Performance Based Services
Overview
St. Louis Acquisition Insight Day
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Agenda

• Intro
• Basic Assumptions
• PBA Review – How we got here
• Course Process Review – by step
• Q&A
Basic Assumptions

- Government Objectives
- Contractor vs. Government Solutions
- Contractor Quality System with Government Insight (QASP)
- Doing it right to start - saves time, effort and pain – later.
Performance-Based Acquisition

...means structuring all aspects of an acquisition around the purpose of the work to be performed with the contract requirements set forth in clear, specific, and objective terms with measurable outcomes as opposed to either the manner by which the work is to be performed or broad and imprecise statements of work.

FAR 2.101
Mission Requirement for Supply or Service starts the process

1. Form the Team
   - Leadership Support
   - Build the Team

2. Review Current Strategy
   - Conduct Historical Analysis
   - Define Stakeholder & Customer needs

3. Market Research
   - Analyze Market
   - Identify suppliers

4. Requirements Definition
   - Define Requirement
   - Draft Business Strategy

5. Sourcing Strategy
   - Strategic or Tactical
   - Business Strategy

6. Execute Strategy
   - Select Right Contractor
   - Award Contract
   - Roll out Strategy

7. Performance Management
   - Build & Manage Relationship
   - Monitor Performance

Mission Results for
1. Warfighter
2. Customer
3. Taxpayer

Your Acquisition Team

- Stakeholders
- Users
- QA Reps
- Proj. Mgt
- CORs
- Buyers
- PCO
- Tech
- SB
- Resource Mgt
- PEOs
- Legal

SB Users
Tech
Legal
PCO
Buyers
QA Reps
CORs
Resource Mgt
Proj. Mgr
PEOs

1. Form the Team
2. Review Current Strategy
3. Market Research
4. Requirements Definition
5. Sourcing Strategy
6. Execute Strategy
7. Performance Management

Leadership Support
Build the Team

Plan

Develop

 Execute
Service Acquisition Workshop

Step 1: Establish An Integrated Solutions Team
Establish the Team
What’s Important about Step 1

• Successful acquisitions don’t just happen— they take a **cohesive** and **proactive** team to be successful

• Get the right people on the team

• Trust and mutual respect is vital

• Support of senior leadership is critical

• A team charter outlines your governance process

• A communications plan informs all stakeholders
Form the Team

Core Team Member Roles & Responsibilities

• Plan and lead project
• Have ownership and accountability
• Execute project activities rapidly
• Communicate and resolve issues when they arise

Typical Core Team Performance Metrics

- Acquisition Cycle Time (overall, by phase, by step, etc.)
- Project Budget Compliance
- Service Performance Attainment
- Customer Satisfaction (at 3 months, 6 months, etc. after launch)

Key Contacts That Must be Identified
- Finance
- Civilian Personnel
- Legal

Leader May Also Direct a Specific Functional Area Depending on the Size and Scope of the Project
Senior Leadership Support

• Senior Leadership involvement and support is a predictor of success
  – “Strong leadership at the top” as a “success factor” in the selection, evaluation and control processes associated with acquisition investment review (CIO Council document, “Implementing Best Practices: Strategies at Work”)

• Senior Leadership provides a shared vision
  – Coordinates integrated solution teams that cut across “organizational boundaries”
  – Overcomes “turf battles”

• Creating “buy in” from leadership and establishing the realms of authority are essential to performance-based project success
Develop Your Communication Strategy

• What’s your team’s elevator message – Why should leadership pay attention to your project?
• Effective communication is fundamental to success
• Left in the dark, your stakeholders and customers concerns may grow
• A communication plan should consider the following:
  – Who should be kept informed of status and ongoing actions?
  – How often should they be engaged?
  – What media and methods are best?
• At the completion of step one you should have:
  – Built a team with the right skills, knowledge and motivation to complete the effort
  – Developed initial team charter
  – Identified stakeholders and understand their role in your effort
  – Developed initial communication plan
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Step 2: Review Current Strategy
Review Current Strategy
What’s Important about Step 2

