



Performance-Based Proposals

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Success through managed performance!



PBSC Overview

- Performance-Based Service Contracting (PBSC) is defined in the Federal Acquisition Regulation (FAR) 37.6 as:

“a contracting method intended to ensure that required performance quality levels are achieved and that total payment is related to the degree that services performed meet contract standards.”

- PBSC, therefore, requires the use of both positive and negative incentives and totally different management techniques.

- The Evolution of PBSC:

- ❑ 1991 OPM Office of Federal Procurement Policy (OFPP) Letter 91-2, Service Contracting
- ❑ 1994 Past Performance Pledge Program (*Initial interpretation of Performance-Based Service Contracting was Past Performance*)
- ❑ 1997 OFPP Final Report on Past Performance.
- ❑ 1998 OFPP PBSC Best Practices Guide
- ❑ 2000 Inter-Agency Working Group
- ❑ 2001 7-Step Process for PBSC development
- ❑ 2002 PBSC as we know it today.



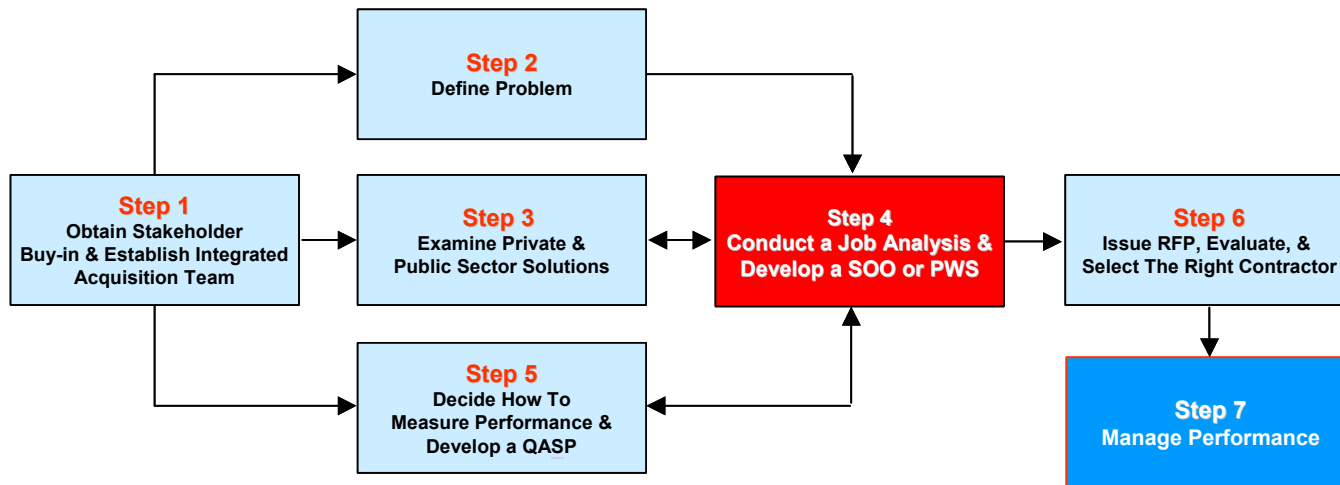
PBSC Overview

- Performance-Based Service Contracting (PBSC) is one of the most misunderstood concepts in the history of Government contracting — by both the Government and its contractors:
 - ❑ PBSC was conceptualized by the contracting community; therefore, many people think it is a type of contract.
 - ❑ PBSC implementation, however, is a cross organizational concept like TQM, ISO, SEI/CMM, Six Sigma, and must be embraced by senior management and downward directed to be successful.
- While PBSC has been around for a while, it has not been widely implement or used until recently – mostly due to a lack of understanding of how to develop and manage a performance-based project, and in some cases avoidance of the initial time, effort, and funds to use the 7-Step process for developing a PBSC project.



