

INSIDE THE MIND OF YOUR
**GOVERNMENT
CUSTOMERS**



INSIDER
REPORT
2017

Table of contents

Welcome	3
Overall Performance	5
Rating the Overall Group of Contractors	7
Top Factors When Choosing a Contractor	10
Where is the Relationship Headed	12
Conclusion	22
 Appendix	
Methodology	16

Inside the Mind of Your Government Customer

Understanding what your government customer values and how they judge your performance can help drive your success in the market.

In our latest Washington Technology Insider Report, we asked government decision makers to share what they think about the contractors that serve them.

We focused on several attributes such as technical expertise, teamwork and customer knowledge. We asked them to rate contractor performance in these areas and others.

Price, of course, is an important factor when picking a contractor but not the only one. Higher on their priority list is technical expertise and teamwork.

We asked these decision makers to grade their overall group of contractors as well as their single best contractor and the gap between those grades point to critical areas where contractors need to improve if they want to be considered their customer's best contractor. These include technical expertise, customer knowledge and better processes.

But whether government customers are talking about their overall group of contractors or their single best, our research shows that there is plenty of room for contractors to improve their performance.

We explore these areas in more detail in the charts and commentary that follow this introduction.

This is the second time we have conducted this research so we also compare today's results with the results from 2014 to analyze the trends influencing the relationship between contractor and customer. This includes challenges they see in the market, the state of the relationship and what government decision makers think you can do to improve the partnership. Our Insider Report will help you better understand your customer, what they value and how they see your performance, all of which are critical to improving your performance and finding more success in the market.

As always we invite your feedback and suggestions on this and other Insider Reports.

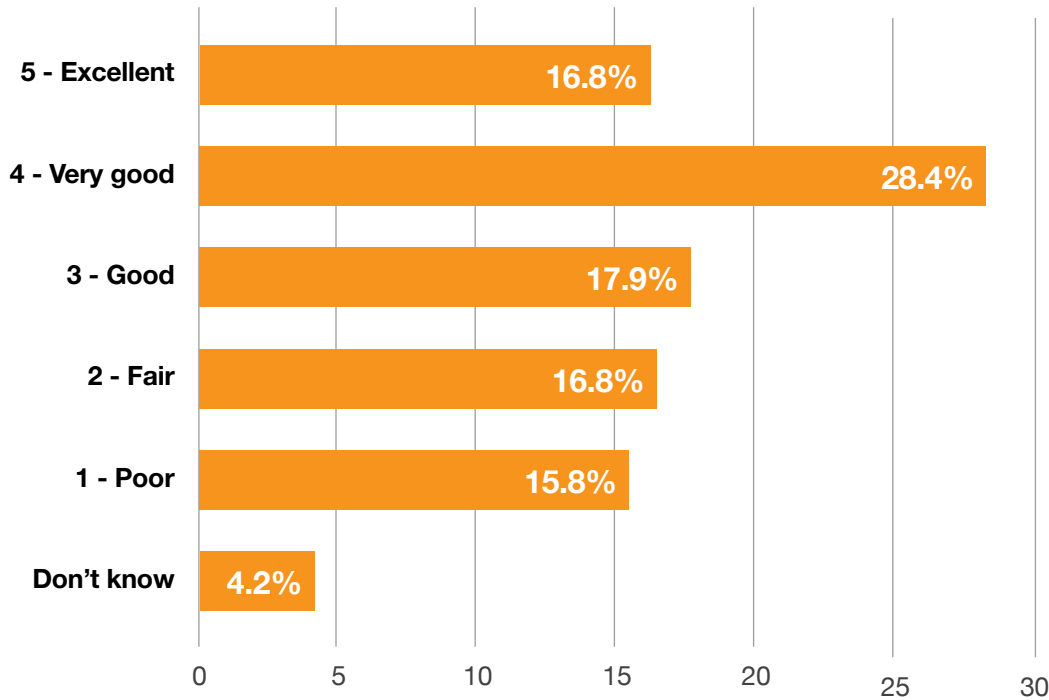
Email us at WTInsider@WashingtonTechnology.com.

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

Nick Wakeman, Editor-in-Chief

Overall Performance

How would you rate the overall performance of your contractors?