• It’s important to know where you are before you begin
• Establish a baseline understanding of the current situation
  – Cost, Performance, Schedule
• Asking the following questions
  – What do I need?
  – Why do I need it?
  – When do I need it?
  – How will I know it’s good when I get it?
• What do you expect to improve?
  – Service level?
  – Cost?
  – Availability?
Understand Current Stakeholder Issues

• Determine how your Stakeholder(s) defines success
  – Does the current product/service satisfy stakeholder and customer needs?
  – If not, why not? Define this as specifically as possible
• Determine the current level of performance
  – Are the customers currently satisfied?
    • Does this effort require a service level improvement?
  – Could we gain price/cost advantage by realigning expectations in specific areas?
    • Less in some areas, but perhaps a higher level in others?
• How do your stakeholders and customers define their performance outcomes?
Align Mission And Performance Objectives

- What is the intended effect of this acquisition toward supporting the agency’s mission and performance goals and objectives?
  - Clearly establish the relationship between the potential impact of the acquisition and the overall performance of the agency acquiring the service.
- Focus on what outcome is required, not on what resources are needed.

*Signing a contract is like giving birth to a baby… it just starts the process!*
Misaligned Objectives will NOT lead to success.

The mission, vision, and strategy have to be aligned in order to deliver successful outcomes.
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<tr>
<th>Desired Outcome</th>
<th>Performance</th>
<th>Inspection</th>
<th>Incentive</th>
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Requirements Roadmap provides Linkage between Mission and Objectives

Acquisition Vision
Desired Results
- A.....
- B.....
- C.....

Requirements Roadmap

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<tr>
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Contract Line Item structure for RFP

Evaluation Factors & Weightings for Sections
L&M of RFP

Performance Work Statement or SOO

Quality Assurance Surveillance Plan
Step Two
Conclusion

• At the completion of step two you should have:
  – Interviewed Stakeholders
  – Completed your baseline assessment
  – Completed your Team Charter
  – Received stakeholder approval of team charter and team’s direction
Market Research
What’s Important about Step 3

• Understand the value of market research
• How to:
  – Identify market trends
  – Analyze the market to discover emerging trends
  – Identify your leverage in the market
• Understand that requesting information from suppliers is critical
• Is this a Commercial service?
• Are there capable Small Businesses?
Step Three
Conclusion

• At the completion of step three you should have:
  – Determined if your requirement is commercial or non commercial
  – Developed an interview guide to collect market research information
  – Conducted market research with commercial companies and government agencies (one on one sessions)
  – Identified leading service providers
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Step 4: Requirements Definition
What’s Important about Step 4

- Use your market analysis to develop your requirement
- Understand the risks associated with your requirement
- Identify the right type of requirements document (i.e. SOW, PWS or a SOO)
- Define the performance objectives and standards for your requirement
- Determine how you will validate that the contractor is meeting the performance standards
Differences between a SOW, PWS and SOO

<table>
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<tr>
<th>Specificity of the Tasks</th>
<th>Contractor Input</th>
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<td>High</td>
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- **SOW**
- **PWS**
- **SOO**
Defining a SOW

• Statement of Work
  – Team defines the tasks to be accomplished
  – Does not allow innovation on the part of the contractor
  – Details the work the contractor will perform and, if necessary, how it is performed
  – SOWs tend to specify how and when things must be done
Defining a PWS

• Performance Work Statement
  – Defines results to be achieved, and solicits a wide variety of technical solutions from contractors
  – Performance Objectives are defined by the agency
  – Allows for some input and innovation from the contractor
  – Performance results are measurable
  – Performance incentives tied to achievement of performance results (impact of outputs) and may include cost, timeliness, quality and impact of outputs associated with contractor’s technical solution
  – Can contain tasks to be accomplished

Providing flexibility to contractors can lead to:

- Cost savings
- Improved quality
- Accelerated delivery
- Greater innovation
Defining a SOO