PBSC Overview

Understanding the Governments Inter-Agency 7-Step Process





PBSC Overview

- Performance-Based follows a more classical “outsourcing” approach.
- Contractual Approach:
 - ❑ Typically PBSC uses a Cost-Plus or Fixed Price type contract.
 - ❑ PBSC can be Award Fee, Incentive Fee, or Award Term. However, most Government agencies are moving away from Award Fee contracts for PBSC and Fixed Price is becoming the predominate choice.
- Management Approach:
 - ❑ Both the Government and its contractors must to learn and adapt to new management techniques and requirements of Performance-Based Management.



PBSC Overview

➤ PBSC Examples:

- ❑ Incentive Fee #1 - NASA recently used both positive and negative incentives – the contract is docked \$.25 for every dollar of cost overrun, but earns \$.25 for every dollar saved.
- ❑ Incentive Fee #2 - The most common method is an arrangement where if the contractor meets all of their performance metrics they get the fee they bid (e.g. 8%). If they exceed their metrics they get additional fee with a ceiling (e.g. 12%), but if they don't meet their metrics, they get less fee (e.g. 0-7.9%).
- ❑ Award Term - The Defense Acquisition University consolidated 13 contracts into one PBSC. The contract is cost-plus with a base year and four option years. The incentive on this Award Term contract is the option years. If the contractor performs well and meets their metrics each year, they will be eligible to receive the next option year.



PBSC Overview

- Major RFP differences:
 - ❑ The Government is moving away from SOW's and going to SOO's, which are often 2-5 pages in length, and are requiring the contractor solve the problem (e.g. provide SOW, labor categories and skill mix, labor hours).
 - ❑ The Government is using a Performance Work Statement (PWS) which includes a Quality Assurance Surveillance Plan (QASP) that identifies the performance metric's, allowable deviation, frequency of inspection, etc. OR may require the contractor to include them in their bid.
- The Government is also migrating to a process-based performance management approach to project management. Therefore, 21st Century Proposal Managers must be knowledgeable in the methodologies for developing performance metrics, and the techniques for managing performance.

Most PBSC RFP's do not contain an SOW, the bidders must develop their own SOW and include it in their proposal!

Performance-Based Management



An **activity-based approach** is generally done in series, wherein one step is completed and approved before proceeding to the next step. This could involve one or multiple subtasks.



A **performance-based approach** is based on process management. Therefore, activities become performance areas and are managed through the use of performance metrics and tolerances/ standard deviations.

Performance-Based management is the application of process management to the services industry!



Performance-Based Management

- Traditional program management techniques are activity-based and centered on project controls that include cost and schedule. Performance-based management still uses these traditional techniques, but incorporates a new dimension – *managing to performance objectives*.
- By definition, performance based management is a systemic approach to performance improvement through an ongoing process of establishing strategic performance objectives; measuring performance; collecting, analyzing, reviewing, and reporting performance data; and using these data to drive performance improvements.

Performance-Based Management

Project Planning	Project Metrics	ODC Control
<ul style="list-style-type: none"> • WBS • GANTT/CPM • Resource Allocation • Materials/ODC Allocation • Should Cost Estimates • Risk Identification • Performance Metrics 	<ul style="list-style-type: none"> • Cost/Schedule • Technical Performance • Reporting • Invoicing • Contract Administration • Performance Management 	<ul style="list-style-type: none"> • Subcontractors • Materials • Travel • Facilities • Equipment • Leases & Licenses



Performance-based management = program/project planning, metrics for control, and continuous improvement.



Performance-Based Management

Activity-Based Vs. Performance-Based Management Example

- Performance-Based Management is based on process management. Therefore, and cost, schedule, and activities become performance areas and are managed through the use of performance metrics.
 - ❑ **OBJECTIVE**: Develop and write approach to Sample Task IAW instructions and information provided in RFP.
 - ❑ **GOAL**: Submit 1st Draft for Pink Team Review on May 23, 2003
- An **activity-based approach** is generally done in series, wherein one step is completed and approved before proceeding to the next step. This could involve one of multiple subtasks.



