stances. • Speaks up on matters. • Are consistent and in tune with those around them.
Honesty	<ul style="list-style-type: none"> • Raise standards of integrity even higher. • Team members will follow when honesty and ethical behavior are fundamental values.
Trust	<ul style="list-style-type: none"> • Trust is the foundation of relationships. • The key to having influence is to earn trust. • Character makes trust possible. • Trust makes leadership possible.

Note: Adapted from NCMA National Contract Management Association (NCMA). (2023). *Contract Management Body of Knowledge (CMBOK®)*. (7th ed.).

Table 2: CMBOK's Common Characteristics of Decisiveness

CMBOK's Common Characteristics of Decisiveness	
Focus on Making High-Quality Decisions	<ul style="list-style-type: none"> • Good decisions involve patience. • Be humble when asking for other people's opinions or thoughts. • Have the courage to make a decision.
Resources	<ul style="list-style-type: none"> • Allocate to achieve organizational goals. • Align or produce meaningful results. • Seek and exploit opportunities to accomplish goals.
Setting Priorities	<ul style="list-style-type: none"> • Set priorities grounded in the organization's mission, vision, and goals. • Stay current and communicate revisions to stakeholders. • Investigate when the team's task performance does not align with the organization's objectives.

Note: Adapted from NCMA National Contract Management Association (NCMA). (2023). *Contract Management Body of Knowledge (CMBOK®)*. (7th ed.).

(n.d.) defines optimism as “an inclination to put the most favorable construction upon actions and events or to anticipate the best possible outcome.” NCMA (2023) explains that contract managers can inspire others when performing their duties fervently. The following are four factors that contribute to optimism:

- Actions - treat people the right way whether they deserve it or not.
- Attitude - view contract management as an exciting challenge.
- Confidence - strong leaders inspire confidence in others.
- Connection - the responsibility of the leader to initiate a connection with others (NCMA, 2023).

Chaos, false praise, uncertainty, undermining others, and inflexible work styles are forces that oppose optimism (NCMA, 2023). Contract managers must recognize these forces and apply problem-solving applications for successful outcomes.

1.4 Collaboration

NCMA (2023) states, “Effective collaboration between contract leaders and contract stakeholders will provide a strong foundation for a successful partnership to accomplish contract performance” (p. 43). Collaboration happens when two or more parties work together to accomplish a goal or solve a problem. In every organization, collaboration skills are essential. Some key takeaways in collaboration include:

- Teamwork increases productivity and helps develop healthy relationships between employees.
- Brainstorming and sharing ideas help develop unique solutions.
- Collaboration skills empower you to work well with others (Indeed, 2023).

For contract leaders, it is crucial to collaborate with contract stakeholders to resolve program issues concerning cost, performance, and schedule.

The forces that oppose collaboration include avoiding confrontation, forced consensus, and lack of accountability (NCMA, 2023). Conflict is a part of the process and must be embraced

by stakeholders for a successful collaborative relationship (NCMA, 2023). Conflict avoidance is harmful and can negatively impact work relationships. It is important to have productive dialogue between parties to share information for conflict resolution. In contract management, it is crucial to collaborate and address issues early on to prevent delays in the contracting process.

1.5 Emotional Intelligence

Cherry (2023) describes emotional intelligence as the “ability to perceive, interpret, demonstrate, control, evaluate, and use emotions to communicate with and relate to others effectively and constructively.” This awareness is used to manage behavior and relationships and is applied by leaders who do not realize they are using it (NCMA, 2023). Some signs and examples of emotional intelligence include these abilities and characteristics:

- Identify and describe how people are feeling
- An awareness of personal strengths and limitations
- Self-confidence and self-acceptance
- An ability to accept and embrace change
- Feelings of empathy and concern for others
- Showing sensitivity to the feelings of other people
- Accepting responsibility for mistakes
- The ability to manage emotions in difficult situations (Cherry, 2023).

Leadership competencies are strengthened by emotional intelligence when people are inspired to accomplish organizational goals (NCMA, 2023).

The CMBOK uses an emotional intelligence model that includes personal and social competencies in contract management (NCMA, 2023). Table 3 depicts CMBOK's Emotional Intelligence Model. Emotional intelligence comes to some naturally, but there is always room to improve these skills. According to Cherry (2023), there are crucial steps in improving your social and emotional skills: listening, empathizing, and reflecting. Those steps include listening to what people are trying to say, whether verbally or non-verbally, using empathy to understand the person's point of view, and reflecting on other people's emotions and responses (Cherry, 2023).

1.6 Vision

Vision is the ability to see the possibilities in people and situations. Most successful organizations have a vision statement that outlines their objectives for their present and future achievements. NCMA (2023) indicates, “For contract managers, vision is required when developing a plan to produce and drive behavior to achieve contract performance and mission success” (p. 45). A clear vision is necessary for contract leaders to be an inspiration to their followers (NCMA, 2023). When organizations effectively communicate the vision to employees, they can be actively engaged in accomplishing organizational goals.

In contract management, CMBOK’s vision concept focuses on and is supported by the following six factors:

- Buying in
- Developing direct reports to others
- Intuition
- Mentoring
- Succession Planning
- Thinking Big (NCMA, 2023).

The commonality of all these factors is leadership development and growth. Most people have aspirations and goals that they want to achieve. Organizations must create a positive environment that allows employees to grow and reach their fullest potential. For example, mentoring is a valuable tool in assisting mentees in career advancement with the support of mentors. An organization’s vision is achievable when interest is shown in an employee’s professional development.

According to NCMA (2023), the forces that oppose vision are poor communication, destructive organizational leadership, living in the past, and losing the big picture. Effective communication builds trust and is needed for partnerships. Destructive leaders demand others to follow their vision—*get with the program or find another job*. Leaders who live in the past cling to their methods instead of considering others. The big picture gets lost when leaders get overwhelmed, and the vision is blurred. Successful contract managers must steer clear of these forces if the vision is to remain intact (NCMA, 2023).

1.7 Contract Manager Skills

The previous sections of this paper have focused on leadership competencies of contract managers. This section will explore skills essential for contract managers throughout the contract life cycle. The contracting profession is complex and requires a specialized skill set, such as effective problem-solving, communication, and analytical skills, to develop and execute business strategies (NCMA, 2023). Additionally, “Contract managers must understand the regulatory environment to legally implement effective solutions and manage risk while satisfying contract requirements and obligations” (NCMA, 2023, p. 115).

1.7.1 Individual and Team Skills

The CMBOK outlines seven skills that contract managers should develop to be successful in the mastery of contract management. Those skills are as follows:

- Sustained motivation
- Stress management

Table 3: CMBOK’s Emotional Intelligence Model

CMBOK’s Emotional Intelligence Model		
Emotional Intelligence		
Personal Competence	<i>Self-Awareness</i>	Clear understanding of: <ul style="list-style-type: none"> • What they do well • What motivates and satisfies them • Which people and situations push their buttons
	<i>Self-Management</i>	<ul style="list-style-type: none"> • Happens when you act or do not act • Tolerate uncertainty when exploring emotions • Commitment is tested repeatedly
Social Competence	<i>Social Awareness</i>	<ul style="list-style-type: none"> • Look inward to learn about and appreciate others • Understand emotions • Recognize emotions
	<i>Relationship Management</i>	<ul style="list-style-type: none"> • Self-Awareness • Self-Management • Social Awareness

Note: Adapted from NCMA National Contract Management Association (NCMA). (2023). *Contract Management Body of Knowledge (CMBOK®)*. (7th ed.).

Current Contract Performance Impact		Future Contract Performance Impact	
The top 10 skills respondents believe will affect the performance of contract managers in the current are:		The top 10 skills respondents believe impact the performance of contract managers in the future are:	
1	Responsiveness	1	Integrity and adherence to ethical standards
2	Integrity and adherence to ethical standards	2	Human relations/interpersonal skills
3	Timeliness	3	Business judgement
4	Written communication	4	Decision-making
5	Verbal communication	5	External customer service
6	Human relations/interpersonal skills	6	Written Communication
7	Problem solving ability	7	Negotiation
8	Education	8	Customer focus
9	Internal customer service	9	Problem-solving ability
10	Business judgement	10	Responsiveness

Figure 2—Current and Future Contract Performance Impacts

- Analytical reading
- Creativity
- Initiative
- Researching
- Diverse experience and skills (NCMA, 2023, pp. 115, 116)

For example, contract managers often have a heavy workload and can be overwhelmed by stress that can spill over into their personal lives. A successful contract manager balances those challenges with a strong support system (NCMA, 2023).

Contract managers in formal leadership positions are responsible for the professional development of their team members (NCMA, 2023). *CMBOK*'s guidance on professional development demands the following:

- Be experienced,
- Be well-trained, and
- Be professional (NCMA, 2023).

Valuable experience is obtained from problem-solving, and contract managers are expected to anticipate and mitigate those problems (NCMA, 2023). Coleman (2020) suggested that contracting professionals can broaden their knowledge and expand professional capabilities by using self-study tips such as web research (i.e. instructional videos on the internet), resource exchanges (i.e. office resource library), and periodic news (i.e. weekly news search). Finally, team members who find that a leader is not concerned with their professional development will seek out a leader who is (NCMA, 2023).

In 2001, NCMA (2023) sponsored a study to understand performance metrics and performance evaluation of contracting professionals in which 75% of the respondents agreed or strongly agreed that contract management functions in their organization were evolving into strategic function that interacted with some business aspects of the organization. Some of the activities included:

- Building strong relationships internally and externally,
- Conducting strategic planning and sourcing,
- Collaborating on acquisition planning,
- Participating in cross-functional or integrated process teams,
- Pursuing innovative contract management or business approaches, and
- Making important decisions (NCMA, 2023, p. 6)

Figure 2 outlines the survey results for current and future impact contract performance. See Appendix E on page 36 for the top 10 highly effective skills.

