The Program Manager's Dilemma

Trust, Cooperation, and Competition in the Acquisition Community

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"Your corn is ripe today; mine will be so tomorrow. 'Tis profitable for us both, that I shou'd labour with you to-day, and that you shou'd aid me to-morrow. I have no kindness for you, and know you have as little for me. I will not, therefore, take any pains on your account; and should I labour with you upon my own account, in expectation of a return, I know I shou'd be disappointed, and that I shou'd in vain depend upon your gratitude. Here then I leave you to labour alone: You treat me in the same manner. The seasons change; and both of us lose our harvests for want of mutual confidence and security."

David Hume, *A Treatise of Human Nature, Book II: Of Morals*, 1739

Hume's words aptly describe what game theory calls a *non-zero-sum* game—one in which winning doesn't necessarily come at the complete expense of the other players. The more common term is a win-win situation. The opposite scenario is a *zero-sum* game (like chess or football), commonly called win-lose, in which one participant wins at the expense of all the others. But game theory is, of course, more serious than board games or sports victories.

The Prisoner's Dilemma

In 1950, Rand Corporation scientists Merill Flood and Melvin Dresher, researching game theory in terms of its possible applicability to global nuclear strategy, came up with a series of non-zero-sum puzzles. From these evolved the most famous: the Prisoner's Dilemma (PD). It can be described thus:

Smith and Jones are arrested on suspicion of a crime. Their attorney tells them the evidence is flimsy, so if they both stay silent, their sentence will likely be a year at most on minor charges. The suspects are put in separate cells and each is visited by the district attorney with the following deal:

- If you cooperate and confess to the crime but your accomplice remains silent, you will go free because you cooperated, and we'll jail your partner for 20 years.
- If you don't confess and your partner does, then he will go free and you will get 20 years.
- If you both confess, you'll both get 10 years.

Figure 1 lays out the options and consequences.

A rational assessment of this situation goes something like this: "If my partner remains silent, I have two options. I can keep quiet too and get off with a year, or I can confess and go free. On the other hand, if he confesses and I remain silent, I'll be inside for 20 years. But if I confess too I'll be out in 10. So no matter what my partner does, confessing gets me a better result than keeping my mouth shut—which could well get me 20 years. No brainer—I'll confess."

If both prisoners use the same logic and decide to confess, they both go to jail for 10 years. Had each remained silent and trusted his partner to do the same, they would both have been out in a year. A strategy of mutual silence results in the best collective outcome, but it requires the partners to trust each other because it places the silent player at risk of being exploited for the other's gain.

The Program Manager's Dilemma

Let's replace the suspects with program managers (PMs). Specifically, a government PM and a contractor PM. And let's replace "confess or stay silent" with "trust or don't trust." The new options can be expressed like this:

If the government trusts the contractor and pursues an open, cooperative relationship and the contractor responds in kind, the result will be very good for all concerned. However, if the contractor takes advantage of the

FIGURE 1. **The Prisoner's Dilemma**

	Smith silent	Smith confesses
Jones silent	Both get 1 year	Smith goes free Jones gets 20 years
Jones confesses	Jones goes free Smith gets 20 years	Both get 10 years