• Statement of Objectives
  – Allows for the greatest input from the contractor
  – Asks for innovation in solutions
  – Most flexible
  – NO tasks are in the SOO
  – A SOO requires a PWS from the contractor
  – The contractor writes the PWS to define how they will meet the performance outcomes
The Performance Roadmap is the KEY to the requirements development process

- Tailoring and completing a Roadmap focuses the acquisition team on the essential performance and assessment elements
- Provides foundation for the PWS development, best value strategy and contract admin approach
Roadmap Process Map

- Work the **Why**, **What**, and **How** in the Performance Roadmap to get to the **Now** of writing the PWS

**Old SOW Requirements**

**Why**

**What** (level)

**Alignment**

**How**

**Requirements Roadmap Worksheet**

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**Write Final PWS**

**Now**
Boiling Down to the Real Performance Objectives

- Using the existing Statement of Work (if there is one)
  Brainstorm... with a “Why Analysis”

Why do you need this?

Look at our old SOW
Focus on the header paragraphs which are normally the single digit paragraphs
An effective **Performance Objective** has a **Performance Standard** that lets you ‘Know’ what level of performance is required to meet the Performance Objective.

**After identifying the main Performance Objectives...**

**Define Performance Standards for each Performance Objective.**

An effective performance standard must answer the question... **What Level?**

“When will I know the performance objective has been met?”

The answer describes your standard.
Developing Performance Standards

“Performance Objectives........Performance Standard”

• How do you define success for your Performance Objective?
  • Reliability (System Is Running)
  • Responsiveness (Services Provided On-time)
  • Appearance (Contractor Uniforms)
  • Cleanliness (No Visible Dirt/dust)
  • Customer Satisfaction (You’ll Know)
Critical Few Metrics

• How many metrics are enough?
• Too few
  – Not capturing detail required to manage business
• Too many
  – Choked with data
• Rule of 5
  – No more than 3 - 5 **key performance metrics** (KPM)
Define your Tolerance for Variation

• An AQL is an acceptable deviation from the standard
• However, the contractor is still expected to meet the performance standard.
• Is there an allowable range of performance associated with each performance standard?
  – Perfection comes at a price
• What should you address to determine if an AQL is appropriate?
  – Will it still achieve my performance objective?
  – Easily understood?
  – Clearly delineated?
Now Write the PWS

• Requirements Roadmap provides fully developed outline for PWS
• PWS has No mandated format
• Possible sections:
  – Introduction
  – Background information
  – Scope
  – Applicable documents
  – Performance Requirements
  – Special Requirements
  – Deliverables
Roadmap is the Foundation for Action

Acquisition Vision
Desired Requirement
- A.....
- B.....
- C.....

### Requirements Roadmap

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The QASP flows from your Roadmap developed at Step 4 and includes methods and types of inspection.

**Performance Work Statement or SOO**

**Quality Assurance Surveillance Plan**

**Evaluation Factors & Weightings for Sections L&M of RFP**
Step 4 Conclusion

• At the conclusion of step 4 you should have:
  – Identified performance objectives
  – Identified performance standards
  – Identified methods and types of inspection
  – Gained an understanding of PWS, SOO and SOW
  – Used the Requirements Roadmap to develop your initial PWS
  – Used the Requirements Roadmap to develop your initial QASP
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Step 5: Sourcing Strategy
Sourcing Strategy
What’s Important about Step 5

- Developing your business strategy
- Determining an appropriate type of contract and incentive arrangement
- Determining your Source Selection approach
- Develop Evaluation Factors if tradeoff method is used
Develop your Incentive Strategy

• For Performance Based Acquisitions FAR states that we should “include performance incentives where appropriate”

• As you consider contract type, you need to go back to the Requirements Roadmap, and determine how the incentives (if any) tie back to your
### Why Use or Not Use Incentives?