In this analysis, it is worth noting that integrity and adherence to ethical standards skills made the top five in both listings. This paper discusses that integrity is the most essential skill for successful businesses. When team members trust their leaders, organizational goals can be accomplished easily.

Conclusion

Contract management is a complex profession that requires highly skilled contract managers to exhibit ethical behavior in executing contracts. The *CMBOK*® provides specific skills and guidelines for contract managers to follow. Leadership competencies are crucial at all phases of the contract life cycle. Contract managers must develop these competencies and be interested in their professional development. Organizations must provide support for contract managers' professional development to contribute to the overall business success.

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Appendix A

Leadership Strategies for Contracting Professionals

Leadership Strategies for Contracting Professionals		
Objectives	Build a Plan to:	
1	Develop and leverage strategic relationships from a contracting leader's unique perspective.	<ul style="list-style-type: none"> Identify critical counterparts and key influencers, Build trust and credibility, Establish partnerships, and Leverage relationships to create solutions.
2	Build a reputation as a solution-maker within your organization.	<ul style="list-style-type: none"> Take a broader, solution-oriented approach to challenges; Add value through your technical knowledge and career skills; and Connect your work to the mission.
3	Communicate to get results.	<ul style="list-style-type: none"> Craft a results-driven message, Refine your message to connect with the audience, and Establish presence and project confidence.
4	Empower and engage a team of contract managers.	<ul style="list-style-type: none"> Establish a shared team vision, Create a culture of engagement, and Build up other emerging leaders.
5	Lead effectively through periods of disruption, change, and innovation.	<ul style="list-style-type: none"> Act decisively during periods of change, Re-evaluate vision during periods of change, Demonstrate emotional intelligence, Identify key disruptors to and innovations coming to our profession, and Plan for volatility.

Source: NCMA (n.d.)

Appendix B

Essential “Ingredients” of Professionalism

Honesty	Telling the truth. Admitting fault and taking personal responsibility for one's actions. Fair dealing in good faith.
Maturity	Being sincere and genuine; exercising restraint when necessary and enthusiasm when appropriate.
Modesty	Being secure in our own abilities and comfortable enough with who you are to not seek constant praise or recognition from others.
Thoroughness	Doing work completely and covering more than just the bare essentials. Details are fleshed out, loose ends are tied up, and the sums are checked.
Reliability	Keeping one's promises and obligations. Work assignments are completed on time. Appointments are kept.
Frankness	Telling people what they need to hear rather than what they may want to hear.
Authority	Being well informed and able to render proper advice and counsel to your clients or your boss. If you don't know the answer you research it.
Accuracy	Ensuring that work is correct - spelling and grammar are checked, inconsistencies are resolved, and the work is complete.

Source: (Shannon, 2020, p. 26)

Appendix C

Department of Defense (DoD) Professional Competencies Model

Professional Competencies (Encompasses the Office of Personnel Management's professional competencies. Partial mapping to the ANSI/NCMA ASD 1-2019)	
Accountability	Holds self and others accountable for measurable high-quality, timely, and cost-effective results. Determines objectives, sets priorities, and delegates work. Accepts responsibility for mistakes. Complies with established control systems and rules.
Business Acumen	The ability to manage human, financial, and information resources strategically. Understands industry behavior and trends to shape smart business decisions.
Change Management	Understands the need for change and helps plan for and accommodate it as creatively and positively as possible.
Conflict Management	Encourages creative tension and differences of opinions. Anticipates and takes steps to prevent counter-productive confrontations. Manages and resolves conflicts and disagreements in a constructive manner.
Continual Learning	Assesses and recognizes own strengths and weaknesses; pursues self-development.
Creativity and Innovation	Develops new insights into situations; questions conventional approaches; encourages new ideas and innovations; designs and implements new or cutting-edge programs/processes.
Critical Thinking	Art of analyzing and evaluating thinking with a view to improving it.
Customer Service	Anticipates and meets the needs of both internal and external customers. Delivers high-quality products and services; is committed to continuous improvement.
Decisiveness	Makes well-informed, effective, and timely decisions, even when data are limited or solutions produce unpleasant consequences; perceives the impact and implications of decisions.
Developing Others	Develops the ability of others to perform and contribute to the organization by providing ongoing feedback and by providing opportunities to learn through formal and informal methods.
External Awareness	Understands and keeps up to date on local, national, and international policies and trends that affect the organization and shape stakeholders' views; is aware of the organization's impact on the external environment.
Flexibility	Is open to change and new information; rapidly adapts to new information, changing conditions, or unexpected obstacles.
Influencing/Negotiating	Persuades others; builds consensus through give and take; gains cooperation from others to obtain information and accomplish goals.
Integrity/Honesty	Behaves in an honest, fair, and ethical manner. Shows consistency in words and actions. Models high standards of ethics.
Interpersonal Skills	Treats others with courtesy, sensitivity, and respect. Considers and responds appropriately to the needs and feelings of different people in different situations.
Leveraging Diversity	Fosters an inclusive workplace where diversity and individual differences are valued and leveraged to achieve the vision and mission of the organization.
Oral Communication	Makes clear and convincing oral presentations. Listens effectively; clarifies information as needed.

Source: (Defense Acquisition University, n.d.)

Appendix D

DoD Professional Competencies Model

Professional Competencies (Encompasses the Office of Personnel Management's professional competencies. Partial mapping to the ANSI/NCMA ASD 1-2019)	
Partnering	Develops networks and builds alliances; collaborates across boundaries to build strategic relationships and achieve common goals.
Political Savvy	Identifies the internal and external politics that impact the work of the organization. Perceives organizational and political reality and acts accordingly.
Problem Solving	Identifies and analyzes problems; weighs relevance and accuracy of information; generates and evaluates alternative solutions; makes recommendations.
Public Service Motivation	Shows a commitment to serve the public. Ensures that actions meet public needs; aligns organizational objectives and practices with public interests.
Relationship Management	Understand the role of each functional member on the acquisition team to communicate, collaborate, and resolve conflict; fosters an environment of transparency and teamwork where all team members contribute to the mission.
Resilience	Deals effectively with pressure; remains optimistic and persistent, even under adversity. Recovers quickly from setbacks.
Risk Management	Knowledge of the principles, methods, and tools used for risk assessment and mitigation, including assessment of failures and their consequences.
Strategic Thinking	Formulates objectives and priorities, and implements plans consistent with the long-term interest of the organization in a global environment. Capitalizes on opportunities and manages risks.
Teambuilding	Inspires and fosters team commitment, spirit, pride, and trust. Facilitates cooperation and motivates team members to accomplish group goals.
Technical Credibility	Understands and appropriately applies principles, procedures, requirements, regulations, and policies related to specialized expertise.
Technology Management	Keeps up-to-date on technological developments. Makes effective use of technology to achieve results. Ensures access to and security of technology systems.
Understanding Industry	Knowledge of industry perspectives and motivations.
Vision	Takes a long-term view and builds a shared vision with others; acts as a catalyst for organizational change. Influences others to translate vision into action.
Written Communication	Writes in a clear, concise, organized, and convincing manner for the intended audience.

Source: (Defense Acquisition University, n.d.)

Appendix E

Top 10 Skills for Highly Effective Contract Managers

Top 10 Skills for Highly Effective Contract Managers	
Skill	Percentage
1. Understand contract terms and conditions.	85%
2. Negotiation tactic and planning	82%
3. Soft skills (influencing, persuasion, etc.)	76%
4. Risk Management	73%
5. Financial Analysis	70%
6. Handling conflict situation and dispute resolution	66%
7. Managing internal stakeholders	65%
8. Understand the fundamental principles of contract law	60%
9. Create a performance framework for suppliers	56%
10. Relationship Management	55%

Source: (Chartered Institute of Procurement & Supply, 2020)

Managing Government Contracts

Kayla Riggs

B.S. Management with Minor in Acquisition and Contract Management

ABSTRACT

This research will provide an overall presentation of how the government manages contracts. It will focus on information related to the Federal Acquisition Regulations (FAR) and will include types of contracts, federal contract importance, and contract options that are accessible to federal agencies. It will review the history of federal contracts and relate its importance to how the process is managed in the present day. Finally, this research will discuss the Joint Acquisition Review Board (JARB), as it is an important aspect of the government procurement process and plays a critical role in managing government contracts.

Introduction

Background and Importance of Federal Contracts

Annually, the United States Federal Government spends billions of dollars on procurement contracts, making it one of the biggest global purchasers of goods and services. These contracts are used to acquire a wide range of goods and services, from military equipment and technology to construction services and office supplies (Van Den Berg et al., 2019). The importance of federal contracts in government procurement cannot be overstated, as they are essential to ensuring that the government can effectively carry out its responsibilities and functions. The federal government has a complex system of regulations and procedures in place for managing contracts. The Federal Acquisition Regulations (FAR) (2022) is among the most critical regulations, which sets out the rules and procedures for federal procurement contracts. The FAR covers a wide range of topics, including contract types, contract pricing, contract administration, and contract clauses.

Federal contracts are important in government procurement, as they are used to acquire goods and services that are essential to the functioning of the government. For example, the Department of Defense (DoD) uses contracts to acquire weapons, equipment, and technologies that are necessary for national defense (Hebous & Zimmermann, 2021). The Department of Health and Human Services uses contracts to acquire medical supplies and services that are essential for public health. In addition to ensuring that the government has the goods and services it needs, federal contracts are also important for promoting competition and efficiency in government procurement (Voorn et al., 2019). The government can ensure that it is getting the best value for its money and that it is not overpaying for goods and services by using contracts (Kang et al., 2019). Contracts also help to promote competition among vendors, which can lead to better prices and higher quality goods and services. However, managing federal contracts is not without its challenges. The complexity of the procurement process, the high volume of contracts, and the need to ensure compliance with regulations can make it difficult to effectively manage contracts. Additionally, there is always the risk of waste, fraud, and abuse, which can result in significant financial losses for the government.

