

# INSIDER REPORT 2015

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**THE PAIN AND PERIL  
OF PROCUREMENT DELAYS**

# The Pain and Peril of Procurement Delays

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**Procurement delays have always been a fact of life in the government market**, but traditionally, it's the complex and politically charged procurements that experience significant delays.

But in recent years, tradition has gone by the wayside as the results of our WT Insider Report, *The Pain and Peril of Procurement Delays*, amply demonstrate.

Delays have become rampant across a broad spectrum of contracts and are having an impact on large, small and mid-tier contractors.

We surveyed Washington Technology readers, asking them to describe how often they experience delays, when those delays are occurring and what they are doing to mitigate the delays.

Some of the highlights of our survey of contractor executives illustrate the severity delays are having in the market:

- 88.5 percent said that their projects are frequently delayed.
- 60.7 percent said that more than 50 percent of the current contracts they are pursuing have experienced delays.
- 37.2 percent said the delays typically last seven to 12 months.
- 35.4 percent said the delays led to decreased revenue.

Our report dives deeper into these results as well as other areas, such as when the delays occur in the lifecycle of a procurement. We also asked about what factors are causing procurement delays.

Interestingly, the contributing factors question drew a significant number of written comments, with the most common comment being that government customers give no reason for delaying procurements.

Perhaps one of the more distressing findings of the report is that 95 percent of our respondents believe that procurement delays are increasing. This doesn't bode well for the market.

Several of our questions gave respondents an opportunity to provide written comments on topics such as possible benefits to procurement delays, why delays are increasing and what parts of their businesses suffer the most.

These comments offer insights into the pain companies are feeling because of procurement delays, and the financial and operational risks the rampant delays pose for government contractors.

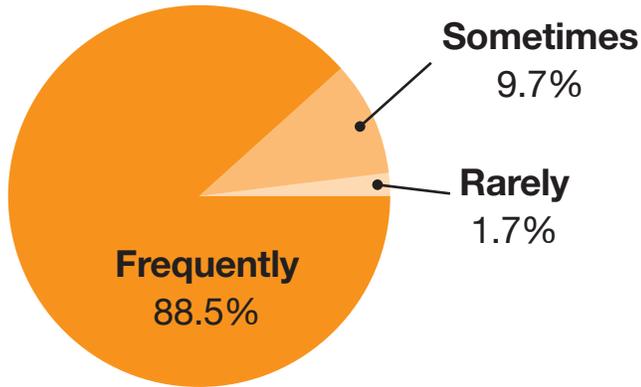
As always, we welcome your feedback on how we can make this and future reports more valuable and useful to your business. Email us at [WTInsider@WashingtonTechnology.com](mailto:WTInsider@WashingtonTechnology.com).

A handwritten signature in black ink, appearing to be 'NW', with a long horizontal line extending to the right.

