

CHAPTER 7

Getting to Win-Win

OVERVIEW

This chapter will address your role in providing outstanding customer support using smart business practices. We need acquisition personnel that satisfy their customer's requirements by giving smart business advice. One goal of this chapter is to provide you a glimpse of the broad array of business arrangements available, which include contract language that will motivate suppliers to meet the desired schedule, control costs the government must pay, and satisfy the technical performance requirements of your customers.

Learning Objectives

Given contracting situations, explain the characteristics and responsibilities of the contracting professional in the role of a business advisor so that you will be able to contribute to mission accomplishment. Specifically, upon completion of this chapter, you should be able to:

- 7.1 IDENTIFY buyer and seller motivations.
- 7.2 DESCRIBE the types of business advice, and their financial implications, needed to determine appropriate business arrangements.
- 7.3 IDENTIFY other factors and considerations impacting a smart business arrangement.
- 7.4 DESCRIBE the motivational terms and conditions to manage risk.
- 7.5 DESCRIBE the economic role the contractor industrial base plays in government acquisition.
- 7.6 DESCRIBE contractor's financial considerations when deciding to do business with the government.
- 7.7 OUTLINE the win-win outcome and its benefits to both the government and contractor.

BUYER AND SELLER MOTIVATIONS

Having looked at the competing forces in the acquisition environment, the contracting business advisor must recognize that the buyer and seller share common motivators and have some that are distinctly different. A business advisor must also learn when to capitalize on information in preparing a negotiation strategy, determining contract type, and considering other kinds of incentives that may be useful in formulating a contract.

Seller (Contractor) Motivators

The market, the seller's financial condition, economic conditions, and the political environment motivate sellers' actions. These factors are changing constantly. It is important to remember that different sellers in the same market are likely to have different motivators. Particularly on the seller side, many of the motivators are monetary in nature and interrelated. The buyer who understands the seller's market and motivators is better equipped to negotiate and structure a business arrangement that capitalizes on them. The following list, not in any priority, includes common seller motivators.

Figure 7-1 Common Seller Motivators	
Motivator	Description
Profitability	Is essential to the success of any company. If the seller does not make a profit, he will, sooner or later, be out of business. The seller must price his products such that he covers his total costs and returns "something extra" (i.e., profit) to his investors. How a seller arrives at a price structure that achieves his market objectives depends on a number of factors, including competitor population, extent of supply and demand, and how much risk is associated with a particular business arrangement.
Market share	Is the focus when the seller is ultimately concerned with controlling the market. To this end, developing a solid customer base and establishing long-term relationships are important considerations. One strategy may be to lower prices early on, even anticipating and accepting short-term losses, in order to eliminate some of the competition while establishing or strengthening the customer base.

Figure 7-1
Common Seller Motivators

Motivator	Description
Cash flow	Serves as a strong motivation for the seller desiring to avoid taking on additional debt. Taking on additional debt may force the seller to increase revenue through increased volume and/or price increases in order to cover the interest on the additional loans. Additional debt can also cause shareholders and other lenders to lose confidence in the business. Consequently, sellers must receive timely payments from their customers to cover their costs without having to resort to borrowing more money.
Intellectual property (IP)	Contract clauses generally allow contractors to retain ownership (i.e., title) of IP rights governing the technology or information that was developed or delivered under government contracts. Consequently, sellers benefit by future uses of the IP.
Others	Achieving a technological leadership role, company survival, and image are other seller motivators. Though not as obviously monetary as others previously discussed, they also affect the pricing strategy a seller uses.

Buyer (Government) Motivators

On the buyer side, the primary motivators are those outlined in FAR 1.102. They tend to be non-monetary. The following list includes common buyer motivators.