Overview of FAR and Its Role in Managing Contracts

The FAR is a set of rules and regulations that govern the ac-

quisition process for the U.S. government. The FAR guides federal agencies on the proper procedures for acquiring goods and services, and it also establishes the terms and conditions that must be met by contractors (FAR, 2022). The FAR is a complex document, consisting of multiple subparts and clauses; and it covers all aspects of the procurement process, from acquisition planning to contract administration. The FAR plays a critical role in managing contracts in the government procurement process. The framework established by the regulation ensures that contracts are awarded impartially and that the government obtains the most favorable outcomes for its money during the acquisition process (Voorn et al., 2019). The FAR requires agencies to conduct market research to identify potential sources of supply, solicit competitive proposals, and evaluate offers based on a set of predetermined criteria. Furthermore, it mandates that agencies engage in negotiations that incorporate clauses and stipulations that are advantageous to the government's interests when forming contracts.

The FAR governs the contract options that are accessible to federal agencies, such as indefinite-delivery, fixed-price, incentive, and cost-reimbursement contracts (FAR, 2022). Each type of contract has its own set of rules and regulations that must be followed, and agencies must select the contract that specifically meets the requirements of the acquisition. In addition to guiding the types of contracts that are available, the FAR also guides contract administration. This includes requirements for the submission of progress reports, the monitoring of contractor performance, and the handling of disputes and claims (Hebous & Zimmermann, 2021). The FAR also requires agencies to ensure that contractors comply with all applicable laws and regulations, including those related to equal opportunity, labor standards, and environmental protection (FAR, 2022). Therefore, the study aims to assess the effectiveness of incentive contracts in managing government contracts.

Review of Relevant Literature and Research

Historical Perspective of Federal Contracts in the U.S.

The United States Government has been providing contracts to private companies for various services and goods since its inception. The concept of federal contracting dates back to the 19th century when the federal government began to expand its services and required private assistance to achieve its objectives (Van Den Berg et al., 2019). The federal government previously relied on its own resources to provide services and goods to its citizens. However, as the country expanded and

its needs grew, it became clear that the government required assistance from the private sector to achieve its objectives. The first federal contract was awarded in 1792 to build a lighthouse in Cape Henry, Virginia (Kang et al., 2019). This contract marked the beginning of the federal government's reliance on private companies to provide services.

In the mid-19th century, during the Civil War, the federal government began to rely more heavily on private contractors to provide goods and services. The government contracted private companies to provide weapons, ammunition, and other supplies to the Union Army. After the war, the government continued to contract private companies to provide infrastructure, such as railroads, to expand the country (Wang et al., 2019). During the 20th century, federal contracting became more standardized, and laws and regulations were put in place to regulate the process. In 1933, the FAR was created to standardize federal procurement procedures (Girth & Lopez, 2019). The FAR established a set of rules for federal contracts, including competitive bidding, cost accounting, and cost principles. In the 1960s, the federal government began to contract more with small businesses and minority-owned businesses as part of the Civil Rights movement (Hebous & Zimmermann, 2021). The Small Business Administration was created in 1953 to assist small businesses in obtaining federal contracts. The government also established goals for contracting with minority-owned businesses.

The U.S. economy has been substantially affected by federal contracts, as the government is one of the most prominent procurers of goods and services globally, with more than \$500 billion in contracts granted annually (Coglianese & Lampmann, 2020). Federal contracts have provided opportunities for businesses to expand their operations and hire more employees. In 2020, small businesses received over \$132 billion in federal contracts (Hebous & Zimmermann, 2021). Federal contracts have also helped to drive innovation in various industries. The government has contracted with private companies to develop new technologies and products, such as the Internet and GPS. Federal contracts have also played a significant role in the defense industry, providing essential equipment and technology for the military.

Overview of the FAR and Its Regulations on Types of Contracts

The FAR is a comprehensive collection of rules that regulates every aspect of the procurement process of the federal government. It is divided into subparts that deal with particular issues such as contract formation, contract administration, acquisition planning, and contract closeout (FAR, 2022). The FAR pertains to all federal agencies and their contractors, and its aim is to guarantee that the government receives the best possible value for the goods and services it purchases. The FAR establishes uniform policies and procedures for contracting, promotes competition, and protects the interests of the government.

The FAR outlines several types of contracts that the federal government may use to procure goods and services. The selection of the contract types is determined by the kind of job that needs to be carried out, the potential hazards, and the level of ambiguity linked with the job (FAR, 2022). Firm-Fixed-Price (FFP) contracts are the prevailing form of contract em-

ployed by the federal government. In an FFP contract, the contractor is compensated a set price for the products or services delivered, irrespective of the actual costs sustained. FFP contracts are appropriate for well-defined projects where the risks and costs are predictable.

Cost-reimbursement contracts are used when the risks and uncertainties associated with the work are significant, and the costs cannot be accurately estimated. A cost-reimbursement contract entails paying the contractor for the real costs borne, as well as a fee. Compared to FFP contracts, cost-reimbursement contracts offer more flexibility; but they also pose more risks to the government (Van Den Berg et al., 2019). Furthermore, Time-and-Materials (T&M) contracts are utilized when the contract's scope of work cannot be clearly defined from the outset. Under a T&M contract, the contractor is paid for the actual hours worked, plus the cost of materials used. T&M contracts are typically used for short-term projects or to augment the work of government employees. Moreover, Indefinite-Delivery/Indefinite-Quantity (IDIQ) contracts are used when the government has a recurring need for goods or services over a specified period (Kang et al., 2019). In an IDIQ contract, the government orders a specific number of products or services as required, up to a predetermined cap. IDIQ contracts provide flexibility and speed in procuring goods and services, but they also require ongoing management and oversight.

Analysis of Studies on the Effectiveness of Various Types of Contracts, with a Focus on Incentive Contracts

Incentive contracts have become increasingly popular in government procurement as a way to encourage contractors to perform well and achieve specific goals. However, there is a lack of consensus regarding the effectiveness of incentive contracts compared to other types of contracts (Kang et al., 2019). The most prevalent contract type employed by the government is the FFP contract, which guarantees a set price for products or services regardless of the actual costs sustained by the contractor. In contrast, Cost-Reimbursement contracts compensate the contractor for the real costs incurred, as well as a fee. T&M contracts are utilized when the contract's scope of work cannot be clearly defined from the outset (Wang et al., 2019). T&M contracts provide flexibility, but they also pose risks to the government. IDIQ contracts offer agility and rapidity when acquiring goods and services, yet they necessitate continual supervision and administration.

Incentive contracts are designed to provide a financial incentive for contractors to achieve specific goals or performance metrics. Incentive contracts can be used to motivate contractors to deliver high-quality goods and services, complete projects on time, and reduce costs. Girth and Lopez (2019) have shown that incentive contracts can be effective in improving contractor performance. The authors further showed that incentive contracts resulted in higher performance levels than fixed-price contracts (Girth & Lopez, 2019). Another study by Wang et al. (2019) found that incentive contracts led to cost savings and improved performance in the healthcare industry. However, some studies have shown that incentive contracts can lead to unintended consequences. Analysis by Coglianese and Lampmann (2020) shows that incentive contracts can create a conflict of interest for contractors, as they may prioritize meeting incentive targets over fulfilling their contractual

obligations. Incentive contracts can also be difficult to administer and monitor, leading to additional costs and administrative burdens.

Research Methodology

Data Collection Methods

Published materials, such as books and white papers, have been used to provide an overview of the use of incentive contracts in government procurement and to discuss best practices and potential pitfalls. Peer-reviewed journals have also been used to study the effectiveness of incentive contracts in government procurement (Alam, 2021). For instance, the use of incentive contracts in the U.S. Department of Defense (DoD) has proved effective in improving contractor performance and achieving cost savings.

Articles in popular publications, such as magazines and newspapers, have also been used to gather information on the use of incentive contracts in government procurement and to highlight specific case studies. For example, an incentive contract has been applied by the U.S. Government, particularly the DoD, to improve the performance of a contractor responsible for maintaining military equipment (Alam, 2021). In addition, government publications, such as reports and white papers, have provided valuable data and insights on the use of incentive contracts in government procurement. The Government Accountability Office has published several reports on the use of incentive contracts in various government agencies (Mitchell & Rich, 2020). Case studies have also been used to assess the effectiveness of incentive contracts in managing government contracts (Stier et al., 2020). For example, a case study published in the *Journal of Construction Engineering and Management* analyzed the use of incentive contracts in a highway construction project and found that they were effective in achieving project goals and improving contractor performance.

Data Analysis Techniques

Statistical analysis has been used to examine the effectiveness of incentive contracts in achieving specific outcomes, such as cost savings, schedule adherence, and quality improvements. For example, researchers have used regression analysis to estimate the impact of incentive contracts on contractor performance and to identify factors that influence the effectiveness of these contracts (Stier et al., 2020). Further, content analysis has been used to examine the language and terms used in incentive contracts and to identify patterns and themes related to contract design and implementation. Alam (2021) has conducted content analysis on incentive contracts in the DoD to identify common types of incentives used and to assess the effectiveness of these incentives in achieving specific goals.

Case study analysis has been used to examine the effectiveness of incentive contracts in specific projects or programs. This type of analysis involves an in-depth examination of a particular project or program, often using multiple data sources and methods, to identify the key factors that contribute to success or failure (Mitchell & Rich, 2020). Comparative analysis is another approach which involves comparing the effectiveness of different types of contracts or different incentive structures in achieving specific outcomes. Comparative analysis can help

identify best practices and lessons learned from previous projects and programs.