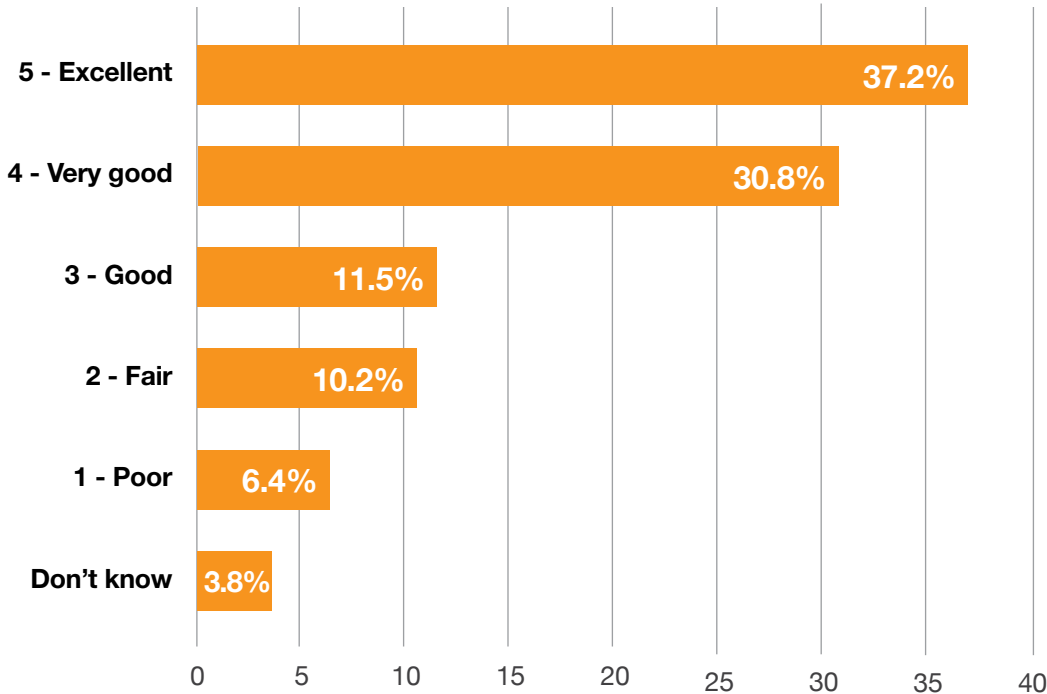


As this chart indicates, government customers see serious problems with the overall performance of their government customers. Nearly a third of respondents said that the performance was either poor (15.8 percent) or fair (16.8 percent.)

This looks even worse when you compare the results to what respondents said in 2014 when only 1 percent graded contractor performance as poor and 13 percent graded it as fair.

That shows a serious downward slide in the performance of government contractors in recent years.

How would you rate the overall performance of your single best contractor?



We also asked respondents to score their single best contractor and the gap of performance of the overall group versus the single best is significant. Here only 6.4 percent said their single best contractor's performance was poor and 10.3 percent said it was fair.

In 2014, only 1 percent said performance was poor and none said it was fair. Eighty-eight percent said the performance was either very good or excellent.

In other words, our results this year show that there is plenty of work to be done by government contractors.

Rating the Overall Group of Contractors

How would you rate your overall group of contractors in each of the following areas:

Factors	Poor (1)	Fair (2)	Good (3)	Very Good (4)	Excellent (5)	Mean (1-5)
Technical Expertise	6%	18%	22%	27%	26%	3.5
Teamwork	6%	15%	24%	26%	29%	3.6
Customer Knowledge	7%	21%	22%	28%	22%	3.4
Industry Perception	6%	18%	27%	25%	23%	3.4
Process	15%	16%	21%	23%	25%	3.3

In our research, we asked respondents to grade their contractors on five attributes of good contracting: technical expertise, teamwork, customer knowledge, industry perception and process.

From that question we then dove deeper into the attributes as you'll see below.

Industry Perception

Factors	Poor (1)	Fair (2)	Good (3)	Very Good (4)	Excellent (5)	Mean (1-5)
Ease of working relationships	9%	20%	23%	27%	21%	3.3
Compliance with regulations	12%	19%	21%	31%	16%	3.2
Maintenance of a long-term relationship with customers	11%	24%	23%	21%	22%	3.2
Business ethics	15%	14%	25%	24%	23%	3.2
Technical performance	13%	18%	20%	28%	21%	3.3
Honoring contract commitments/satisfaction with contract performance	18%	16%	23%	23%	20%	3.1
Reputation among customers	14%	20%	21%	25%	19%	3
Communicating with customers	10%	24%	18%	27%	21%	3.3
Schedule performance	18%	18%	24%	18%	21%	3.1
Cost performance	20%	18%	30%	16%	15%	2.9