Figure 7-2
Common Buyer Motivators

Motivator	Description
Conduct business with fairness and openness	An important motivator for the government buyer has to do with professional ethics. Whenever the buyer is acting as an agent of the government, his or her conduct must be above reproach. In the contracting arena, you must be particularly sensitive about your conduct and how others perceive you. It is absolutely essential that by your actions you do everything you can to earn and maintain the

Figure 7-2
Common Buyer Motivators

Motivator	Description
	public's trust. That means being open, honest, and fair with every member of the acquisition team — customers, technical counterparts, and contractors. Violations of these principles may result in legal action and may carry criminal and/or civil penalties.
Fulfill public policy objectives	In fulfilling public policy objectives, there are numerous socioeconomic policies that are implemented through government contract vehicles. Among them are: ■ Advertising requirements so as to increase competition by giving everyone equal access and opportunity to obtain contracts. ■ Designating certain requirements as set-asides exclusively for small business recognizing that sometimes small businesses are not capable of competing on an equal footing with large businesses. ■ Requiring government contractors to protect the environment in accordance with the law. ■ Stipulating that non-professional employees who perform work on government contracts be paid a minimum wage (set by the Department of Labor) and receive the benefits to which they are entitled by law. NOTE: When companies enter into arrangements with the government, they must comply with these policies; however, in their private sector transactions, there are no such stipulations. If they were to subscribe to such practices, it would be because it makes good business sense and not because it is required.

Common Motivators

At this point, if you are thinking that sellers and buyers share certain motivators, you are right! The following list includes motivators common to the seller and buyer.

Figure 7-3
Motivators Common to Buyers and Sellers

Motivator	Description
Customer satisfaction	Unarguably, satisfying your customer has to be everyone's top priority. Give the customer what he wants, when he wants it, with the quality he needs, where he needs it, and at a reasonable price, and you have ensured his satisfaction. In short, think: right product, right time, right quality, right place, and right price.
Minimize administrative costs	One of the most challenging issues we all face is finding new ways to streamline processes and to trim costs. In a nutshell, do what makes good business and economic sense, consistent with the complexity, estimated value, and critical nature of the requirement. One area where you see this is in performance-based contracting. There, <u>the government tells the contractor what it needs</u> , not how to satisfy the need. In his proposal, <u>the contractor explains how he will satisfy the need</u> ; the contract is then structured based on his proposal. That way, the contractor has more control and is encouraged to be creative and innovative. Because performance-based contracting is generally characterized by less government oversight, it reduces the administrative costs for both parties.
Conduct business with integrity	We have already addressed the issue of ethics as a motivator for the buyer, but in fact, professional ethics is an important matter for sellers as well. They must follow a code of conduct and act in a professional manner to gain and maintain the respect and confidence of their customers and suppliers. Behavior inconsistent with those principles could jeopardize the success and very life of their business.
Government furnished property (GFP)	GFP provided in the solicitation allows contractors to submit proposals for contracts when they might not have otherwise been able to compete. GFP allows the government to potentially obtain more competition for the contract.

BUSINESS ADVICE FOR SMART BUSINESS ARRANGEMENTS

Contracting spans the gap between government requirements and the private sector provider of the supplies or services, the contractor. Therefore, contracting business advisors are recognized as professionals with vast acquisition knowledge, outstanding business and management acumen, and demonstrated expertise in developing and applying effective business solutions to accomplish the various acquisition missions. Government contracting officers and buyers have to be willing to take prudent risks to succeed in making the fundamental business practice changes necessary to improve government acquisition.

Business Advisor Awareness

It is important for the contracting business advisor to understand the products and processes available within the commercial marketplace. They must become aware of the current and projected economic conditions, the government's requirement, and the impact of each on industry. Business advisors must be aware of business operating cycles and recognize the key drivers of investment and internal operations in decision-making. This helps them to more effectively manage risk and make effective contracting business decisions.

We have touched on the idea of motivational strategies (incentives), both monetary and non-monetary, to encourage the contractor's commitment to achieving the objectives of the project. The spectrum of motivating factors (incentives) can be understood by considering the forces that bear on the contractor, including the marketplace, political arena, and the cultural and financial environment.