Limitations and Challenges

The limited availability of data is a key challenge. Government procurement data can be complex and difficult to access, making it challenging to conduct comprehensive analyses of incentive contracts. Some government agencies may be reluctant to share data due to confidentiality concerns or other reasons (Stier et al., 2020). The potential for biases in the data is another limitation. As an illustration, contractors may be motivated to disclose favorable results in order to uphold their standing and secure forthcoming contracts; while government officials may be motivated to reveal favorable results to showcase the efficacy of their procurement procedures (Mitchell & Rich, 2020). The challenge can make it difficult to determine the true effectiveness of incentive contracts in managing government contracts.

Furthermore, there may be challenges in defining and measuring the outcomes of incentive contracts. Different stakeholders may have different priorities and definitions of success, which can make it challenging to assess the overall effectiveness of these contracts (Voorn et al., 2019). The effectiveness of incentive contracts may depend on external factors, such as changes in the market or regulatory environment, which can be difficult to control in research studies (Girth & Lopez, 2019). In addition, there may be challenges in generalizing the findings from studies on incentive contracts to different contexts and government agencies. The effectiveness of incentive contracts can vary depending on various factors such as the magnitude and intricacy of the project, the degree of competitiveness in the sector, and the proficiency of the government procurement team, among others.

Analysis and Discussion

Overview of Various Contracts

Government procurement is heavily reliant on contracts, with numerous contract types available for government agencies to procure goods and services from contractors. Three prevalent contract types used in government procurement include fixed-price contracts, cost-reimbursement contracts, and incentive contracts. In fixed-price contracts, the government and contractor agree on a set price for the goods or services being supplied (Kang et al., 2019). Fixed-price contracts are typically employed in situations where the scope of work is clearly outlined and the possibility of exceeding the budget is minimal. Fixed-price contracts can provide cost certainty for the government, but they may not provide much flexibility for the contractor if unforeseen issues arise during the project.

Cost-reimbursement contracts are agreements in which the government pledges to reimburse the contractor for the legitimate costs associated with the project, in addition to a fee. Such contracts are commonly utilized in instances where the scope of work is indeterminate or when the government desires to retain more authority over the project. Cost-reimbursement contracts can provide flexibility for the contractor, but they may also increase the risk of cost overruns for the government (Girth & Lopez, 2019). Incentive contracts are contracts that include incentives for the contractor to achieve

specific outcomes, such as cost savings, schedule adherence, or quality improvements. There are various structures for such contracts, including cost-reimbursement, fixed-price incentive, incentive, and award-fee contracts. Incentive contracts are frequently employed by the government to encourage contractors to perform exceptionally well and accomplish particular objectives. Incentive contracts can provide benefits for both the government and the contractor, but they may also be more complex to design and implement than fixed-price or cost-reimbursement contracts (Voorn et al., 2019). In government procurement, fixed-price, incentive, as well as cost-reimbursement contracts, all hold significant value as essential instruments (FAR, 2022). Each type of contract has its benefits and drawbacks, and government agencies must carefully consider their procurement needs and the specific requirements of each project before selecting a contract type. By understanding the advantages and disadvantages of each type of contract, government agencies can choose the contract type that best fits their needs and helps ensure the successful completion of their procurement projects.

In-depth Analysis of Incentive Contracts

Incentive contracts are an effective way for the government to incentivize contractors to perform at a high level and achieve specific goals beyond the basic delivery of goods or services. Fixed-price incentive contracts are a form of incentive contract that awards the contractor a predetermined sum for fulfilling the work, in addition to a supplementary incentive payment, if the contractor achieves or surpasses particular performance objectives. According to this assessment literature analysis, fixed-price incentive contracts are most effective when used for projects where the cost and performance risks are moderate, and the contract terms are well-defined (Kang et al., 2019). The study also found that fixed-price incentive contracts may be less effective for projects where the risks are high or the contract terms are less well-defined.

Fixed-price incentive (firm target) contracts are akin to fixed-price incentive contracts, but there is no arrangement for dividing the cost savings if the contractor outperforms the target. The research indicates that fixed-price incentive (firm target) contracts work best when the performance target is clearly delineated, and the cost savings are projected to be insignificant (Voorn et al., 2019).

Fixed-price incentive (successive targets) contracts are agreements in which the contractor receives a set sum for finishing the work, coupled with an extra incentive payment if the contractor attains or surpasses a series of increasingly challenging performance objectives. The analysis found that fixed-price incentive (successive targets) contracts can be effective when the performance targets are well-defined and the contractor has the necessary resources and capabilities to meet the targets, as ascertained by Girth and Lopez (2019). However, the study also found that fixed-price incentive (successive targets) contracts may be complex to design and implement, and may require extensive monitoring and oversight. Cost-reimbursement incentive contracts are akin to cost-reimbursement contracts, where the government refunds the contractor for the actual expenses incurred during the project, along with an additional incentive payment if

the contractor achieves or exceeds specific performance targets. The study found that cost-reimbursement incentive contracts can be effective for projects where the risks are high, and the government needs to have more control over the project as Wang et al. (2019) suggested. However, the study also found that cost-reimbursement incentive contracts may increase the risk of cost overruns for the government.

Joint Acquisition Review Board (JARB) and Managing Government Contracts

Purpose and Function of JARB

The Joint Acquisition Review Board (JARB) is an important aspect of the government procurement process that plays a critical role in managing government contracts. The JARB is a multi-disciplinary team of experts who evaluate, review and approve the acquisition strategies for major defense acquisition programs. The board is tasked with assessing the cost, schedule, and performance risks of the acquisition program to ensure that it aligns with the overall goals of the government (Army in Europe Pamphlet, 2015). The JARB reviews the acquisition plans, proposals, and contracts to ensure that they comply with government regulations, policies, and procedures. In particular, the JARB evaluates the effectiveness of incentive contracts in managing government contracts (Army in Europe Pamphlet, 2015). The board assesses whether the incentives are aligned with the program objectives and whether they are designed to encourage the contractor to achieve the desired outcomes.

The JARB plays a crucial role in ensuring that the incentive contracts are formulated to create a fair balance of risk and reward for both the government and the contractor. The board scrutinizes the incentive contracts' arrangement, which includes target costs, performance metrics, and the type of incentives offered (Army in Europe Pamphlet, 2015). The JARB assesses whether the incentives are designed to encourage the contractor to achieve the desired outcomes and whether they provide sufficient rewards to incentivize the contractor to take on the risks associated with the program (Wang et al., 2019). The JARB also plays an important role in monitoring the performance of the contractor under incentive contracts. The board reviews the performance metrics, evaluates the contractor's progress toward meeting the targets, and assesses the effectiveness of the incentives in driving the desired outcomes. In addition, the JARB oversees the cost and timeline performance of the project to verify that the contractor is fulfilling its commitments according to the contract.

Role of JARB in Managing Federal Contracts, with a Focus on Incentive Contracts

The JARB is a vital component of the government procurement process that plays a significant role in managing federal contracts, especially incentive contracts. It is responsible for evaluating, reviewing, and approving acquisition strategies for major defense acquisition programs to ensure that they align with the government's objectives (Army in Europe Pamphlet, 2015). The board's primary goal is to assess the cost, schedule, and performance risks of the acquisition program to ensure that they are effectively managed. One of the most important roles of the JARB is to ensure that incen-

tive contracts are designed and implemented effectively. The board evaluates the incentive contracts to ensure that they are structured in a way that balances risk and reward for both the government and the contractor (Van Den Berg et al., 2019). The JARB reviews the structure of the incentive contracts, including the target costs, performance metrics, and the nature of the incentives themselves. They also evaluate whether the incentives are designed to encourage the contractor to achieve the desired outcomes and whether they provide sufficient rewards to incentivize the contractor to take on the risks associated with the program.

The JARB also plays a critical role in monitoring the performance of the contractor under the incentive contracts. The board reviews the performance metrics, evaluates the contractor's progress toward meeting the targets, and assesses the effectiveness of the incentives in driving the desired outcomes. The JARB tracks the program's costs and timeline performance to guarantee that the contractor is fulfilling its contractual obligations (Army in Europe Pamphlet, 2015). Moreover, the JARB ensures that incentive contracts comply with government regulations, policies, and procedures. The board reviews the acquisition plans, proposals, and contracts to ensure that they comply with the government's procurement guidelines. This is to guarantee that the government's interests are protected and that the contractor is awarded to the most suitable and qualified contractor.

Conclusion

Summary of Findings

The study "Assessing the Effectiveness of Incentive Contracts in Managing Government Contracts" analyzed the effectiveness of different types of contracts, with a focus on incentive contracts. The study found that incentive contracts can be an effective tool for managing government contracts, but their success depends on their design and implementation. The study recognized four incentive contract variants: cost-reimbursement incentive, fixed-price incentive (firm target), fixed price incentive (successive targets), and fixed-price incentive contracts. The review of these contracts revealed that they can effectively boost contractor performance and deliver the intended results if structured appropriately.

The assessment also highlighted the importance of the JARB in managing incentive contracts. The JARB has an important responsibility in making sure that incentive contracts are created, executed, and overseen with efficiency. The board evaluates the incentive contracts, monitors the contractor's performance, and ensures that the contracts comply with government regulations, policies, and procedures. The research also revealed that incentive contracts can be more successful than alternative contract types, such as cost-reimbursement and fixed-price contracts, in attaining the intended results. The analysis showed that incentive contracts can motivate contractors to take on additional risks, innovate, and deliver high-quality products and services. However, the study also identified some limitations and challenges associated with incentive contracts, such as data availability and potential biases in performance evaluation. Therefore, the success of incentive contracts depends on their design, implementation, and monitoring, as well as the availability and quality of performance data.