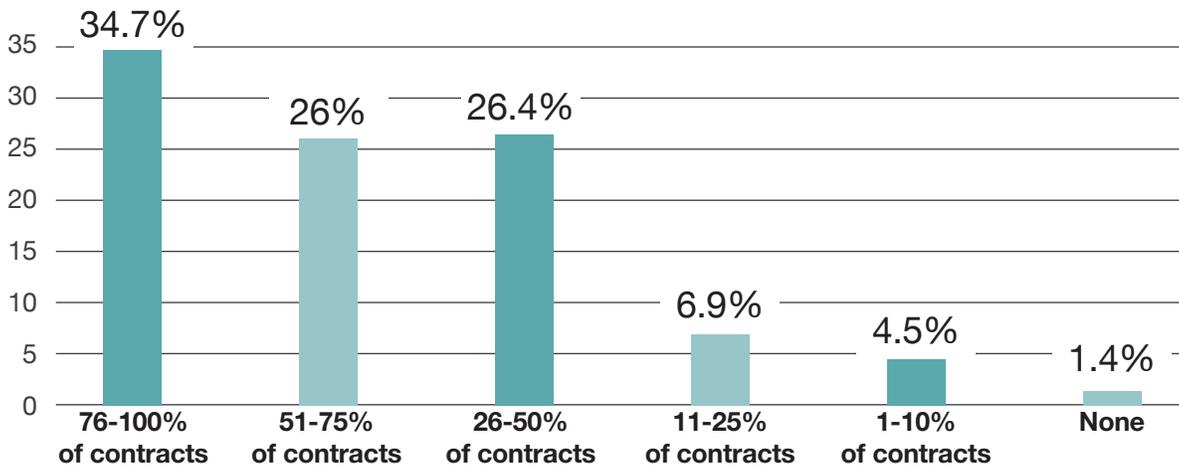
Nick Wakeman, Editor-in-Chief

## Frequency of Procurement Delays

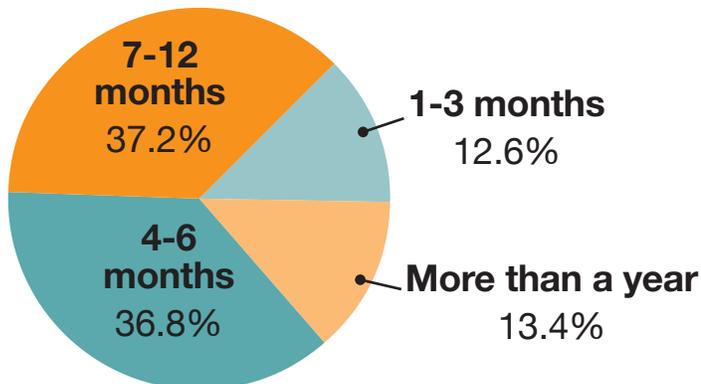
How often do you see contracts or projects delayed?



Of the current group of contracts you are pursuing, what percentage have experienced a delay?

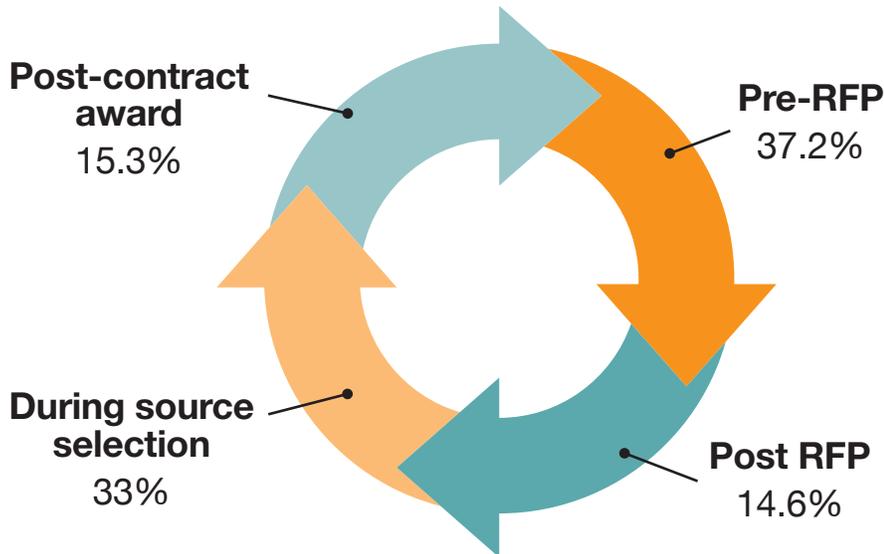


How long are procurements typically delayed?



## Timing of Delays

### When are contract delays most common?

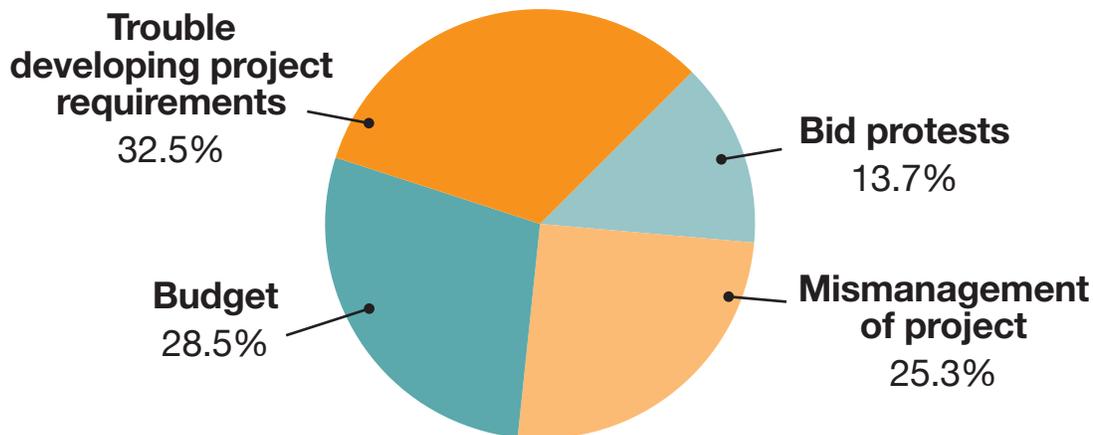


This survey question revealed that most delays are early in the lifecycle of a procurement with 37.2 percent of respondents saying that they saw delays in the pre-RFP stage of a procurement. This finding disputes some of the prevailing wisdom that bid protests are the major culprit for delays in procurements.