Teamwork

Factors	Poor (1)	Fair (2)	Good (3)	Very Good (4)	Excellent (5)	Mean (1-5)
Customer knowledge	9%	25%	21%	27%	18%	3.2
Strategic value to project (knowledge of your agency's needs and mission)	17%	22%	15%	26%	20%	3.1
Responsiveness in addressing issues and concerns	14%	17%	25%	22%	22%	3.2
Flexibility during project with planning and execution	11%	17%	26%	25%	21%	3.3
Clear delineation of project goals and execution	16%	16%	27%	23%	18%	3.1
Honesty and transparency in business practices	20%	14%	27%	18%	21%	3
Terms of subcontractor participation disclosed	16%	20%	29%	20%	16%	3
Handling of project disputes	16%	20%	30%	16%	17%	3
Management of subcontractors	14%	27%	27%	18%	14%	2.9

Operation and interaction with customers

Factors	Poor (1)	Fair (2)	Good (3)	Very Good (4)	Excellent (5)	Mean (1-5)
Technical expertise	11%	19%	24%	28%	18%	3.2
Ease of establishing contact	11%	16%	29%	22%	22%	3.3
Proposal development and submission	14%	18%	26%	26%	15%	3.1
Invoice consistently and to government requirements	11%	16%	31%	22%	20%	3.2
Have established processes to support decision making (instead of winging it)	16%	20%	25%	23%	16%	3
Human resources practices	12%	24%	24%	22%	18%	3.1
Pricing	15%	26%	30%	16%	12%	2.8

The three preceding charts highlight some of the areas where contractors can improve their performance to better serve their customers. One thing that stands out is that none of the individual attributes attained a mean score of more than 3.3.

Particularly noteworthy is that pricing (2.8 score) and cost performance (2.9 score) had the lowest scores of all of the attributes. This tells us two things:

1. Government customers feel they aren't getting their money's worth from their contractors, and
2. Contractors aren't delivering projects at the cost they said they would in their bids nor adequately managing the cost of their projects.

Technical expertise remains relatively strong as does how easy contractors are to work with and communicate with. But again, none of the scores are very high.

The scores also are worse than they were in 2014, again showing an erosion of contractor performance.

Top Factors When Choosing a Contractor

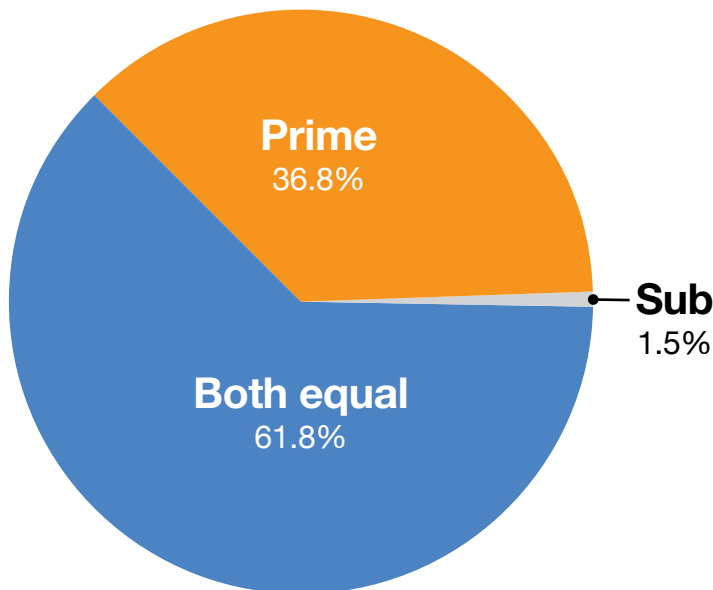
Four of the five factors in the chart below are very important to your government customers, particularly technical expertise and teamwork. Industry perception is the only one that didn't rise to a significant level of importance.

Please rate the value of each of the following factors when deciding to work with a contractor.

Factors	Not at all valuable (1)	Not very valuable (2)	Somewhat valuable (3)	Valuable (4)	Highly valuable (5)
Technical expertise	3%	1%	7%	25%	65%
Teamwork	1%	1%	12%	31%	54%
Customer knowledge	1%	5%	12%	37%	45%
Process	1%	1%	14%	35%	48%
Industry perception	3%	3%	26%	36%	32%

While there definitely is a preference for prime contracting experience, a strong majority indicated that both prime and subcontracting experience are valuable.