Implications for Contract Management in Government Procurement

The findings from the analysis "Assessing the Effectiveness of Incentive Contracts in Managing Government Contracts" have important implications for contract management in government procurement. The assessment suggests that incentive contracts can be an effective tool for managing government contracts, but there are potential benefits and drawbacks to consider. One of the potential benefits of using incentive contracts is that they can motivate contractors to take on additional risks and invest in innovation, which can lead to higher-quality products and services. Incentive contracts can also align the interests of the contractor and the government by rewarding contractors for achieving desired outcomes. In this way, incentive contracts can help to ensure that the government gets the best value for its procurement dollars. However, there are also potential drawbacks to using incentive contracts. One of the main limitations is that they can be more complex and time-consuming to negotiate and administer than other types of contracts. Incentive contracts also require a significant amount of data to monitor contractor performance, which may not always be available. Furthermore, the performance evaluation process can be subjective and may be subject to biases.

The assessment suggests that to effectively manage incentive contracts in government procurement, it is essential to ensure that the contracts are appropriately designed, implemented, and monitored. This requires careful consideration of the specific objectives of the contract and the risks involved. Incentive contracts need to be structured in a way that balances risks and rewards, and the performance evaluation process needs to be fair and transparent. The study also highlights the importance of the JARB in managing incentive contracts. The JARB has a vital responsibility in ensuring that incentive contracts are appropriately structured and adhere to the regulations set by the government. Besides this, the JARB monitors contractor performance to ensure that the government is getting the best value for its procurement dollars.

Recommendations for Future Research

Based on the review and analysis of the available literature, there are several areas for potential future research on incentive contracts in government procurement. One area of research could focus on identifying the specific factors that contribute to the success of incentive contracts. While some studies have examined the effectiveness of incentive contracts, there is limited research on the specific factors that lead to success in implementing these contracts. By identifying these factors, government agencies and contractors could better understand how to structure and implement incentive contracts to maximize their effectiveness. Another area of research could focus on the impact of incentives on contractor behavior. While incentive contracts are designed to incentivize contractors to perform at a higher level, there is limited research on how incentives impact contractor behavior. Future research could examine the extent to which contractors respond to different types of incentives and how this impacts overall contract performance. Moreover, there is a need for additional research on the use of incentive contracts in different contexts. While incentive contracts have been used in a variety of government procurement settings, there is limited research on their use in specific industries or for specific types of projects. By examin-

ing the use of incentive contracts in different contexts, researchers could identify the factors that contribute to their success or failure in different settings.

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Examining the Intricacies of Contract Interpretation by Avoiding Ambiguous Language

Elizabeth Sparks

B.S. Acquisition and Contract Management

ABSTRACT

This research will examine the effectiveness of contract interpretation through an assessment of the various modes for interpretation: written, objective, and subjective. Also used in these analyses are perspectives from in-industry professionals with scenarios encountered during their careers and outcomes. Areas of potential risk and benefits will also be evaluated to fully understand the critical nature of contract interpretation and the necessity to avoid ambiguous language.

Introduction

Contract interpretation is critical for both contractors and the government. It is the form of communication that drives the contract, but a well-known fact is that communication is often difficult. Interpreting a contract is no different. Contract interpretation begins with the solicitation process and continues through contract closeout. At any point in the life of a contract, interpretation can come into question. Sometimes the resolution is an easy conversation between a contracting officer and the contractor; at other times, it may end in a courtroom.

Background of the Problem

Ideally, contracts are written clearly and unambiguously. This leaves little room for misinterpretation. However, it is easy for people to believe their communication is clear; but they fail by including ambiguous, implied, or hidden meanings.

1. Words are ambiguous when they are open for interpretation or have more than one meaning. This misinterpretation occurs when the contract is written so that both interpretations are credible, but not the same.
2. Hidden, also called latent, ambiguities occur when the writer does not fully describe the intent of the requirement; so the interpretation is open ended for another conclusion to be made. *Contra proferentem* rule states, "A reasonable interpretation of a latent ambiguity will be construed against the drafter" (O'Connor, 2018). This type of ambiguity leaves the government at risk, since the contractor may not recognize there are multiple implications for the requirement and does not seek out clarification, as it is not obvious. Additionally, the contractor, rather than the government, is more likely to draw on the situation most favorable to them.

Researcher's Work Setting and Role

The researcher for this study is pursuing a Bachelor of Science degree in Acquisition and Contract Management. The researcher has worked in the government contracting industry for over 15 years and has applied knowledge gained from the field to this assessment. Information gained throughout this process will also be applied in the future of their career. Research questions included within this study are provided by the researcher and discussed with working professionals within the field of government contracting.

Statement of the Problem

Ambiguous contracts can lead to misinterpretation/

miscommunications in a variety of ways. Any time ambiguous wording occurs, the government is at risk of *Contra proferentem*, since they are the drafters of the contract. Contributing to ambiguity is contractual intent, which is best conveyed when written; however, this is not the only way to convey intent. The problem with conveying intent when not written is that it can often lead to multiple interpretations of a contract. Additionally, even written contracts can have significant problems relaying intent when written incorrectly.

Purpose and Importance of the Study

The purpose of this study is to find out how professionals in the field experience contractual interpretation, as well as how they handle ambiguous contracts. The benefits of a well written contract are a seamless delivery from the contractor with the government requirement being fulfilled. It is advantageous to the government, the contractor, and the taxpayer to have a well written contract, with limited risk of misinterpretation and clearly defined requirements.

Research Questions

Nine research questions were presented to three professionals with a combined ninety-seven years of experience in government contracting. These questions are specific to contract interpretation, avoiding ambiguity, and skills used for managing the relationship between a contracting officer and contractor when ambiguity exists. Each interviewee was asked the same questions, in the same manner. The questions take a qualitative approach in determining the importance of communication and avoiding ambiguity.

Limitations

This study was limited in the fact that interpretation is currently left to humans. While the awareness of ambiguous language is crucial for contract interpretation, the impact of humanity is not without fault. Even effective studies and recommendations cannot create a foolproof or nonrecurrence of ambiguous language. Additionally, not much data was found for tracking the frequency of the cost of issuing ambiguous contracts, even though the problem is extremely common. This study is limited on data analysis outside of industry professionals or court filings/determinations.

The research was also limited in number of surveys conducted. Because the questions were formatted to be specific and numerous, a limited number of participants were selected for feedback. Because of the small amount of participants, and the participants being from three separate perceptions, some conclusions could be inaccurate for the industry as a whole.

List of Definitions

Because this study focuses on interpretation, the researcher would be remiss not to include a list of definitions to ensure the reader fully understands the language used in the government contract industry.

“Handbook for Preparation of Statement of Work” states that a Statement of Work (SOW):

Defines that contract and is subject to the interpretations of contract law. The SOW must clearly define the work to be performed, since the language detailing the contractor’s effort may be pertinent to legal questions concerning the scope of work. In a dispute concerning performance, rights, or obligations, clearly defined requirements will enhance the legal enforceability of a SOW, which has a high level of precedence in the solicitation document and contract as stated in FAR 52.215-33 (p. 5).

A contracting officer, also abbreviated as “KO” (not to be confused with “CO” which could mean commanding officer to those who have or are currently serving in the military) is defined as the absolute authority over entering, administering, or terminating contracts. They have the power to bind the government, but only to the level in which they have been appointed/delegated (*1.602-1 Authority*. | *Acquisition.GOV*, n.d.). The contracting officer is responsible for ensuring the performance of all contract actions are effective, the government and contractor are compliant with terms of the contract, and safeguarding the interest of the government at all times (*1.602-2 Responsibilities*. | *Acquisition.GOV*, n.d.).

List of Acronyms

CO - Commanding Officer

DFARS - Department of Defense Federal Acquisition

Regulation Supplement

FAR - Federal Acquisition Regulations

GAO - Government Accountability Office

KO - Contracting Officer

SOW - Statement of Work

Review of the Relevant Literature

GAO Determination Example

Based on the determination of the Government Accountability Office (GAO) in 1984, the Federal Acquisition Regulations (FAR) were modified to define more clearly allowable costs of contractor charging for public relations costs. Figure 1 lists the summary of the recommendation of the petition for revision to the FAR and the ruling of the GAO.

Bid Protests

During the review of numerous GAO determinations, ambiguity was abundantly cited in the grounds for a bid protest. However, according to the “GAO Bid Protest Annual Report to Congress for Fiscal Year 2022,” the top three reasons a protest was sustained did not include ambiguity. Instead, the reasons were unreasonable technical evaluation, flawed selection decision, and flawed solicitation (p. 2). While ambiguity could certainly be a consideration in all of these categories, it was not categorized as such by the GAO.

List of Research Questions

This capstone project focuses on the impact of ambiguous language used for contract interpretation. The questions examined during industry research are as follows:

1. What is the most important area to focus in order to

Recommendations for Executive Action


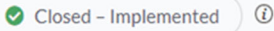
Agency Affected	Recommendation	Status
Department of Defense	The Secretary of Defense should direct the Defense Acquisition Regulatory (DAR) Council to coordinate with the Civilian Agency Acquisition Council (CAAC) to clarify the FAR criteria for the cost categories of advertising and selling to reduce the ambiguity surrounding these costs.	 <p>FAR was amended to comply with the requirements of P.L. 99-145. The revision clarifies that elements of selling costs, which are covered elsewhere in the FAR cost principles, are governed by more specific rules. The amendment introduced a new and important concept by stating that costs that are not made allowable under other sections.</p>
Department of Defense	The Secretary of Defense should direct the DAR Council to coordinate with CAAC to specifically address the circumstances under which the cost elements of air shows, exhibits, displays, promotions, models, and giveaways will be considered allowable or unallowable.	 <p>On April 9, 1986, FAR was revised to make unallowable the costs of air shows, exhibits, displays, promotions, models, and giveaways.</p>

Figure 1—Recommendations for Executive Action

- avoid ambiguous language in a contract?
2. Are there geographical, education, socioeconomical impacts on interpretation?
 3. Is it common to enter into litigation for contract interpretation disputes?
 4. When is it necessary for a judge to provide a ruling on interpretation?
 5. Is subjective or objective intent utilized most often for contract performance/execution?
 6. What is relied upon the most regarding contract interpretation?
 7. How can contract specialists ensure they do not become complacent in reviewing contracts or proposals?
 8. Are formal or casual communications preferred when discussing contractual concerns (post-award)?
 9. What is the best strategy to resolve conflicting interpretations between a KO and contractor?