Our question on the primary reason given by customers for delays [See chart, page 8] is consistent with the findings here as the most frequent reason given was trouble developing project requirements which occurs during the pre-RFP stage of a procurement. Bid protests were the least frequently cited reason for delays.

## Reasons for Delays

What is the primary reason given by customers for delaying their procurements?



The high percentages that the reasons “Trouble developing project requirements” and “Mismatch of project” received point to the challenges many agencies face because of overworked and often inexperienced contracting staffs. When you don’t have enough experienced procurement officials, you are going to have trouble developing requirements and mismatch.

Problems in this area also informed the results of our question on the timing of delays [See chart, page 7] where the most frequent response was that delays occur in the pre-RFP stage of a procurement.

The relatively low percentage that bid protests received is consistent with the finding that delays to contractors are less frequent post-award [See chart, page 7].

This question also gave respondents an opportunity to provide written comments on the reasons customers give for delays. In what surely must be a source of frustration for contractors, 36 percent of the written comments said government customers gave no reason for the delays.

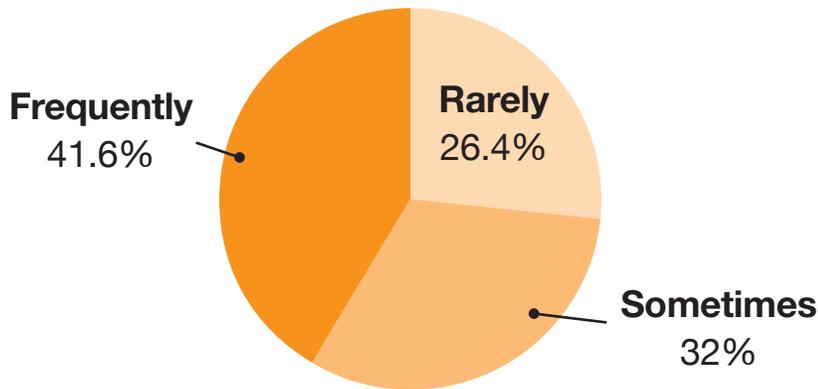
One respondent wrote: “Generally no reason is provided and when a reason is provided, it is not helpful.”

## Reasons for Delays (continued)

Respondents also said they see delays because of a lack of resources for the contracting officer, a failure to anticipate the volume of bids for a contract, and government staffing issues.

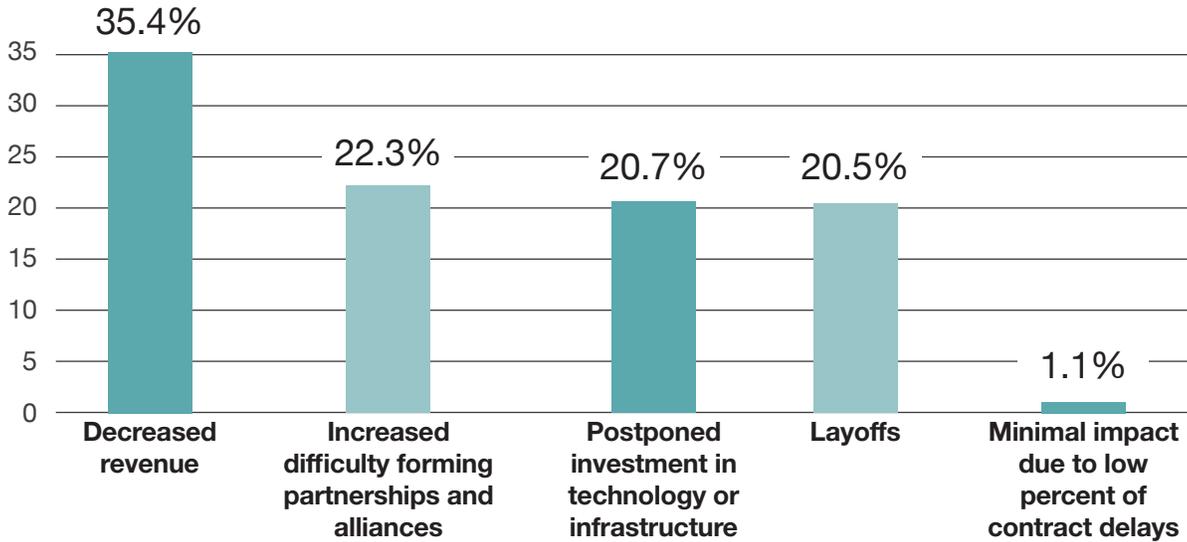
While bid protests were not frequently cited as a reason for procurement delays overall, they are still a factor as this chart illustrates.