Marketplace

Market forces and conditions largely determine whether or not the government can fulfill its needs with a commercial item, nondevelopmental item, or an item developed specifically for government use. Market forces will also influence the:

- timeliness and quality level of fulfillment;
- cost of the supplies or services;
- risks inherent in the acquisition;

- degree to which socioeconomic objectives can be accomplished and alternatives for accomplishing them;
- level and nature of competition for the acquisition; and
- potential tradeoffs among quality, timeliness, and cost.

Some supplies and services are required only by the government and have no commercial counterparts (e.g., weapon systems). When these government-unique (noncommercial) supplies or services create a buying condition that is generally limited in scope and competition, it may become a “captive market.”

Political Arena

This refers to the interactions among the three branches of government and the public. The interactions focus on:

- legislative authority for the program or programs to be supported by the acquisition;
- appropriations for the program or department that would fund the acquisition;
- statutes that govern the acquisition process;
- congressional oversight of specific programs or the acquisition process in general; and
- public acceptance of the acquisition.

Every major acquisition is a function of the political arena. The acquisition ultimately supports a program established through a political process and is conducted according to policies and rules that are often established through that same process.

The larger the acquisition, the more likely it is to be directly influenced by politics. For example:

- Congress may take a direct interest in an acquisition’s impact on constituents.
- The President may be concerned with an acquisition’s impact on the federal budget and his own priorities.

- Special interests may lobby for funding an acquisition, overturning it, or steering it to certain companies or regions of the country.

Cultural and Financial Environments

The cultural and financial environments are factors to be considered when developing the appropriate financial strategy from an industry perspective as well as one that meets the government's objectives. Executing a well-planned acquisition strategy can contribute to a contractor's positive cash flow and ultimately impact successful contract performance.

Not only is it essential to build an effective relationship based on mutual trust and commitment, it is also essential to use that relationship to understand the cultural and financial environment in which a requirement or program operates. Business advisors must consider and optimize regulatory and statutory influences, political and cultural factors, acquisition phase, contract type, degree of competition, commercial or noncommercial status, and inherent risks associated with the acquisition. The contractor will consider the same influences and factors, but may develop a different assessment than the government business advisor. By discussing these differences, the contractor and the government are given an opportunity to more clearly understand the other's perspective. In so doing, all parties can constructively determine the motivators of industry and government and what incentives the government can offer that will meet the goals of both parties.

OTHER FACTORS IMPACTING SMART BUSINESS ARRANGEMENTS

In addition to the monetary and non-monetary motivators that influence sellers and buyers, there are other things that affect the process. Socioeconomic, political, and economic factors can have a tremendous impact on how we shape business arrangements.

Socioeconomic Influences

Some of the socioeconomic policies were already mentioned in the section on buyer motivators, for example, setting aside certain requirements exclusively for small businesses and the requirement to pay a minimum wage.

Political Influences

In the political arena, Congress, via legislation, imposes certain requirements on the contracting process. In the last 20 years, there have been a handful of laws passed that have had a profound influence on how the government conducts business.

In 1984, the Competition in Contracting Act established full and open competition as the preferred method of contracting for the federal government. That means all responsible parties may compete. The government must make every attempt to operate in a competitive environment all the time.

In the mid-1990s, there was another dramatic change in federal contracting. FASA raised the threshold for simplified acquisitions from \$25,000 to \$100,000 and greatly reduced the paperwork and record keeping requirements for those purchases. It also mandated that market research be performed to determine whether a commercial item meets the requirement, could be modified to meet the requirement, or could meet the requirement with minor modifications. Until that legislation was passed, the federal government was rather impervious to the commercial marketplace. Government buyers relied upon rules and regulations instead of focusing on products and markets. All of a sudden, the behemoth was no longer in charge. The federal government discovered it was merely another participant in a marketplace about which it knew very little.

In 1996, the Clinger-Cohen Act further promoted the acquisition of commercial items in several ways, one of which was to exempt them from the cost accounting standards. It also approved a test program for using simplified procedures to buy commercial items up to \$5.5 million dollars (FAR 13.500).