Research Results

Sources of Data

Research was performed by obtaining firsthand information from industry professionals. The interviewees covered both sides of the perspective, with one being a current contracting officer out of the Army Command Center and another the Director of Contracts for a government contractor supporting the Prototype Integration Facility at Redstone Arsenal. A third perspective was also included from a Vice-President/General Manager of a company whose primary revenue is from government contracting. This third perspective brought in the political viewpoint involved with managing relationships and avoiding misinterpretations between the government and contractor.

Results of Questions

A summarization of the answers is presented below. The full answers and raw information are available in Appendices A-C.

1. **What is the most important area to focus in order to avoid ambiguous language in a contract?**

KO Response

Language needs to be direct and understandable and included that independent reviewers are often necessary.

Contractor Response

A contract should mean what it says and say what it means.

Vice-President/General Manager Response

Somewhat varies based on the risk to the contractor, based on the contract type. Most important to have a solid SOW and term sheet. This allows parties to fully understand expectations and avoid ambiguity.

2. **Are there geographical, education, socioeconomical impacts on interpretation?**

KO Response

These types of concerns are generally ironed out through one-on-one discussions.

Contractor Response

When regulations are followed, interpretation should essentially be eliminated. Contracts should always avoid the use of slang.

Vice-President/General Manager Response

These concerns are not typically an impact. Slangs are avoided in the experience of this individual.

3. **Is it common to enter into litigation for contract interpretation disputes?**

KO Response

No. He has never been part of this type of litigation.

Contractor Response

No. He has never been part of this type of litigation.

Vice-President/General Manager Response

No. He has never been part of this type of litigation.

4. **When is it necessary for a judge to provide a ruling on interpretation?**

KO Response

He would wait for contractor to protest decision or dispute rather than initiating himself.

Contractor Response

Crucial to always do due diligence to work through issues with the KO. Everyone loses in a legal situation.

Vice-President/General Manager Response

Views litigation as the "kiss of death" for a contractor. It would significantly damage the relationship with the customer.

5. **Is subjective or objective intent utilized most often for contract performance/execution?**

KO Response

Objective intent has primarily been used throughout his career.

Contractor Response

Intent is always somewhat subjective; but if a contract is written clearly, this is avoided. Some situations can even allow for objective intent to give latitude when needed.

Vice-President/General Manager Response

Objective intent should always be the expectation.

6. **What is relied upon the most regarding contract interpretation?**

KO Response

He personally relies mostly upon discussions with contractor and government counsel.

Contractor Response

A clearly written contract is of utmost importance. The more work done upstream means less work downstream.

Vice-President/General Manager Response

He relies heavily upon his years of experience and reaches out to subject matter experts for FAR and DFARS for better understanding. Read only what is written.

7. **How can contract specialists ensure they do not become complacent in reviewing contracts or proposals?**

KO Response

Read requirements backwards and discuss with counsel and other contracting officers as needed.

Contractor Response

He enjoys what he does and recognizes the value added of the task. He looks at each contract and proposal anew.

Vice-President/General Manager Response

He remembers the risk involved if he does not perform a review to the best of his ability.

8. **Are formal or casual communications preferred when discussing contractual concerns (post-award)?**

KO Response

Prefers respectful, casual conversations with a team approach.

Contractor Response

The answer is both. Must be able to facilitate meaningful conversation in both arenas.

Vice-President/General Manager Response

Must have relationship centered around trust. Casual communication is preferred to openly discuss, then followed by a formal response.

9. **What is the best strategy to resolve conflicting interpretations between a KO and contractor?**

KO Response

It is necessary to hold face-to-face discussions while listening to the contractor and discussing his decisions and the rationale behind them.

Contractor Response

It is important to facilitate informal communication

to understand the context of scenarios and reach a resolution.

Vice-President/General Manager Response

Establishing trust via open communication is the most important tool in coming to conflict resolution.

Summary

While the approach to understanding a contract may differentiate between persons based on their role and the risk at stake, the commonality among stakeholders is adequate interpretation. Though the respondents are from different roles within the contract management industry, their responses all place importance on due diligence of reviewing the objective versus subjective intent of a contract and facilitating communication to understand requirements when unclear.

Discussion

Analysis of Research Questions

Analysis of Question One

Question one of the research survey asked: "What is the most important area to focus in order to avoid ambiguous language in a contract?" This question was designed to gain insight from seasoned industry professionals based on their personal experience. It facilitated an opportunity for the respondents to reflect on their lessons learned through their careers and highlight key elements of the contract.

Results of this question by the participants provided a clear answer in that the most important thing is a clear contract. They also elaborated on ways to facilitate the understanding by having clearly defined statements of work and independently reviewing the requirements. There should be no "beating around the bush" when trying to convey what is being required.

Analysis of Question Two

Question two of the research survey asked: "Are there geographical, education, socioeconomic impacts on interpretation?" This question was designed to gain insight on different societal impacts on how people communicate via a written contract. The researcher wanted to know if it was common or expected that the use of slang from different parts of the country, various levels of education, or the average income of a particular area would impact the way contracts are written.

Results of this question were conclusive to say these factors should not be in play in an adequately written contract. Any differences in such areas should be worked out through general discussion prior to solicitation response. In general, slangs are typically avoided in written contracts, and regulations should be followed above all else.

Analysis of Question Three

Question three of the research survey asked: "Is it common to enter into litigation for contract interpretation disputes?" This question was asked to determine if it is commonplace to seek legal interpretation in contract ambiguity. There was limited data available to the researcher, so the responses of

the industry professionals were highly valued.

Responses to this question were a unanimous, “No.” None of the respondents have been involved in this type of litigation, but all of them have been involved with bid protest litigation. This proves relevant to the literature discussed in the previous section of this study.

Analysis of Question Four

Question four of the research survey asked: “When is it necessary for a judge to provide a ruling on interpretation?” This question was originally created as a follow-up to question three to determine the breaking point for each participant. The intent was to understand the options available before proceeding with litigation.

Because all respondents did not have experience with interpretation litigation, this answer took on a new form. The participants provided their feedback of what litigation would mean for a contractor, which was described by one response as “the kiss of death.” No contractor wants to be viewed as a company who sues the government, as that would certainly be damaging to the company’s reputation. Additionally, it was noted that the costs associated with litigation are detrimental to all parties, including the taxpayer. The KO interviewed responded that he would not be the party to initiate litigation, but rather wait for a contractor to initiate the action in response to his decision.

Analysis of Question Five

Question five of the research survey asked: “Is subjective or objective intent utilized most often for contract performance/execution?” This question was asked to understand the industry standard of intent for written contracts. The researcher’s goal was to obtain a better understanding of expectations within the field.

Answers to this question support that objective intent is the ultimate method used in performance of a contract. One respondent included that, while the writing of a contract is always somewhat subjective, the ultimate goal is a clearly written contract. When latitude is needed, there are ways to clearly include the information. For example, if an acquisition contract dictates the procurement of material and shipment to the customer, but the locations of the delivery are unknown due to varying install locations, the statement of work may be written to give the contracting officer’s representative the authority to provide the shipping address to the contractor during performance of the contract.

Analysis of Question Six

Question six of the research survey asked: “What is relied upon the most regarding contract interpretation?” This question was asked to gain insightful knowledge from industry professionals. With the length of time the participants have operated within the industry, the researcher thought their responses could be valuable for future application within their own career.

Results of this question gathered some great information for future application. It gave three different ways to ensure contract professionals know there is more than one way to do their due diligence. Numerous options are available, whether it is communicating directly with the contractor or KO, rigorous review of the written solicitation or awarded contract, or reaching out to other individuals for compliance and legal

review.

Analysis of Question Seven

Question seven of the research survey asked: “How can contract specialists ensure they do not become complacent in reviewing contracts or proposals?” This question was asked because many experience fatigue when reviewing lengthy written documents. Because of the risk involved with not catching ambiguities during the solicitation, the researcher thought it valuable to include insight from industry professionals.

The results of this question proved to provide great examples to apply in the future of contract reviews. Enjoying the task and understanding the value added of the role being performed are crucial to perform at the top of one’s ability. Sometimes the pressure of the risk involved is enough to motivate the focus and determination; or maybe you need to read, read, and read again to fully understand what is written. As one respondent noted, complacency is the trait of a lazy person. To fall complacent in contract review is to sacrifice a great deal of risk.

Analysis of Question Eight

Question eight of the research survey asked: “Are formal or casual communications preferred when discussing contractual concerns (post-award)?” This question was asked to understand the industry expectation for communication. Since communication is crucial for interpretation, the researcher included the form of communication as a relevant factor.

The results of this question were essentially the same, in that casual conversation was preferred in a discussion setting. This facilitates a full understanding of a situation and fosters a relationship centered around trust. It was also noted that after a decision was made in an informal setting, the discussion would be followed by a formal communication. So the answer to this question is to facilitate an environment for both types of communication between a contractor and their KO.