### How often do you see bid protests delay the start of a contract you have won?



## Impact on Your Business

### How have delays impacted your business?

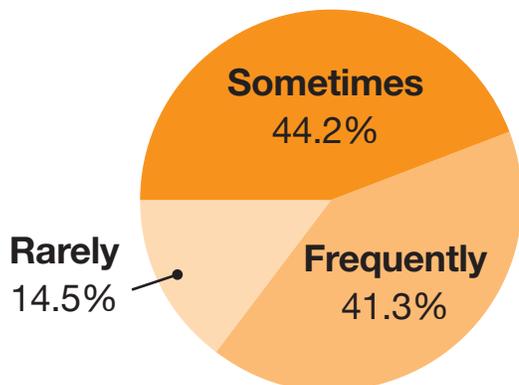


Written comments to this question revealed many challenges companies face when procurements suffer delays. Several commenters mentioned increased costs, difficulties managing personnel, lower employee morale and the challenge of forecasting revenue and meeting financial expectations.

Several also complained that their government customers have little appreciation for the impact delays have on contractors.

“Our customer rarely acts as if the delay has consequences for the government or the supplier,” one wrote.

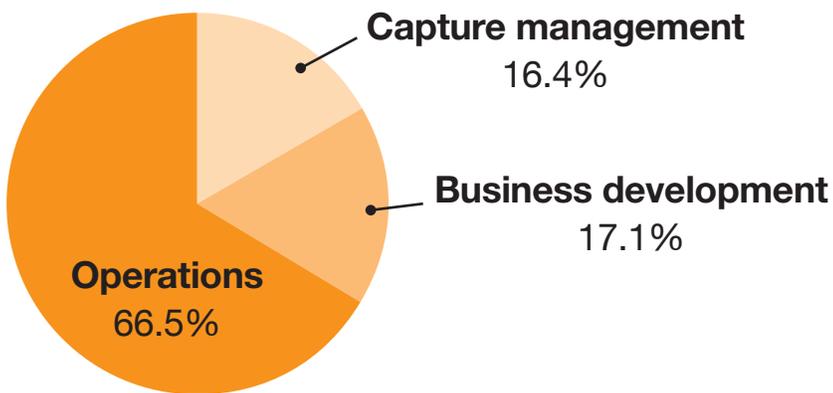
### How often do you see work shift from one contract to another because of delays?



## Impact on Your Business (continued)

The findings of the work shift question support the anecdotal evidence we hear from companies who have told us that delays are causing agencies to shift work from one contract vehicle to another. For example, delays in getting the Homeland Security Department's Eagle II contract awarded forced DHS to move some work being performed under Eagle I to other contracts because Eagle II wasn't available when those task orders needed to be recompleted.

### What part of your business suffers the most when contract delays occur?



Many of the written comments that accompanied this question indicated that the negative impact of procurement delays is felt broadly across their companies.

"Every aspect of our business is hurt," one wrote.

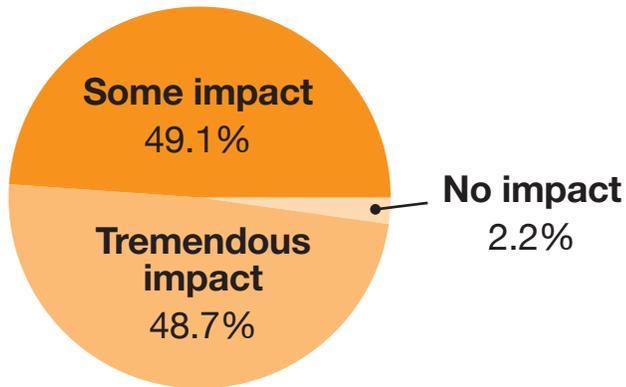
"Capture and BD costs increase as you continue to monitor, answer questions, and hold resources that could be used elsewhere. Operations suffer because the human capital is difficult to stabilize," another wrote.

Managing personnel was a frequently cited impact. Delays make hiring difficult, so companies are at risk of losing good candidates. Valuable staff often sits idle waiting for delays to be resolved, which raises overhead costs.

As one wrote, "You cannot keep a bench of skilled engineers to respond when needed."