#### PRO’s of Incentives

<table>
<thead>
<tr>
<th>Incentives</th>
<th>Monetary incentives</th>
<th>Non-monetary incentives</th>
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<tbody>
<tr>
<td>• Promote excellent results and outcomes</td>
<td>• Promote upper management participation</td>
<td></td>
</tr>
<tr>
<td>• Promote internal quality control and remedies</td>
<td>• Promote cost savings</td>
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<tr>
<td>• Encourage expertise, teamwork, partnering</td>
<td></td>
<td>• Promote workforce satisfaction &amp; stability</td>
</tr>
<tr>
<td>• Encourage contractor satisfaction/pride in workmanship</td>
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#### CON’s of Incentives

- Providers with market power can resist them
- They are difficult to use in contracts for experts
- Outside factors can influence performance
- More work to administer
- Conflicting incentives can drive sub optimization
- Wrong incentives drive wrong behaviors
Roadmap is the foundation for Action.

The foundation of your source selection comes from the Technical Evaluation Plan which links to your Roadmap’s Performance Objectives.

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Performance Work Statement or SOO

Quality Assurance Surveillance Plan

Evaluation Factors & Weightings for Sections L&M of RFP

Contract Line Item structure for RFP
The PWS, Section L, and Section M are all tied together. The PWS describes the requirement, Section L describes how the contractor will format and submit their proposal (for evaluation purposes), and Section M describes how the proposal will be evaluated for source selection purposes.

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<tr>
<th>PWS</th>
<th>Section L</th>
<th>Section M</th>
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<tr>
<td>Provide taxi service so that pick-up time is within 5 minutes of request time, 95% of the time.</td>
<td>The offeror shall submit two volumes, each in a separate binder. Volume one contains technical proposal, Volume two contains cost or price proposal. Volume one has a 50 page limit…</td>
<td>The offeror shall describe how taxi service will be provided in accordance with the stated requirement. The agency will evaluate the offeror’s approach for the taxi service. The offer will be evaluated for best value, in terms of technical merit and cost, with additional consideration for the offeror’s relevant past performance.</td>
</tr>
</tbody>
</table>
• At the conclusion of step 5 you should have determined:
  – Your complete business strategy
  – The type of contract
  – Performance incentive approach
  – Source selection approach
  – Evaluation Factors if tradeoff method is used
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Step 6: Execute the Strategy
Execute the Strategy
What’s Important about Step 6

- How to communicate your requirement to industry
- Understand approval levels
- Issue RFP and receive Proposals
- Conduct evaluations and discussions if needed
- Make the Award
- Transition to new contract performance
Conduct Due Diligence

- Method to ensure “meeting of minds” between government and industry on the requirement and business arrangement
- Open to all prospective offerors
- Held after release of RFP and prior to receipt of proposals
- KO leads team during exchanges between industry and government
Make the Award

• Award based on best value to the government
  – Considering evaluation factors in Section M
• Comply with Agency approval and notification requirements
• Conduct post award conference
  – Finalize QASP based on awarded contract
Step 6 Conclusion

• At the conclusion of step 6 you should be able to:
  – Update comm plan to include awardee
  – Use due diligence if appropriate
  – Issue RFP and receive Proposals
  – Conduct evaluations and discussions if needed
  – Make the Award
  – Finalize QASP based on awarded contract
Step 7: Manage Performance
Sourcing Strategy
What’s Important about Step 7

• Manage performance / transition from Acquisition to Supplier Management
  – Keep the team together and add the contractor
  – Assign accountability for managing contract performance

• Evaluate effectiveness of strategy

• Monitor contract performance using the QASP
• Performance Management
  – No longer working independently, but as a team realizing its objective
  – Successful performance results are the focus
    • Remedies used, if necessary
  – Quality Assurance Surveillance Plan describes
    • How the team will treat data used to measure performance
    • How the team identifies ways to improve efficiency and reduce risk
    • How the team will work together to make the goals/improvements a reality
Contract Failure Reasons

- Unclear expectations
- Misaligned interest over time
- Poor governance
- Not mutually beneficial
- Poor communication
- Poor performance
- Poor cultural fit
- Other

Step 7 Conclusion

At the Conclusion of Step 7 you should

• Have your performance management team in place including the contractor
• Be using the QASP effectively to ensure that performance objectives are being met
• Tracking performance trends and results to determine if stakeholder needs are being met
• Communicate performance results to stakeholders and customers
Questions