Analysis of Question Nine

Question nine of the research survey asked: “What is the best strategy to resolve conflicting interpretations between a KO and contractor?” This question was asked to get the opinion of seasoned contracting personnel, based on their personal experience. The researcher’s intent is to obtain the information to make it available for others to apply in their own careers.

The result of this question, not surprisingly, is communication. Establishing trust and facilitating discussions to fully understand the other party is crucial to work through opposing viewpoints or to understand the context of a situation. Everyone will not always agree, but listening to the other side and remaining respectful will go a long way in working through the disagreements.

Conclusions

This study was conducted to evaluate ambiguity in contract interpretation. As stated in the introduction, communication is the key to clearly written contracts; and after analyzing the answers to the research questions, this remains to be true. Ambiguity can be substantially avoided if due diligence is

done on both sides, by the government and contractor, and communication made a top priority.

Research Recommendations

This section summarizes the recommendations for avoiding ambiguous language in an acquisition contract. It also includes recommendations for fostering communication between the government and contractor. These recommendations center around effective communication, both verbal and written.

Facilitating open and professional avenues of communication strengthens the trust between the government and contractor and allows for amenable outcomes when interpretation comes into question. Litigation is not the preference for any party to determine intent; so communicating during the solicitation process and seeking clarification is key to providing objective versus subjective intent. If the contract itself cannot solve the question at hand, contractor and KO should work together to reach an understanding and come to an agreement. However, if both parties do their due diligence on the front end, ambiguity can be avoided with a clearly written and well-defined contract.

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Appendix A

Contracting Officer Response

Contracting Officer Response

1. What is the most important thing/area of focus to avoid ambiguous language in a contract?
Highly focus in on Detailed solicitation requirements and proposal submission instructions; the Performance Work Statement or Statement of Work; also the QASP (Quality Assurance Surveillance Plan)... - Any language that allows choice such as "should" or "may" vs. "shall" or "will". Also, "held" or "stored" ...The language needs to be direct and understandable. In Source Selection, it can be a case of not seeing the forest because of the trees...so independent reviewers are necessary.
2. Geographical, education, socioeconomic impacts on interpretation?
this needs to be ironed out at Industry Days (asking questions), Industry One-on-One Discussions, and Pre-Award Conferences...all allow for questions of the solicitation and PWS/SOW and other documents.
3. Have you been involved with a court decision on contract interpretation?
No, but I research court decisions by reviewing GAO (Government Accountability Office) Decisions & Docket when I research questions/issues I am faced with.
4. At what point do you believe a judge necessary to provide a ruling on interpretation?
If it ever came to a point where there was an impasse between the Contractor and Government, I would make the decision and wait for the Contractor to Protest or Dispute
5. In your career, has subjective or objective intent been utilized the most for contract performance/execution?
I would say objective intent has been utilized rather than focusing in on a person's state of mind. I have worked primarily in the arenas of Engineering Services, Advanced Technology & Major Weapons Systems
6. What do you rely upon the most regarding contract interpretation?
Discussions with the Contractor and with Government Counsel
7. What do you do to ensure you don't become complacent in reviewing contracts or proposals?
I read them backwards...paragraph by paragraph, interpret each paragraph and it's meaning to me and discuss with Government Counsel and other Contracting Officers when questioning something.
8. Do you prefer formal or casual communications with your counterpart when discussing contractual concerns (post-award)?
Respectful casual communications. I prefer to see us as a TEAM with the same goals to success.
9. What is your best strategy to resolve conflicting interpretations between a KO and contractor?
Face-to-face discussions in person, listening to the Contractor and discussing my eventual decision and what it is based on.

Appendix B

Contractor Response

Director of Contracts Response

1. What is the most important thing/area to focus on to avoid ambiguous language in a contract?
Advice to always follow: contract should mean what it says and say what it means. Follow the FAR and DFARS. SOWs start to dance around what the actual requirement is. Be very clear.
2. Geographical, education, socioeconomical impacts on interpretation?
Government contracts should eliminate “interpretation” for the most part when regulations are followed. Four fence post for in scope analogy. Avoid use of slang in contracts.
3. Have you been involved with a court decision on contract interpretation?
No. has gone to court for pre-award protests several times. Always do everything you can to resolve amicably.
4. At what point do you believe a judge necessary to provide a ruling on interpretation?
You always want to do your due diligence to work through things with the KO. You don’t want to be known as the contractor who goes to court – gov will not want to do business with you. Much better position for company to resolve amicably. Everyone loses in a legal situation.
5. In your career, has subjective or objective intent been utilized the most for contract performance/execution?
Always somewhat subjective, but if you write the contract clearly, you avoid this. Objective intent can allow for latitude to cover the work within scope. “per COR” example in SOW. Depending on contract type depends on how much subjective intent should be allowed. FFP contracts should have clearly defined objective intent.
6. What do you rely upon the most regarding contract interpretation?
Clearly written contract – what does it say, and it says what it means. More you do upstream, the easier it is downstream. Answer: SOW is most important thing used.
7. What do you do to ensure you don’t become complacent in reviewing contracts or proposals?
What’s your secret: I enjoy what I’m doing. I recognize the value added of what I do, so I look at each and every contract and proposal as anew. If you don’t realize the value added, you need to go somewhere else. Complacency is the trait of a lazy person.
8. Do you prefer formal or casual communications with your counterpart when discussing contractual concerns (post-award)?
Seasoned contract professionals know the answer is both. You have to be able to facilitate meaningful conversation in both arenas. Develop a good, trusting, informal relationship with KO. Hats can come off and can just speak frankly. Once agreement is met, formal documentation follows.
Necessity for understanding the context of the question/scenario.
9. What is your best strategy to resolve conflicting interpretations between a KO and contractor?
Have informal, “hats off” communications for non-attribution to get to a resolution. Communicate in-person to come to amicable resolution.

Appendix C

Vice-President/General Manager Response

General Manager Response

1. What is the most important thing/area to focus on to avoid ambiguous language in a contract?
Varies based on the type of contract a little bit. Super important to have a solid SOW and term sheet. Term sheet helps everyone understand expectations and avoid ambiguity. If able to help develop the SOW, requires in depth review.
2. Geographical, education, socioeconomical impacts on interpretation?
Different personalities, but not really anything that impacts interpretation. Not typical to see slangs.
3. Have you been involved with a court decision on contract interpretation?
Has not been for interpretation but involved with protests for large awards.
4. At what point do you believe a judge necessary to provide a ruling on interpretation?
It would have to be the worse scenario imaginable. He would view it as a kiss of death as a GM. Would damage relationship with customer.
5. In your career, has subjective or objective intent been utilized the most for contract performance/execution?
Should be objective intent as much as possible. It's what he has seen mostly.
6. What do you rely upon the most regarding contract interpretation?
Relies upon his years of experience and reaches out to SMEs for FAR and DFARS requirements for better understanding. Reading what's written and identifying where he has questions.
7. What do you do to ensure you don't become complacent in reviewing contracts or proposals?
Great question! You have to remember the risk involved if you don't do it to the best of your ability.
8. Do you prefer formal or casual communications with your counterpart when discussing contractual concerns (post-award)?
Must have a relationship centered around trust. Likes casual comms to build the relationship. Discusses issues informally to work through scenarios, then follow-up with formal response.
9. What is your best strategy to resolve conflicting interpretations between a KO and contractor?
See above #8.

Small Business Administration and the Impact of Small Businesses in the United States

Evan Shaughnessy

M.S. Acquisition and Contract Management

ABSTRACT

The Small Business Administration (SBA) was created to help bring economic advancement to underprivileged and underutilized socioeconomic groups. These groups range from women-owned businesses to companies that operate in HUBZones. Small businesses account for around fifty percent of the total United States activity from an economic standpoint. Although large businesses often hold an advantage in terms of size and capability, small businesses are often underappreciated when it comes to the assets they can provide. The biggest challenge these small businesses face when working in the government sector is the ability to obtain funding. This funding is critical to the overall success of the small business culture and is needed to retain the focus of the Department of Defense (DoD) and other government agencies. This thesis will review the importance of government funding to the SBA and the overall impact these small businesses have on innovation in the world today.

Introduction

The Small Business Administration (SBA) was created to help bring economic advancement to underprivileged socioeconomic groups. These groups range from women-owned businesses to companies operating in HUBZones (National Contract Management Association, 2022, p. 175). Over the course of time, the Department of Defense (DoD) realized that the majority of America's innovation and creativity comes from the small business industry and should be utilized by the United States Government. According to the SBA, nearly two-thirds of new jobs are generated by small businesses. Small businesses account for around fifty percent of the total U.S. economic activity (Saylordotorg, 2011). Deputy Secretary of Defense, Kathleen Hicks, in her 2021 address to the Showcase for Commerce's John P. Murtha Breakfast, stated that "small businesses lead the nation in innovation, producing 16.5 times more patents than large patenting firms. They deliver rapid operational concepts, prototypes, and demonstrators that allow DoD to respond with agility and efficiency when needed" (Saylordotorg, 2011). Although the large businesses will typically hold the muscle in terms of size and capability, these small businesses often go underappreciated when it comes to the assets they are able to provide. The biggest challenge faced by small businesses when working in the government sector is the ability to obtain funding (McGinn et al., 2023). This funding is critical to the overall success of the small business culture and needs to retain the focus of the DoD and other government agencies around the U.S.

History of the SBA

The SBA was organized in the United States by Congress in 1953 as an independent agency representing the federal government. The overall mission of the newly formed agency was to aid the development and interest of small businesses to maintain and strengthen the overall economy (U.S. Small Business Administration, n.d.). In order to categorize businesses, the SBA had to establish certain standards in every private sector industry within the U.S. This system is now known as the North American Industry Classification System (NAICS) which uses the number of employees and average of annual receipts to determine which businesses are considered small. Each industry follows its own threshold for determining what qualifies as a small business.