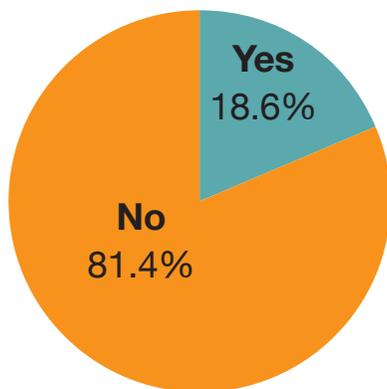
## Impact on Your Business (continued)

### How do procurement delays impact your company profits?



The high percentage that Tremendous impact received for this question puts a bright spotlight on the financial risk contractors face because of procurement delays.

### Has your company seen any benefits from contract delays?



While an overwhelming majority see no benefits to procurement delays, it is interesting to look at the written comments to this question. Most of the respondents talked about the benefit to incumbents when there are delays because delays often result in extensions to existing contracts.

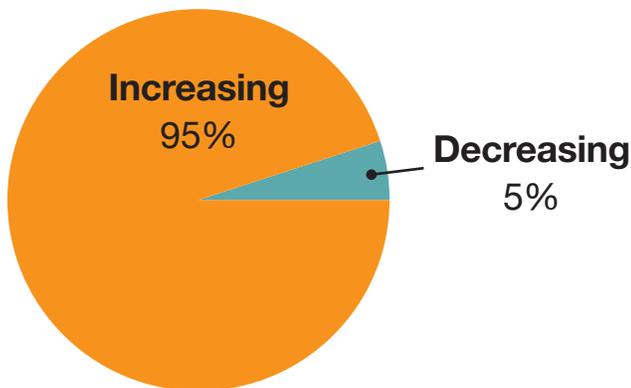
Incumbents reap financial rewards because older contracts generally have higher rates and bring in more revenue than newly competed contracts.

## Impact on Your Business (continued)

“We have had several contracts extended due to the inability to complete a follow-on competition in a timely manner,” one person wrote.

Respondents also said that delays give the government more time to develop the contract, which results in better requirements. A benefit for contractors is that they have more time to develop a solution.

### Are contract delays increasing or decreasing?



The budget was the most frequently cited reason respondents said they believe contract delays will increase.

“The instability of budgets and yearly inability of Congress to pass a defense budget prevents new starts from occurring until late in the fiscal year,” one wrote.

Budget and funding problems mean that contractors and their customers do not have consistent visibility into when funding will come through.

“The federal budget has not been predictable in years,” another wrote.

Other reasons frequently cited included a lack of experienced contracting officers, poor planning by the government, and greater levels of review before a contract award.

## Actions to Mitigate Delays

We asked a final open ended question to collect information on the actions contractors have taken to mitigate the impact of procurement delays.

The answers ranged from diversification strategies to increasing protests to focusing on the commercial market.

Sadly, several mentioned that they have had to conduct layoffs. Many are hiring more part-time and contracted personnel. Contingency hiring also was frequently mentioned.

To retain valuable personnel, companies try to shift workers from one project to another, rather than layoff people they want to retain long term.

Many said they are building delays into their planning process particularly in the business development area.

Some also said they are bidding on less work with the government. “We can’t have multiple large opportunities in limbo for months on end, tying up resources,” one person wrote.

As procurements are delayed, companies are delaying investments in infrastructure and are cutting back on training and travel.

Many also said they are trying to build closer relationships with the customers and key partners. Several mentioned they want to better understand their customers’ processes.

One respondent said they want “early, frequent, aggressive communications with customers.”

There is a need to “start sooner and drive the process,” another wrote.

But there also is a sense of resignation. “You really can’t do anything but wait,” one person wrote.

“There is nothing one can do to mitigate contract delays,” another said.

## Conclusions

Procurement delays are bad for contractors and bad for the government, and they seem to be getting worse.

The respondents in our survey paint a bleak picture of the impact of procurement delays. The current environment of frequent and widespread procurement delays mean:

- It is very difficult to make investment decisions.
- Employees are frustrated and lose motivation.
- There is an expectation that the best employees will leave the government contracting industry if this trend continues.
- Profitability and productivity will decline.
- The government customer will ultimately suffer from poor productivity and a lack of innovation from industry.

These are the harsh realities of today's market, but the reaction shouldn't be to wring your hands in despair.

Many respondents said their reaction to procurement delays has been to emphasize customer relationships, focus on efficiency and make better decisions on what contracts to pursue.

The budget and government staffing problems were frequently cited as driving factors of procurement delays, but they are factors that contractors have no control over.

The key to weathering the pain and peril of procurement delays is to let go of what you can't control and focus on what you can – customers, partners and your own internal processes.