Going back a bit farther in history, you will find the Buy American Act enacted in 1933. This Act restricts the purchase of supplies that are not domestic end products, or to put it another way, the Act gives preference to products "made in the USA". Sometimes, the domestic supplies may cost more, but the price is still fair and reasonable, and we are doing our part to support domestic sources.

Economic Influences

There are also economic influences that impact buyers and sellers, like the business cycle and globalization.

Business Cycle

The business cycle can have a big impact on company decisions. Whether the economy is in a recession or growth period will often determine how much a company is willing to invest and how hard they will compete for business.

Globalization

Competition in the global marketplace has forced companies to become more productive. They often do this by finding ways to reduce costs. This is one of the reasons why many companies that do business with the government object to costly government rules and regulations.



Today, the federal government has gone from operating in an environment where it was often the only customer and was able to dictate how things should be, to the present where it may find itself as an insignificant customer with little influence in a global market. The challenge is to shape sound business arrangements in all circumstances. To build an acquisition strategy, the business advisor should take the following steps.

Figure 7-4 Steps in Building the Business Strategy	
Steps	Action
Requirement planning	Determine what is needed by working with the customer and develop the best possible business strategy for the customer and contractor in meeting the need.
Methods for satisfying customer needs	Determine the best value strategy for the government in meeting the need (e.g., use of existing assets, governmentwide commercial purchase card, lease, type of contract, purchase order, or orders against an existing contract).
Market conditions	Commercial availability, non-developmental items, costs or price, market competition, and risks and potential tradeoffs are just a few of the market conditions that must be considered.
Industry/corporate strategy	This area involves those factors that are important in industry drivers and, more specifically, are important to the contractor (e.g., cash flow, technology improvement, new business, or market share).

Figure 7-4
Steps in Building the Business Strategy

Steps	Action
Past performance	This is important to the business advisor and companies that seek future government work. By using past performance as one of the selection tools in competitive procurements, the government sends a strong message to industry that those who do not perform to expectations may not receive future contract awards.
Risk	Costs, schedule, and performance risks are usually inherent in the goods or services to be provided by the market.

MOTIVATIONAL TERMS AND CONDITIONS TO MANAGE RISK

The terms and conditions incorporated into each awarded contract are the direct result of the strategies being used by the acquisition team. Incentives, (or motivational factors), either monetary or non-monetary, exist in every contractual document. A motivational strategy can be defined as a strategy for an individual procurement that may include several concepts and innovative applications to motivate the contractor to behave in the desired manner, while at the same time achieving the shared value the parties seek through the business relationship.

Motivating terms and conditions should correlate with expected results. Agencies should avoid rewarding contractors for meeting minimum standards of contract performance. They should instead create a proper balance between cost, performance, and schedule tradeoffs. A reward amount should correspond to task difficulty but should not exceed the value of the benefits the government receives. Verifying the effectiveness of the motivational factors used is important. Agencies should follow-up to ensure that desired results are realized (i.e., that the terms and conditions actually encourage good performance and discourage unsatisfactory performance).

Risk Factors

Risk is usually described as the probability that something could go wrong and the impact of such event, if indeed it does happen. When something goes wrong, there is likely to be a growth in costs, a schedule delay, or a negative

impact to quality or achievement of a technical requirement. To effectively manage risk, business advisors should be proactive in identifying the risk early in the planning and strategizing phase. Managing risk also means planning for elimination of any negative impact, potential barriers, or delaying events that would jeopardize meeting all requirements, on time, and at a reasonable price or cost.

- **Cost risk.** From an industry perspective, contractors want to ensure that the government assists them in maintaining a positive cash flow by understanding and helping to develop an appropriate financial strategy and helping to ensure the right color (type) and year funding is available when needed. From the government perspective, we want to ensure the contractor delivers the goods and services at the agreed to cost.
- **Schedule risk.** Both industry and the government want to ensure that the negotiated schedule is both achievable and reasonable and meets the user's expectations.
- **Performance risk.** In the current environment, many government contracts are performance-based. The government tells the contractor what results it wants them to achieve, and they provide proposals as to how they will achieve the required performance objectives.