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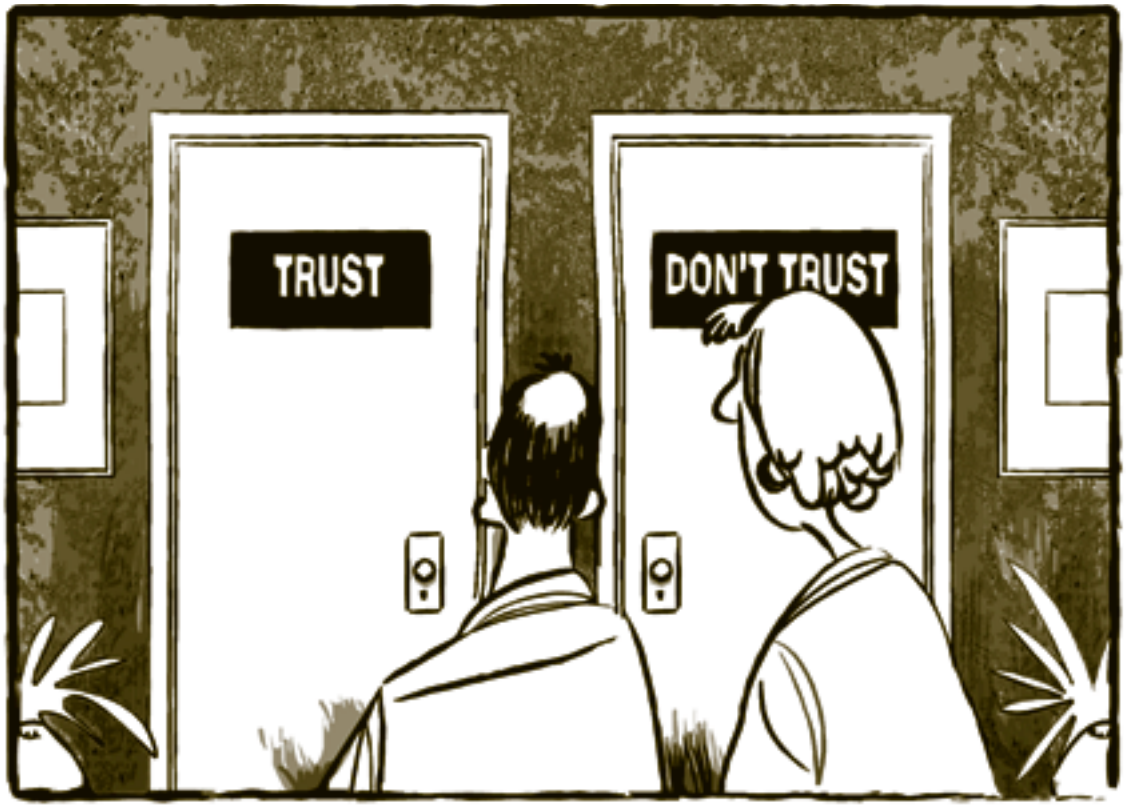


The most likely outcome of a non-trusting strategy is the minimally satisfactory result—not as bad as it could have been, but not as good either.

trust, the outcome will be bad for the government. And equally, if the government PM doesn't trust the contractor and acts defensively, the government won't be taken advantage of but also won't have the degree of success it might have otherwise. The contractor PM is in a virtually identical situation. Figure 2 sums up the Program Manager's Dilemma (PMD).

Just as the prisoners appear to gain the maximum benefit by confessing, PMs often appear to get the most benefit by not trusting their counterparts. And indeed, the optimal *individual* solution (for Smith and Jones, no years in prison) can only be reached by not trusting while being trusted.

But the story doesn't end there. If each side pursues an apparently rational strategy of not trusting, each gets the programmatic equivalent of 10 years inside. If both pursue a strategy based on trust, their outcome is improved by an order of magnitude.

Addressing The Dilemma

Approaches to PD typically address such topics as the social contract or the rule of law, but this does not really get to the root of the issue. If a contract or law is used as the mechanism to ensure cooperation, it may seem to obviate the need for trust, but unless the situation is as simple as the relationship between Hume's two farmers, the contract negotiation itself is subject to the PD tension. What is really needed is collective, unforced cooperation, which is just a fancy way of saying trust, freely bestowed in both directions.

The dilemma actually has no solution. As such, it falls in a category referenced by former Israeli Prime Minister Shimon Peres: "If a problem has no solution, it may not be a problem, but a fact—not to be solved, but to be coped with over time." This means the optimal approach will come from a coping strategy rather than an attempt to solve the dilemma once and for all. The phrase "over time" contains a key to handling the dilemma appropriately. Understanding the time dimension is an important step toward defining a successful strategy for PMD.

The *Always Trust* Strategy

PMs do not face the dilemma just once, but over and over again. Game theorists refer to this as an *iterative prisoner's dilemma* (IPD). One statistically successful strategy for an IPD scenario is to mirror the decision of the other

FIGURE 2. **The Program Manager's Dilemma**

	Government PM trusts	Government PM doesn't trust
Contractor PM trusts	Optimal outcome for both	Maximum government benefit Contractor is exploited
Contractor PM doesn't trust	Maximum contractor benefit Government is exploited	Minimally effective outcome for both

Illustraion by Jim Elmore

player—that is, to do what he or she did last time. However, the most morally justifiable and programmatically appropriate PMD approach is to take the initiative and simply trust—all the time. You will get burned sometimes, yes. But courageous trust in the face of possible exploitation is the most ethically responsible and organizationally successful approach to the PMD over the long term.

