

# THE CONTRACT PROFESSIONAL'S PLAYBOOK

The Definitive Guide to Maximizing Value through Mastery of Performance and Outcome-Based Contracting

## Table of Contents

Glossary of Terms.....	3
Chapter Introduction.....	11
Enhanced Skill Set .....	11
The Enhancement? Negotiation Skills That Flow Freely Across the Continuum.....	12
Three Major Negotiation Phases .....	13
Redefine Your Role Away From Gatekeeper .....	14
Define the “Best Deal” for Your Organization .....	15
Program Overview .....	16
How To Use This Manual.....	16
Symbols.....	16
Chapter 1 Maximize Value in Your Relationships.....	18
Trust Ensures Productive Collaboration.....	18
Social Norms to do Business By.....	19
The Connection Between Relationships and Profit .....	21
Managing Opportunistic Behaviors.....	22
Chapter 2 The Contract Life Cycle.....	24
Three Major Contract Life Cycle Phases.....	24
Three Functions of Post-Award Contract Life Cycle .....	24
Contract Terms and Conditions are Important .....	25
Section I Pre-Award Phase.....	26
<i>For Sellers</i> .....	26
Principle Goal .....	27
Chapter 3 The Connection between the Acquisition Approach, Contract Type, and Level of Contract Management.....	29
Introduction.....	29
The Acquisition Approach: Relationship and Contract Type.....	29

# THE CONTRACT PROFESSIONAL'S PLAYBOOK

connecting drafting and negotiating contracts to contract management

<i>Acquisition Approach/Contract Type</i> .....	30
Performance-Based Contracts.....	32
Matching the Level of Contract Management to Acquisition Approach.....	33
Contract Management/Risk Goals.....	34
<i>Commodity or Simple Transaction</i> .....	29
<i>Master Contracts</i> .....	29
<i>A Note about Sole/Single Source Vendors</i> .....	30
<i>Strategic Vendor</i> .....	32
Contract Language.....	37
<b>Chapter 4 Increasing Your Influence with Stakeholders</b> .....	<b>38</b>
Introduction.....	38
Why Work with Stakeholders?.....	38
Definition of Stakeholder.....	38
Who Are Your Stakeholders and What Do They Care About? A Two Step Analysis.....	39
<i>Step 1 Identify the Stakeholders and their Concerns</i> .....	39
<i>Step 2 Identify Your Key Decision Makers</i> .....	41
Make the Message Attractive To the Stakeholders.....	43
<i>Rule 1-Make the Information, Data, Proposal, Counteroffer, or Solution Attractive</i> ....	43
<i>Rule 2-Make Complex Information Simple</i> .....	43
<i>Rule 3 - Actively Listen to Your Stakeholders</i> .....	44
<i>Rule 4 - Leverage Common Ground</i> .....	44
<i>Rule 5 - Craft a Message that Speaks to Both Final Decision Makers</i> .....	44
Clarifying Questions.....	44
Will This Really Work?.....	45
<b>Chapter 5 Developing Contract Requirements</b> .....	<b>47</b>
Connection Between Pre-Award Requirements and Post-Award Contract Management.....	47
Step #1 Outline the Business Objectives.....	49
Step #2 Understand and Document the Functional and Technical Specifications.....	51

# THE CONTRACT PROFESSIONAL'S PLAYBOOK

connecting drafting and negotiating contracts to contract management

<i>Mapping Out a "Hybrid" Scope of Work</i> .....	52
Developing Requirements for Highly Strategic Work .....	52
<i>Strategic Relationship Requirements Spreadsheet</i> .....	55
Step #3 Refining The Requirements Using Performance Measures (Metrics, SLAs and KPIs).....	58
Defining Performance Standards.....	59
<i>Metrics</i> .....	59
Service Level Agreements.....	60
<i>Why SLAs Don't Always Guarantee Performance</i> .....	61
<i>Best Practices for Developing SLAs</i> .....	62
A Tip for Working with the Contract Professional.....	63
Creating a Scorecard.....	63
<b>Chapter 6 Pricing Types/Models (fixed fee, cost pass thru, etc.)</b>	
<b>Pro's con's etc.</b> .....	66
Firm Fixed – no adjustments .....	66
Firm fixed with a econ adjustment.....	66
Firm fixed with incentive.....	66
Time and Materials – loaded hourly rates etc. ....	67
Cost Plus a Fixed Fee (usually the management fee and profit margin).....	67
Cost Plus Incentive Fee .....	68
<b>Chapter 7 Identifying, Analyzing and Documenting Risk</b> .....	70
Introduction.....	70
Definition of Risk.....	71
Risk Management in the Contract Life Cycle .....	72
<i>Risk Identification</i> .....	73
Reducing and Controlling Risk .....	76
Risk Categories .....	74
<i>Three Broad Categories of Risk</i> .....	74
Four Ways to Address Risk in a Contract .....	75