Types of Motivational Terms and Conditions

The motivating language in the contract, or terms and conditions, can be based on price or cost, schedule, or performance. The goal of the motivating terms and conditions is to encourage the contractor to provide a quality product or service at the right time and at a reasonable price. Applying the appropriate terms and conditions to motivate the contractor is critical to developing a successful business relationship.

Cost-Based Motivating Factors

Cost-based motivational terms and conditions in the contract may target achievement of a unit cost objective or a dollar amount that the government is liable to pay. A cost motivator (incentive) is an arrangement whereby the contractor's profit or fee increases or decreases as his actual costs fall below or above the contract target cost. The arrangement must be structured to offer contractor rewards commensurate with the risks assumed. The arrangement must not create a situation in which cost is overemphasized or underemphasized relative to other procurement objectives. Satisfaction of these

criteria requires that each cost control type motivational reward reflect the characteristics and problems of a particular procurement and an individual contractor.

Schedule-Based Motivating Factors

Schedule-based motivators (incentives) target a commitment from the contractor to deliver a system or accomplish an objective at a time desired by the customer. The specific motivational terms and conditions put into a contract might provide a reward to the contractor for his commitment to and achievement of the schedule. Schedule risks may be very high since customer requirements may be very difficult to achieve or they may change and the impact of conditions cannot be predicted with reasonable accuracy. As with cost-based incentives, contractor rewards for accepting schedule risks must be consistent with the level of risk. Contractors are usually motivated by the promise of a monetary reward, such as higher profit or award fee, for achievement of the planned delivery schedule or a reduction in profit or fee when the schedule is not met.

Performance-Based Motivating Factors

Performance-based motivational terms and conditions in a contract should be considered when they would induce better quality performance. They may be positive, negative, or a combination of both. They should be applied selectively to motivate contractor efforts that might not otherwise be emphasized. The motivating terms and conditions (incentives) should apply to the most important aspects of the work, rather than to each individual task. Performance incentives should be challenging yet reasonably attainable. The goal is to reward contractors for outstanding work but not penalize them for work that is fully satisfactory but less than outstanding.

Negative Incentives

Performance-based motivating factors can also be used to discourage inefficiency through the use of negative incentives. Negative incentives include any contract provision that causes a contractor to take action to avoid an undesirable result. Deductions may be selected as a negative incentive. If selected, the deduction should represent as closely as possible the value of the service lost. This amount can be computed by determining the percentage of contract costs associated with each task.

For example, if a given task represents 10% of the contract costs, then 10% will be the maximum deduction in case of task failure. Similarly, if a task is not performed according to the requirements stated in the contract, deduc-

tions can be computed based upon tables or formulas designed to reflect the value of substandard output. The contractor will not receive full payment unless all tasks are performed or technical requirements achieved.

Effective performance-based contracts:

- define work in measurable, mission-related terms;
- contain performance standards;
- include quality assurance plans for measuring performance; and
- provide financial incentives and penalties based on performance.

Incentive Structure

The definitions of standard performance, maximum positive and negative performance parameters, and the units of measurement should be established in the contract prior to contract award. They will vary from contract to contract and are subject to discussion during a source selection for contract award. Care must be taken to ensure that the incentive structure reflects both the value to the government of the various performance levels and a meaningful motivational reward or deduction to the contractor.

Government Tools and Processes

There is a broad range of tools and processes available to the government business advisor to aid in selection of the most advantageous methods and motivating strategy for the acquisition. These include, but are not limited to:

- market research;
- customer surveys;
- industry surveys;
- cost and price analysis; and
- evaluation of past performance.

Later in this course, you will receive a more detailed discussion on the use of some of these tools.