There is not much else to say in terms of defining the *always trust* strategy. It is what it sounds like: an approach that says, "I will explicitly and implicitly trust my government/contractor [pick one] counterpart. I will similarly act in a manner worthy of trust and will expect my counterpart to trust me." A PM who uses this strategy is likely to establish a reputation as both a trustworthy and a trusting person—the kind of person other people want to do business with. It really is that simple, and the results are profound.

The Wisdom of Trust

In his book *Six Degrees*, Columbia University sociology professor Duncan Watts sheds some light on two essential requirements for generating and sustaining collective unforced cooperation: "First, individuals must care about the future. And second, they must believe their actions affect the decisions of others."

The *always trust* strategy works in real life because our decisions have future consequences and do indeed affect the decisions of others. The more often we exhibit trust, the more likely those around us will respond in kind, a phenomenon observed by Ralph Waldo Emerson, who wrote, "Trust men and they will be true to you." Perhaps this happens because the people we trust have studied game theory and are following a mathematically rational mirroring strategy—or perhaps something is happening on a more human level. In either case, trust is usually self-sustaining and powerfully effective.

Still hesitant to trust? Consider the advice of Camillo Benso conte di Cavour, a 19th century Italian statesman and the first prime minister of the unified Italy, who noted, "The man who trusts men will make fewer mistakes than he who distrusts them." So, while trust may occasionally be betrayed, distrust is even less likely to work in the end. Cavour is considered the primary architect of the unification of Italy under the house of Savoy, an endeavor that must have required a tremendous amount of trust—and an equally magnificent temptation not to trust. We could do worse than trust his judgment about the wisdom of trust.

Objections to Trust

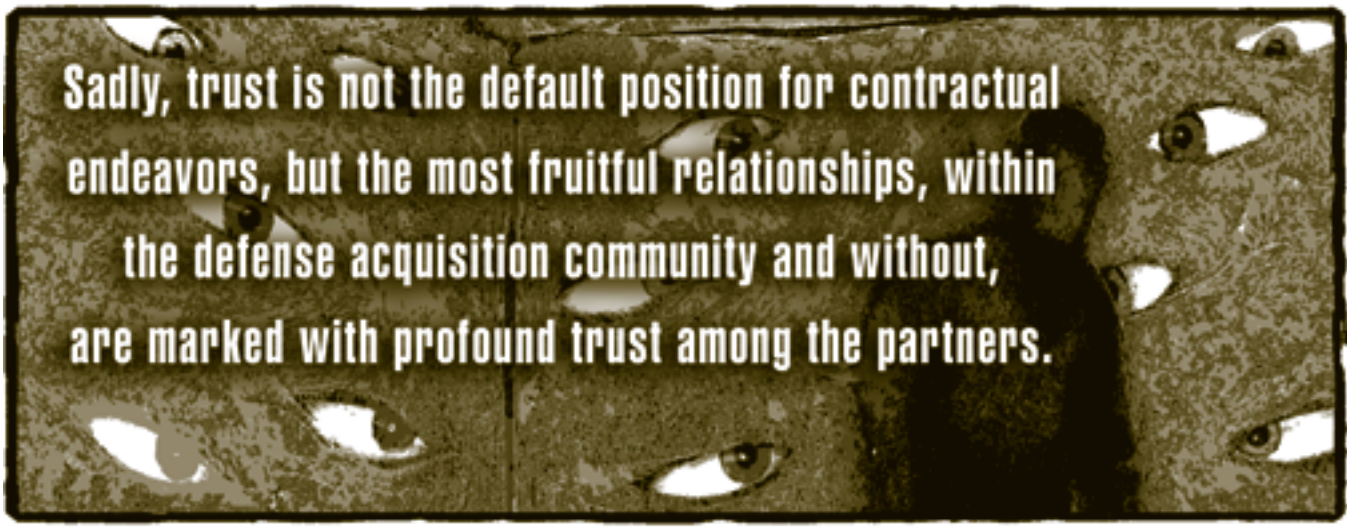
The objections to the *always trust* strategy are easy to imagine, and despite management guru Warren Bennis's observation that "trust is the lubrication that makes it possible for organizations to work," we expect to be deluged with e-mail claiming things like, "You can't build a business relationship on trust!" Perhaps based on past experiences, the objections will likely continue along these lines: "Our side may be trustworthy, but the contractor/government [pick one] is going to sell us up the river at its first opportunity. We need to hold their feet to the fire. Establish strict, legally binding contracts. Watch 'em like a hawk to make sure our interests are protected." And thus both sides spend 10 years in prison, rather than just one. It doesn't have to be this way.