When evaluating past performance do you give more weight to prime contracting or subcontracting



The close scores of four of the five factors we asked about give a strong indication of what government decision makers value and should serve as a guide as to how you can differentiate your business from competitors.

When price and technical evaluations are equal what other factors do you consider when making a contract award?

Factors	Never consider	Rarely consider	Sometimes consider	Often consider	Always consider
Experience/Track Record	4%	3%	10%	19%	63%
Reputation/Ethics/ Integrity	3%	4%	12%	24%	57%
People/Capabilities	1%	3%	12%	18%	65%
Value for the \$\$\$	3%	1%	16%	21%	58%
Location of Business/ People	8%	9%	32%	17%	35%

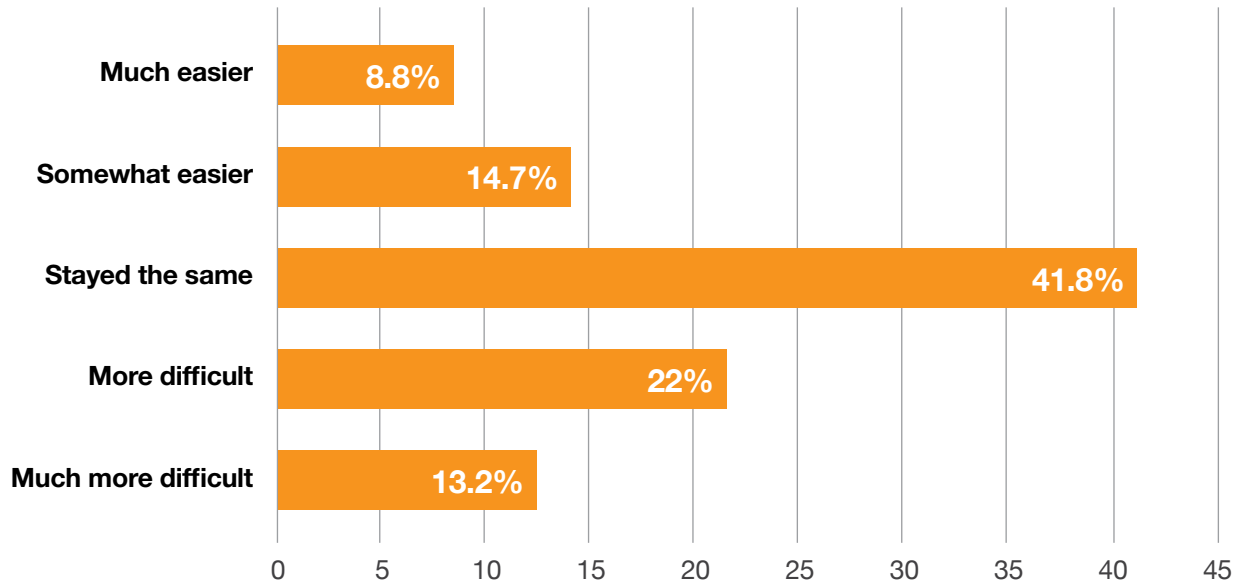
The close scores for the top four answers in the chart below give a good indication of areas you should perfect when writing proposals. It is important to note that price was only a top factor for half of the respondents. Much more important is demonstrating an understanding of the requirements, the clarity of the proposal and your honesty and integrity.

What do you consider to be the most important attributes of a good proposal?

Factors	Never important	Rarely important	Sometimes important	Often important	Always important
Clarity	1%	0%	6%	14%	78%
Address all aspects of RFP, Completeness, Appropriate Detail	0%	0%	8%	19%	73%
Demonstrate Understanding of Requirements	0%	0%	6%	12%	81%
Honesty/Integrity	0%	0%	9%	12%	79%
Demonstrate relevant past performance	0%	3%	10%	31%	55%
Brevity/Conciseness	1%	1%	21%	37%	38%
Price	1%	1%	15%	28%	54%

Where is the Relationship Headed

Over the last two years has it become harder or easier to work with contractors?



There is a little bit of good news and a lot of bad news here when we compare these answers to our findings in 2014. The good news is that a slightly higher percentage of people feel it is becoming easier to work with contractors: 8.8 percent today compared to 7 percent in 2014.