# THE CONTRACT PROFESSIONAL'S PLAYBOOK

connecting drafting and negotiating contracts to contract management

Risk Management Goals: Minimizing, Monitoring and Controlling Risk.....	75
<i>Minimizing Risk</i> .....	76
<i>Monitoring Risk</i> .....	76
<i>Controlling Risk</i> .....	76
Principles Relating to Risk Identification and Assessment.....	70
Communication as a Tool for Controlling Risk.....	71
Communicating Risk Mitigation and/or Allocation in the Contract.....	72
Customer/Supplier Operational Interdependencies.....	82
<i>Map out the dependencies</i> .....	83
<i>Statement of Work</i> .....	83
<i>Contract Terms</i> .....	84
<i>Risk Monitoring Template</i> .....	85
Financial Risks.....	86
Introduction.....	86
Due Diligence.....	87
Monitoring Risk.....	88
<i>Contract Terms</i> .....	88
Hybrid Contracts.....	89
Introduction.....	89
<i>Contract Terms</i> .....	90
Intellectual Property Risks.....	91
Introduction.....	91
1. <i>Technical and Functional Requirements</i> .....	92
2. <i>Legal ownership and protection issues</i> .....	92
3. <i>Aging Existing Software Contracts</i> .....	93
<i>Contract Terms</i> .....	93
Section II - Award.....	96
Principle Goal.....	96
Chapter 8 Prepare to Effectively Negotiate Price.....	97

# THE CONTRACT PROFESSIONAL'S PLAYBOOK

connecting drafting and negotiating contracts to contract management

Price, Total Cost and Value.....	97
The “Priceberg” .....	98
Types of Analysis.....	99
Value Analysis .....	101
Four Types of Value.....	101
<b>Chapter 9 Mastering Price Negotiations.....</b>	<b>103</b>
Haggling .....	103
Plotting Distributive Negotiations (Price Only).....	104
Plotting Integrative Negotiations (Price and T&C's).....	108
<i>Manually Stack Racking and Weighting</i> .....	111
<i>Data Driven Stack Racking and Weighting</i> .....	113
<b>Chapter 10 Effectively Making Tradeoffs.....</b>	<b>115</b>
Tradeoffs.....	115
T&C's.....	115
Concessions.....	116
When an Organization Cannot Make Tradeoffs.....	118
Planning Tips to Effectively Make Tradeoffs.....	118
<b>Chapter 11 Stay Curious to Get a Good Deal.....</b>	<b>121</b>
Clarifying Questions.....	121
Using the Answers to Make Counteroffers .....	122
<i>Avoid These Two Mistakes</i> .....	122
Meet Their Needs.....	123
<b>Chapter 12 Know and Use Your Leverage.....</b>	<b>125</b>
Three Forms of Leverage .....	126
<i>Positive Leverage</i> .....	126
<i>Negative Leverage</i> .....	126
<i>Normative Leverage</i> .....	127
Single and Sole Source Negotiations .....	128

Chapter 13 Tactics .....	130
Tactics.....	130
Making WISE Threats .....	130
Hardball Tactics .....	131
<i>Transparency</i> .....	132
Would You Ever Share Your BATNA? .....	133
Chapter 14 Two Types of Strategies.....	134
Roadmap Strategy .....	134
Situational Strategies .....	136
Planning Tips to Develop Your Negotiation Strategies .....	137
Chapter 15 Bidder Objections: Taking Issues to Stakeholders for Approval.....	139
Introduction.....	139
Standard Terms.....	140
<i>The Purpose of Negotiating Redlines</i> .....	140
Your Role.....	141
Approach.....	141
1. <i>Understand the apparent successful bidder's concern</i> .....	141
2. <i>Stakeholder Analysis</i> .....	142
3. <i>Develop an Agency position</i> .....	143
4. <i>Develop a tracking sheet</i> .....	144
5. <i>Communicate with the Agency stakeholder</i> .....	144
Section III Post-Award.....	145
Principle Goal .....	145
<i>For Sellers</i> .....	145
Principle Goal.....	146
Chapter 16 Monitoring, Managing and Relationship Governance .....	147
Characteristics for Success .....	147