Are these objections valid? How sensible is the always trust strategy in a business context? Is either side actually trustworthy? The answer to the last question is this: it depends, but it doesn't matter. Some PMs, both government and contractor, are more trustworthy than others, and some situations are more conducive to trust. Nonetheless, the most likely outcome of a non-trusting strategy is the minimally satisfactory result—not as bad as it could have been, but not as good either—while the always trust approach is likely to encourage the other player to both trust and be trustworthy in subsequent encounters. It's important to note that the always trust strategy doesn't mean throwing caution to the wind: in the initial stages of a relationship, trust is established in a series of small steps that build on each other. Trust breeds trust, and while it may grow slowly at first, the momentum is what matters most. So trust is a sensible long-term approach, even if the other participant does not appear trustworthy at first glance.

And yet there *is* some merit to the objections. Trust is indeed risky. Trust has no guarantee, and trust is susceptible to manipulation. People who trust can be taken advantage of, and they sometimes are. And yes, the 10-year sentence is much better than 20 years. In that sense, getting 10 years can almost be considered a win—but it is a sad thing to settle for when the one-year outcome is within reach.

Trust is indeed irrational if we are only thinking short term, and in fact the best short-term strategy is to betray someone else's trust (sending them up the river for 20 years while you go free). In the long term we discover that our decisions help shape the future decisions of the other players, which in turn have consequences for us. If we consider the future and understand the impact of our actions on the people around us, we will discover that trust is quite rational, while distrust is both foolish and destructive. Without trust, the inevitable friction of distrust will grind away at all involved, and the negative consequences will be both pervasive and enduring.

It should be noted the always trust strategy does not obviate the need for contracts. Contracts are necessary for many reasons, not least because in addition to providing



legal recourse, they also clearly communicate expectations (requirements, costs, and so on) and minimize confusion. Of course, along with being relevant to the contract execution process, trust—or a lack of it—plays a significant role in writing contracts in the first place.

We're In This Together

To keep this analysis real, it is vital to recognize we are not talking about trusting the government in general or some undefined, generic contractor. The always trust strategy is relevant only to specific instances involving actual human beings, most of whom are patriots with a variety of motivating factors (profit, promotion, and so on) but a common goal of national defense. Real-world trust always involves people.

Don't trust a machine, however efficient. Don't trust a process, however impartial. When the chips are down and the trust/don't trust option is on the table, it comes down to the flesh-and-blood person who is facing this dilemma with you. We're all in this together, government and contractor alike. Your partner's decision, both now and in the future, will be influenced in large part by your decision today. And that statement applies to both participants.

Unlike the prisoners, most PMs have a third option: walk away. When confronted with a situation where trust is impossible or when trust has been betrayed, each participant can make the decision to quit playing the game. He or she can bring in replacements, transfer to a different project, or generally pursue other opportunities. Transfers and changes are not uncommon for both government and contractor personnel, so this option is well within the realm of possibility.

What then does trust between the government and contractors look like in a practical sense, and how can it be fostered? The mere fact that we must ask this question sheds much light on the situation most PMs face. Sadly, trust is not the default position for contractual endeavors, but the most fruitful relationships, within the defense acquisition community and without, are marked with profound trust among the partners.

At work, as at home, a trusting relationship is marked with honest and open communication. It involves following through on commitments and owning up to mistakes. It involves dependability and a certain degree of interdependence. Each participant in a trusting relationship is at least partly responsible for the other's well being, a situation not at all unfamiliar to government and contractor PMs. Verification is important. Former President Reagan was fond of quoting a Russian saying: "Trust but verify." It is worth noting that trust comes first; the saying is not "Verify then trust."

Most PMs face numerous iterations of the PM's Dilemma on a regular basis, and the best way to approach this reality is the always trust strategy. It doesn't solve the problem because PMD is not a problem to be solved, but it deals with the reality of the dilemma's existence.

While always trust is the optimal approach, trusting your partner doesn't always turn out well. In fact, it can backfire painfully at times. A positive outcome is never guaranteed, regardless of the degree of trust. However, the distrust strategy is much worse and tends to create destructive spirals. The best outcomes—programmatically, professionally, and personally—are only achievable over a sustained period of time when our relationships are marked with trust all the time.

Government and contractor PMs are in this dilemma together, and it's a non-zero-sum game. We win together or lose together, and we can indeed win if our relationships are marked with trust.

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