Relationships With Suppliers

As an effective business advisor, the contracting professional routinely meets with present customers to discuss ongoing contracts and future requirements. These requirements may differ in scope, design, and delivery, generating different contractual approaches and motivating terms and conditions. The contracting professional must also be able to identify potential suppliers, previous customers of similar products, and the mission of the customers; and determine how best to meet the current customer's requirements. Although there may not be a current contractual relationship now, the contracting professional should develop good relationships with suppliers in the event that requirements are generated in the future. Establishing a business relationship with many suppliers early on leads to and facilitates enhanced communication between both parties.

CONTRACTORS' ECONOMIC ROLE

It is crucial that companies have a desire to become and remain a part of the acquisition environment. It is your responsibility to demonstrate to them through creative financial arrangements and other incentives you want them to succeed and be profitable. We will look at the economic role that contractors play in government acquisition.

The government looks to companies to invest in research efforts to develop new technologies to support its missions. You might be surprised to learn small businesses are quite adept at developing new technologies for insertion into existing systems, which saves time and money and ultimately provides a more efficient system. It is in the government's best interest to offer incentives, like paying higher profits, to encourage companies, both large and small, to continue their research efforts.

The government also looks to contractors to be creative and innovative about solutions to other problems it faces. To encourage contractor interest in government acquisition, it should be more attractive for them to do business with the government.

In DoD, Michael Wynne, USD AT&L, established seven goals for himself and his organization. One of those goals is to “improve the health of the defense industrial base.” Contractors play a vital role in achieving that goal. A strong defense industrial base supports a healthy economy and vice versa. Being able to provide weapons, technology, and support to the warfighter in an efficient and effective way is DoD’s overall primary objective.

According to Mr. Wynne, unused facilities and industrial infrastructure create a tremendous financial drain that affects everyone, from private companies to taxpayers. When industry finds ways to reuse and realign that infrastructure, they should share in the savings. A sharing arrangement is another solution the government may use to entice a new contractor to begin working in the defense business or to encourage another to continue in it, thereby strengthening the contractor industrial base.

CONTRACTOR CONSIDERATIONS IN DOING BUSINESS WITH THE GOVERNMENT

It is important for the government buyer to understand why companies choose to do business with the government.

Government contracts represent an “investment” opportunity to a commercial business. In the private sector, people invest in companies to make a profit — in the form of income for the sole-proprietor or partner, or as dividends and increasing stock prices for a stockholder. As a result, companies strive to maximize the wealth of the business owners. They do this by balancing the drive for profits with the risks associated with obtaining those profits. For example, a company may accept a lower profit on a contract if there are favorable financing provisions that increase their cash flow. Why? Because increasing their cash flow means they need to borrow less money, which reduces their risk.

Measures of Return

Companies use many measures to decide whether or not to bid on a government project. Some of the more common measures include:

**Return on Equity
(ROE)**

A financial ratio used to measure how effectively stockholder investments are being managed. This is also called return on investment.

**Return on Assets
(ROA)**

A financial ratio designed to measure how well a company is using its assets in generating an operating profit. ROA is also known as return on capital or return on capital employed.

**Return on Sales
(ROS)**

A financial ratio calculated by dividing net profit by net sales or revenue.

Using measures such as these, which you will learn more about in the Zodiak game, many companies use what is termed a “hurdle rate.” That is, they will not bid on a project unless it provides some minimum return on their investment. Unless it clears this investment “hurdle,” they will not compete for the business. The objective in using these measures is to quantify risk versus return when making business investment decisions.

Why are measures of return important to the government buyer? Good buyers are always looking for ways to increase competition and encourage more businesses to compete for government business. Because cash flow and investment returns are so critical to industry, buyers need to understand how financial terms and conditions affect the business arrangement and whether or not they are a positive or negative incentive for industry to do business with the government.

Contract Financing

One of the primary positive incentives available to the contracting professional to encourage industry to do business with the government is contract financing.

The basic rule in government contracting is that government agencies do not pay for goods and services until they are delivered and accepted. However, Congress permits agencies to provide contract financing to vendors. Since the government is able to borrow money at lower interest rates than a business, it is cheaper for the government to loan the vendor the money than it is for the vendor to get a bank loan. The government prefers not to finance;

however, the government may provide financing as a means of increasing competition or as a bargaining tool in reducing the price of the award.