But from there we see a decline. In 2014, 25 percent thought the relationship had become somewhat easier. Today, the number is just 14.7 percent. The percentage who thinks the relationship has stayed the same is 41.2 percent today, compared to 49 percent in 2014.

The news gets worse with 22.1 percent and 13.2 percent saying it has become somewhat harder and much harder, respectively, to work with contractors. In 2014, the numbers were 16 percent and 3 percent.

When a project struggles or fails how frequently are each of the following factors to blame?

Factors	Never	Rarely	Sometimes	Often	Always
Contractor over promises capabilities/ execution	2%	19%	26%	21%	32%
Agency changes requirements/scope after award	3%	14%	39%	30%	14%
Poor communication between contractor and agency	2%	11%	39%	30%	18%
Lack of agency oversight	12%	17%	25%	30%	17%
Contractor slow to staff/ project understaffed	2%	17%	36%	28%	17%
Changes in agency leadership/project commitment	6%	12%	29%	36%	17%
Contractor uses inexperienced personnel	2%	17%	43%	19%	19%
Contractor mismanagement	5%	22%	33%	26%	14%
Political pressures on agency	5%	14%	33%	29%	19%
Lack of collaboration between prime and sub contractors	3%	22%	40%	22%	12%
Friction between agency's program management and contractor	4%	23%	39%	23%	11%
Technical competency of contractor	0%	24%	39%	22%	15%

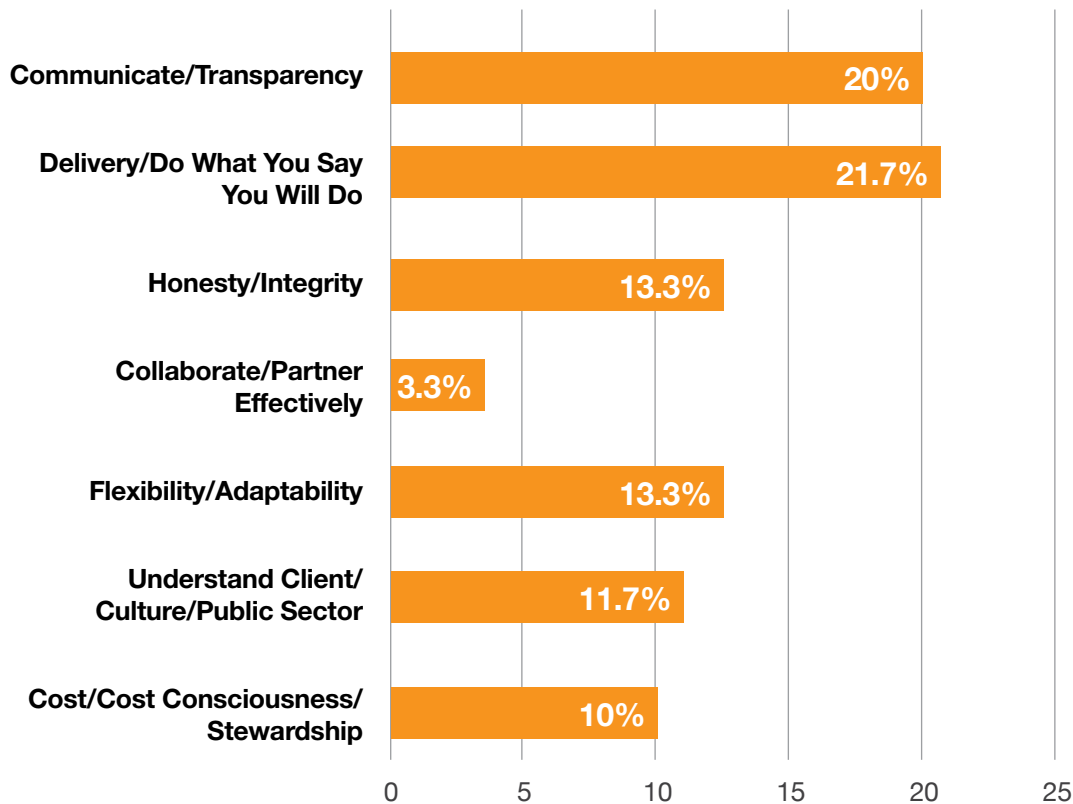
The relatively close scoring of these factors indicate that there are multiple reasons that can derail a project but the biggest warning is that contractors over promise what they can deliver.

What do you anticipate to be the biggest challenges over the next two to three year in working with contractors?