# THE CONTRACT PROFESSIONAL'S PLAYBOOK

connecting drafting and negotiating contracts to contract management

<i>Tips</i> .....	148
Three Duties.....	148
1. Administration.....	148
2. Monitoring.....	148
3. Relationship Management.....	149
Administering a Contract.....	150
Invoicing and Payment Checklist.....	150
Monitoring Performance.....	1050
Developing a Contract Summary.....	151
Frequency of Monitoring.....	151
Develop your Contract Management Checklist.....	153
Approvals and Acceptance.....	153
Types of Acceptance.....	154
Approvals.....	156
Agency Acceptance and Approval Obligations Checklist.....	156
Relationship Management.....	157
Kick-Off Meeting.....	158
Long-Term, Complex Relationships.....	158
Complex Governance Structures.....	160
Definition of Governance.....	160
Purpose of Governance Mechanisms.....	161
A Structured Approach Prevents "Strategic Drift".....	161
Three Steps to Develop a Vendor Governance Structure.....	162
Step #1: Create a Tiered Management Structure.....	162
Step #2: Establish Peer-to-Peer Communication Protocols.....	164
Step #3: Develop a Communications Cadence (frequency).....	165
Moving to Insight.....	166
Advanced Governance Transitioning the Work.....	167
Introduction.....	167
Collaboration is Critical.....	168

# THE CONTRACT PROFESSIONAL'S PLAYBOOK

connecting drafting and negotiating contracts to contract management

Three Elements of a Transition Plan .....	168
1. <i>Develop the Transition Plan</i> .....	168
2. <i>Develop a Process to Maintain Continuity of Resources</i> .....	169
3. <i>Develop an Effective Communication Campaign</i> .....	170
Advanced Risk Assessment .....	170
<b>Chapter 17 Contract Modifications</b> .....	<b>171</b>
What is Change.....	171
The Contract Manager's Role in Change Management.....	172
Some Reasons for Change .....	172
Change Requires a Control Process .....	172
A Word of Caution .....	173
<i>Change Management Checklist</i> .....	174
<b>Chapter 18 Dispute Resolution</b> .....	<b>176</b>
Definition .....	177
Contract Manager's Role.....	178
An Informal Process to Resolving Disputes.....	178
<i>Step 1 - Gather information from all sides of the dispute</i> .....	178
<i>Step 2 - Create a safe meeting to talk about things</i> .....	178
<i>Step 3 - Build your bridge to resolution through shared interests</i> .....	178
<i>Step 4 - Validate that the solution will functionally work</i> .....	178
<i>Step 5 - Document, document, document</i> .....	179
Facilitation Skills .....	179
Mediation Skills.....	180
When Issues Persist .....	181
<b>Chapter 19 Managing Power</b> .....	<b>182</b>
Two Perspectives on Power .....	182
Five Sources of Power .....	183
I'm not as powerful as they are!.....	183
<i>Self-Professed Powerful Negotiators</i> .....	184



# THE CONTRACT PROFESSIONAL'S PLAYBOOK

connecting drafting and negotiating contracts to contract management

Mitigate Power Imbalances .....	185
Leveling the Playing Field .....	185
<b>Chapter 20 The End: Contract Closeout, Lessons Learned, Termination and Exit Management .....</b>	<b>186</b>
Contract Close Out .....	186
<i>Three Purposes</i> .....	187
Lessons Learned .....	187
<i>Lesson's Learned Checklist</i> .....	189
Termination .....	189
Two Primary Termination Provisions.....	190
<i>Termination for cause, default, breach, etc. and Termination for convenience or     cancellation</i> .....	190
Sample Termination Language .....	185
CM 401 Exit Management.....	185
Introduction.....	183
Termination Clauses Are Not Exit Management Plan.....	183
Best Practice—Develop the Plan During Contract Development.....	183
The Exit Management Plan.....	183
<b>About Jeanette Nyden .....</b>	<b>186</b>
<b>List of Tools .....</b>	<b>186</b>