Various financial arrangements can be made to meet a contractor's needs. The strategy that makes the most sense will vary according to the nature of the contract. The contracting professional should become well versed in all the possible arrangements and their impact on a vendor's business. For example, one type of financing covers 80% of the costs a vendor expends (but does not include profit) while another type of financing will cover 90% of the total contract price, which does include profit. Another example is making progress payments. Normally, the government pays for products and services after they have been delivered. With progress payments, the government pays along the way, for work completed, based on a set percentage. Progress payments and the cash flow they generate could be just the inducement a company needs to get or keep its interest in the defense business.

Performance-based payments (PBPs) are another effective way to provide contract financing, with reduced burden on both the government and industry. PBPs can be provided "...only to the extent actually needed for prompt and efficient performance." (FAR 32.104) The contractor's payment is based on achievement of a defined product increment or milestone. The use of PBPs will be viewed as a motivator to contractors who might not otherwise be able to compete or have the opportunity to successfully perform for a variety of legitimate reasons.

Which arrangement is best depends on factors such as length and amount of contract and how much risk the vendor undertakes in performing the work.

A WIN-WIN OUTCOME

In negotiations, a "win-win" outcome is one with which both parties are truly satisfied. A "win-win" outcome in government contracting would be one where the government obtains the best value possible to satisfy its requirement — quality product or performance at a fair price — and the contractor receives a fair price for what he provides.

Path to Win-Win

But how does that happen? The first step is open and frank communications among all the members of the acquisition team, including contractors. You

must make every effort to include anyone with an interest in the requirement as a team member with an equal voice. That initial association is crucial so that the team will collectively, and individually, support and take responsibility for the decisions the team makes. Trust will build as the team sets goals and develops a well-organized plan to reach those goals. Management will empower the participants to make decisions and take action. Finally, working as a team will ensure that the team's interests, rather than individual functional area interests, will be the focus.

Benefits of Win-Win

When people work together and are focused on the objectives they have set, the team will do whatever it can to achieve those objectives. You will get better agreements because every member shares his or her concerns and issues, and the group then decides what best serves the group's interests overall. Although individual members may not completely agree with a particular decision, they will respect the decisions of the team. You cannot work together like that and not develop strong relationships based on the trust and respect you gain for one another, and you will work hard to maintain those relationships. Although the process may not be quick and easy, it will save time and money because as the work begins and problems start to surface, the team will work together to arrive at solutions that satisfy everyone involved. The bottom line is that everybody wins. The government gets a quality product, on time, and at a reasonable price. The contractor gets a good business arrangement that meets his needs. The taxpayer gets responsible action by government personnel who are working to support the agency mission.

SUMMARY

Acquisition teams need knowledgeable and technically competent contracting professionals that address customer requirements and ensure customer satisfaction by providing smart business advice. In this chapter, you learned about the knowledge and competencies required of the business advisor, factors to consider when shaping business arrangements, motivating factors, and advantages of providing good advice to teams members. Other chapters will offer more detail for using various business arrangements and methods to improve contractor performance through schedule, cost, delivery, and quality motivating language in contracts. These motivational considerations are often called incentives. The contracting professional/business advisor is a critical member of an effective and efficient acquisition team. However, to be

recognized as a valued team member, one must be customer centric, possess the technical and business expertise, and have the skills to function as an effective team member.

Requirement planning, the methods for satisfying customer needs, market conditions, industry or corporate strategy, past performance, and risks affecting costs, schedule, and performance are all important factors when developing successful business strategies. The business professional will learn to identify schedule, cost, and performance risks early in the acquisition planning phase and develop business strategies to mitigate or manage these risks.

Motivations are an integral part of the acquisition business for both buyers and sellers. To select the best business strategy, you, the buyer, must understand the seller's motivations and constraints as well as your own. Always keep in mind the importance of the contactor community to the success of your acquisition and to the success of your country in general. The more you understand, the better prepared you will be.

CHAPTER REFERENCES

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