Readers know that DynCorp has had a number of recent challenges. As The Washington Post **reported**, "The McLean-based defense contractor has been cited for labor violations by the Defense Department inspector general, seen sales drop by more than 30 percent and replaced its chief executive twice in one month." As we have **reported here**, it has been alleged that DynCorp overcharged its prime contractor, Northrop Grumman, as much as $100 million. Recently, the company **lost** its recompetes for two large Defense Intelligence Agency support contracts estimated to be worth as much as $71 million.

It's been a "challenging" year for DynCorp.

On top of the other challenges faced by the contractor, it is now **being reported** that one of its subcontractors, CH2M Hill, has filed suit against it. The CH2M Hill suit "claims that DynCorp did not pay CH2M Hill its fair share of profits on the contract over the last two years, a total of $26 million, according to the company." According to WaPo,"The two companies have been partners on the Army contract [in Afghanistan] since 2007." We suspect that unnamed Army contract is **LOGCAP IV**. The LOGCAP contracts are generally to provide logistical support to military services stationed around the world.

Apparently, DynCorp and CH2M Hill have some sort of contractual arrangement that included profit-sharing, since WaPo reported that CH2M wanted "its fair share of profits"—profits which, presumably would be calculated on a basis other than costs incurred by CH2M Hill.

For its part, DynCorp disputes the claim.

WaPo reported, "DynCorp says it owes the company only $12 million, and made one payment of $6.3 million toward that end earlier this year." *Hmm*. That seems kind of strange. If CH2M was owed $12 million, then why would only a partial payment have been made? And if DynCorp admits that it owes CH2M some amount of money, then why did WaPo report that "in June,

DynCorp sent CH2M a letter saying it did not owe the company any money, according to the suit." Either DynCorp did not owe CH2M any money, in which case no payment would have been made at all, or else DynCorp did owe CH2M Hill, in which case why would a letter have been sent denying that any money was owed? Strange ….

Effective subcontractor management is, fundamentally, relationship management. It is seeking to align the potentially disparate interests of two individual firms. It is attempting to defuse what can too easily be an adversarial relationship by finding common ground and an alignment of interests.

Unfortunately too many attorneys, and too many program managers, and too many contract managers, believe their job is to solely represent the interests of their own company at the expense of the other company. They see a zero-sum game in which they can "win" by forcing the other guy to "lose". We see this bias emerge when metrics such as "savings through negotiation" are reported, as if saving money at the expense of program execution was an acceptable trade-off.

It's not an acceptable trade-off.

Focus on self-interest at the expense of the group interest leads to strained relationships; it leads to sub-optimal decision-making; it harms program execution and impacts contractual outcomes. Self-interest creates an adversarial relationship instead of an aligned relationship. We have seen self-interest scuttle the best interests of the program, over and over and over again. So think about that the next time you want to force your key subcontractor to accept something it really doesn't want to accept.

For CH2M Hill and DynCorp, it is too late to fix the relationship. The lawyers are now running the show, at (let us guess) $750 per hour. Who knows who's right and who's in the wrong? At this point, all we know is that the two parties are now mired in the lengthy, resource-consuming, expensive, adversarial legal process.

The situation has to be difficult. It has to be hard to execute well when you are in court. We suspect the situation is much more than a distraction. It's probably more in the nature of a pre-divorce argument. You know, the kind in which the two parties retire to separate rooms in

which to cry and sulk, and meanwhile the injury just festers and grows. Nobody is happy … except the lawyers.

Meanwhile, in the midst of these distractions, we have to ask: Are the service men and women of the US Army receiving the best efforts of their LOGCAP IV contractors?