Factors	Never a challenge	Rarely a challenge	Sometimes a challenge	Often a challenge	Always a challenge
Budget/Funding	2%	7%	17%	26%	48%
Communication/Collaboration	3%	15%	38%	21%	22%
Delivery/Performance	2%	21%	28%	30%	19%
Quality of solutions	2%	16%	32%	23%	28%

It is interesting to note that the biggest factor that is expected to be a challenge is one that contractors are powerless to change and that's the budget. But the other factors are ones that contractors should and can focus on.

What is the single most important thing a contractor can do to more effectively work with your agency?



The top two that pop up here indicate areas where contractors can differentiate themselves from competitors. Communications and delivery are characteristics that are highly valued by government customers.

Conclusion

Whether government customers are talking about the overall group of contractors they work with or their single best contractors, our research has found that there is plenty of room for contractors to improve their performance.

In a way that's the good news because this report provides guidance on some of the areas where contractors need to improve:

- Better communications
- Better controls on pricing and costs
- Better working process
- Improved technical expertise

Your government customers want you to meet timelines and schedules. They also want you to get to know their business and improve your knowledge of the domain and mission.

Even if you are considered your customers single best contractor, you can't rest on your laurels because your scores aren't much better than the scores for the overall group of contractors.

One conclusion to be drawn here is that for all of industry's talk of differentiation, the government customers aren't seeing it. The gap between the best and the rest just isn't very wide.

Where do you go from here? Every contractor should ask their customers some of the questions we asked, particularly around customer knowledge, technical expertise, and price and cost controls.

It also would be wise to explore how the relationship is going in general. Are you easy to work with? How can you do better?

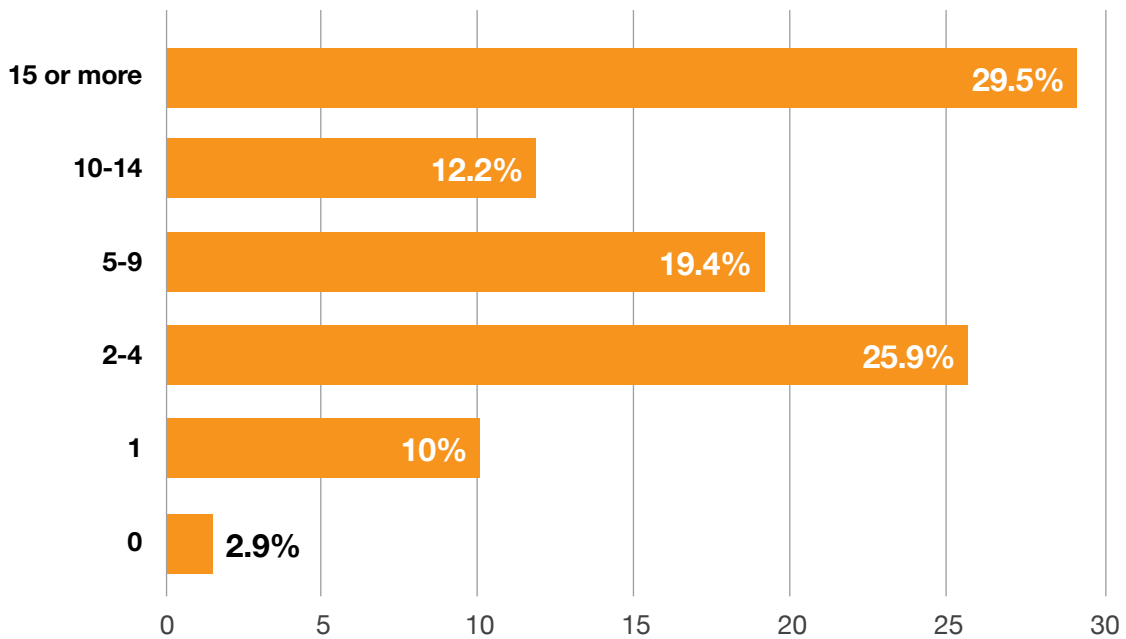
The danger that our report exposes is that the relatively low scores mean that competitors and new entrants can exploit those weaknesses and take market share away from you.

Our findings point to where you need to improve your performance or you face the risk of being replaced.

Appendix- Our Methodology

Our research survey went out to government decision makers who are readers of Washington Technology's sister publications FCW and GCN. More than 200 responded to the survey and provided their insights.

How many contractors have you worked with in the last 24 months?



What part of the government do you work for?