Although the SBA was created in 1953, it had many precedes-

sors and affiliates that preceded its creation. In 1932, President Herbert Hoover created the Reconstruction Finance Corporation (RFC) to help the impact on the economy after the Great Depression. This corporation helped fund large and small businesses that needed to borrow money to stay afloat and was continued by President Franklin D. Roosevelt after Hoover's departure from office. A decade later in 1942, United States Congress created the Smaller War Plants Corporation (SWPC) which was created for smaller businesses to be able to compete for production of war materials. At the commencement of World War II in 1945, the SWPC collapsed, and the overall functions moved back to the RFC. During the Korean War in 1951, Congress decided to create what was known as the Small Defense Plants Administration (SDPA). The SDPA handled small business concerns and certified the businesses that were able to fulfill government contracts. In 1952, one year before the creation of the SBA, President Dwight Eisenhower proposed its creation in order to continue the functions of the RFC which was about to be shut down by Congress. The SBA eventually took over in 1953, and a short time later in 1958, the Small Business Investment Company (SBIC) was established to help regulate and provide funding to privately owned small businesses in affiliation with the SBA (U.S. Small Business Administration, n.d.). Today, the SBA has an office in each state and employs over 2,000 personnel with an annual budget of just under \$1,000,000,000.

FAR Part 19

According to the Federal Acquisition Regulations (FAR), Part 19.000 Scope of Part (a) (3) states:

"setting acquisitions aside, in total or in part, for exclusive competitive participation by small business, 8(a) participants, HUBZone small business concerns, service-disabled veteran-owned small business concerns, and economically disadvantaged women-owned small business (EDWOSB) concerns and women-owned small business (WOSB) concerns eligible under the WOSB Program" (General Services Administration, 2023).

Agencies must participate in small business set-asides which reserve certain government acquisitions be made available only to the small business types listed above. These set-asides are open to all small businesses and can come in the form of a full or partial acquisition (NCMA, 2022, p. 175). All Federal

Government contracts that have at least two competitors and are under the \$100,000 threshold are automatically set aside for the SBA. Although the small businesses classified above will receive set-aside contracts after competition for award, the SBA is the ultimate contract holder. The SBA is considered the Prime contractor when the government awards a contract; and the SBA will then use the small business as a subcontractor. This method helps bring experience and financial growth to organizations that would otherwise struggle to build on their burdens.

“According to the 2019 Annual Business Survey (ABS), covering reference year 2018, approximately 18.3% (1.0 million) of all U.S. businesses were minority-owned, and about 19.9% (1.1 million) of all businesses were owned by women” (U.S. Census, 2022). Additional information regarding minority owned businesses are listed below and displayed in Figure 1:

- Veteran-owned businesses made up around 5.9% of all businesses with estimated receipts of \$947 billion with 3.9 million employees.
- Hispanic-owned small businesses made up close to 6% of businesses with estimated receipts of \$455 billion with 3.0 million employees.
- American Indian and Alaskan Native-owned businesses reached 25,000 businesses with around \$33 billion in receipts and 200,000 employees.
- African American-owned small businesses owned upwards of 125,000 businesses with around 35,000 of these businesses being in health care and social assistance (U.S. Census Bureau, 2022).

Most of the United States work force has entered the business world by starting out as a small business. Today, around one half of U.S. adults are self-employed or working for a small business with less than 500 employees

Table 1: Small Firm Job Gains and Losses, 1993-2008 (in millions of jobs)
Importance of Small Businesses

Net Change	Job Gains From		Job Losses From	
	Openings	Expansions	Closings	Contractions
20.7	105.2	398.3	97.7	385.1

Source: The Importance of Small Business to the U.S. Economy (saylordotorg.github.io)

(Saylordotorg, 2011). Although the split between large and small business employees is about equal, small businesses tend to hire more frequently, as well as fire more frequently. The reason for this trend is that small companies are started more often and attempt to expand, which requires them to hire often. The only issue with this is that the survival rate is poor for the small firms and can result in business closures and loss of contracts causing the release of employees (Saylordotorg, 2011). Generally, a strong economy will encourage the opening of small businesses and the expansion of existing small businesses, thus adding to the overall workforce in the U.S. economy. The opposite is true for a weak economy. A weak economy will often lead to layoffs and a decrease in the overall workforce (see Table 1).

So how do small companies help the economy? There are numerous ways that small businesses can help advance economic growth. One way to see this growth is through the compliment of small businesses to the large business industry. These smaller businesses supply the large companies with components needed to be successful at a large scale. A great example of this is the automobile industry. Many automakers rely solely on small businesses to provide the proper parts to make their vehicles. Many small firms will also provide services to large companies related to accounting, legal, and insurance (Saylordotorg, 2011). These large firms will often subcontract these types of jobs to smaller companies who can better handle the tasks that are needed. Moreover, large companies will sometimes reach out to small companies for sales responsibilities in order to more effectively reach other U.S. product markets.

Conclusion

Small businesses are obviously a vital part of our overall U.S. economy and will continue to help the overall growth of the nation. The SBA is a resource with a long overarching history that was created to strengthen the small business sector and continues to strive for the success of underutilized economic groups. These small businesses not only help themselves, but also help larger businesses foster more revenue by providing innovation, material, and knowledge to expand the growth of both companies. When there is an increase in small business start-ups, this is a sign of an economy that is doing well and should continue to grow and provide new jobs. Small businesses not only create jobs, but



Figure 1—Percentage of Employer Firms by Size of Firm (U.S. Census Bureau, 2021)

they spark innovation and provide opportunities for women and minority groups to achieve financial success and independence.

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Contributors



Canon Clark is a resident of Madison, Alabama. He earned a Bachelor of Science in Acquisition and Contract Management at Athens State University. Canon is employed by the Missile Defense Agency in Redstone Arsenal, Alabama, and is a Contracts Specialist in their Career Development Program. He is a member of the National Contract Management

Association (NCMA) and is also pursuing a Defense Acquisition Workforce Improvement Act (DAWIA) Professional Contracts Certification. In his free time, Canon enjoys spending time with his wife and family, exercising, and coaching baseball.



Jenni R. Johnston resides in Madison, Alabama, and is currently pursuing a Master of Science in Health Physics at the University of Alabama in Birmingham. She earned a Bachelor of Science in Interdisciplinary Studies from Athens State University in 2023. She has worked locally in Radiology for 18 years and has always enjoyed

taking care of her community. Her love for diagnostic imaging acted as a springboard to continue her education in radiation safety. When not working or studying, her time is filled with raising three boys. Her favorite activities include spending time with family, biking, scuba diving, and reading.

Kayla Riggs is a resident of Huntsville, Alabama. She graduated from Athens State University in Spring 2023 with a Bachelor of Science in Management and a minor in Acquisition and Contract Management.



Evan Shaughnessy lives in Huntsville, Alabama. He is married to his wife, Lara, with whom they share two beautiful daughters. He spent four years serving his country as an Officer in the United States Army National Guard and is currently working as a Contracts Administrator with Torch Technologies, Inc. He received his graduate degree in Acquisitions and Contract Management in Summer

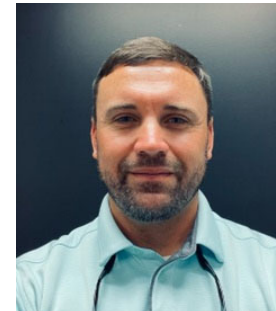
2024 and looks forward to progressing in his career by supporting those that serve our great country. During his free time, Evan enjoys spending time with his family and

on the golf course.



Tamara Slade is a resident of Huntsville, Alabama. She is pursuing a Master of Science in Acquisition and Contract Management at Athens State University, where she also earned a Bachelor of Science in both Acquisition and Contract Management and Management of Technology. She is an Army veteran

with nearly 10 years of military service and a former substitute teacher with the Madison City Schools System. Tamara is employed by the Missile Defense Agency in Redstone Arsenal, Alabama, and works as a Program Analyst in Foreign Military Sales. She holds a certification in Defense Acquisition Workforce Improvement Act (DAWIA) - Program Management at the Practitioner level. She is a member of Delta Mu Delta and The National Society of Leadership and Success (NSLS).



Matthew Cody Smith is a Project Manager for Trane Technologies in Huntsville, Alabama. He has two kids with a wonderful wife who supported him throughout his time at Athens State University. Cody completed his Bachelor of Science in Acquisition and Contract Management in Summer 2023.



Elizabeth Sparks is originally from Albertville, Alabama. She graduated Summa Cum Laude from Athens State University with a Bachelor of Science degree in Acquisition and Contract Management. She is employed with Yulista as the Director of Property and serves as the Chairwoman for the employee-led community outreach program, YulistaCARES. She has nearly 20 years of experience in the field of logistics, warehousing, and government property

management. She is an active member of the National Property Management Association (NPMA), where she currently serves as the Rocket City Chapter Vice-President. She resides in Madison, Alabama, with her husband and 4-year-old son. She enjoys spending time with family and friends, shopping, and traveling.

Contributors



Andreanna Trudell graduated from Calhoun Community College in 2018 with an Associates in General Studies, Applied Associates in Graphic Design, and Applied Associates in Electronic Imaging. In 2020, she graduated from Athens State University with a Bachelor of Arts in Computer Graphics. She is currently pursuing a Masters in Acquisition and Contract Management that she hopes to complete by Spring 2025. Andreanna currently works

at MartinFed as a Contracts Administrator. She enjoys working on art projects and spending time with her animals and family.

Business Insights

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Give us a call for more information about this publication or Athens State University.

Athens State University
300 North Beaty Street
Athens, AL 35611

(256) 216-5352

Molly.Pepper@athens.edu

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