Performance-Based Management

Activity-Based Vs. Performance-Based Management Example

- ❑ Write subsection 2.1, submit for review, obtain approval.
- ❑ Write Subsection 2.2, submit for review, and obtain approval.
- ❑ Write Subsection 2.3, submit for review, and obtain approval.
- In this approach, the manager must approve the output/deliverable and give permission to proceed to the next step.
- A **performance-based approach** is generally accomplished in a global fashion and the tasks are done in parallel to meet the defined objectives and accomplish the goal(s).



Performance-Based Management

Activity-Based Vs. Performance-Based Management Example

- In this approach, the manager is managing the process and tracking performance, as shown below:
 - ❑ **Requirement:** Develop 1st Draft
 - ❑ **Metric:** 100% completion by May 23, 2003
 - ❑ **Surveillance:** Sample writer's progress
 - ❑ **Surveillance Method:** Written drafts posted in war room
 - ❑ **Surveillance Frequency:** Daily



Impact on Business Development

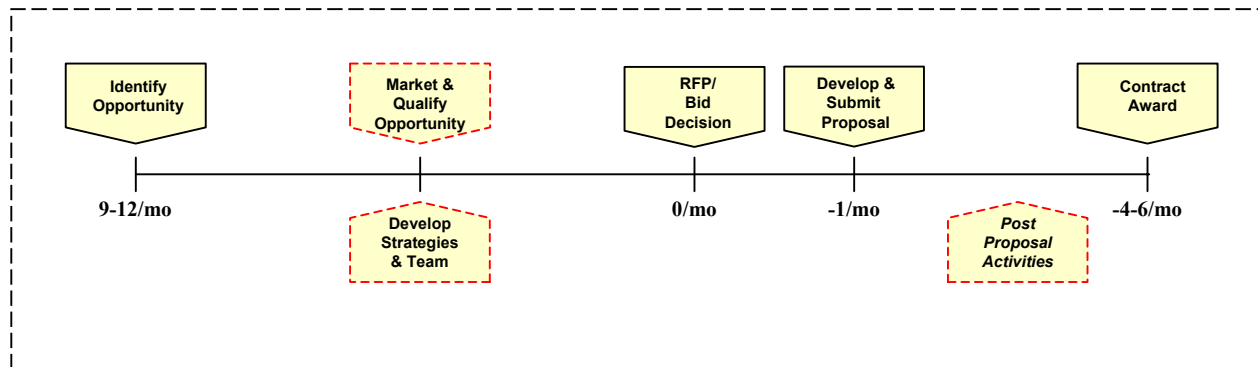
- Impact of PBSC on Business Development
 - ❑ PBSC requires a different marketing approach.
 - ❑ BD folks must continue doing what they do today to be successful. Yes we still need client rapport, opportunity background, client hot buttons, competitive intelligence, etc.
 - ❑ However, in a PBSC environment, the BD professional must also be understand project development and management techniques so they can gather the “right” data for the Capture Team.
 - ❑ They must also be knowledgeable in the methodologies of developing performance metrics, and the techniques for managing performance.



Impact on Business Development

Develop Acquisition Strategy & Plan	Define Requirements	Develop SOW/SOO/PWS & Other RFP Sections	Final Coordination & Revisions	Release RFP	Receive & Eval Proposals	Pick Winner Write Justification, Final Coordination	Make Award
-12-9/mo	-9-6/mo	-3-6/mo	-0-3/mo	0/mo	+1-2/mo	+2-4/mo	+4/mo

Typical Federal Procurement Lifecycle



Marketing Opportunity Lifecycle



Impact on Business Development

- ❑ Need to do research and identify government key players and decision makers early, develop a Call Plan, and make multiple calls – drilling down to potential evaluators to gather enough data on the requirements for the Capture Team to do a WBS, and SOW.
- ❑ Need to do a strengths/weaknesses analysis of requirements early and put together complementary teams that strengthen the primes weaknesses.
- ❑ Need to verify teammates “past performance” references before commitment to team.



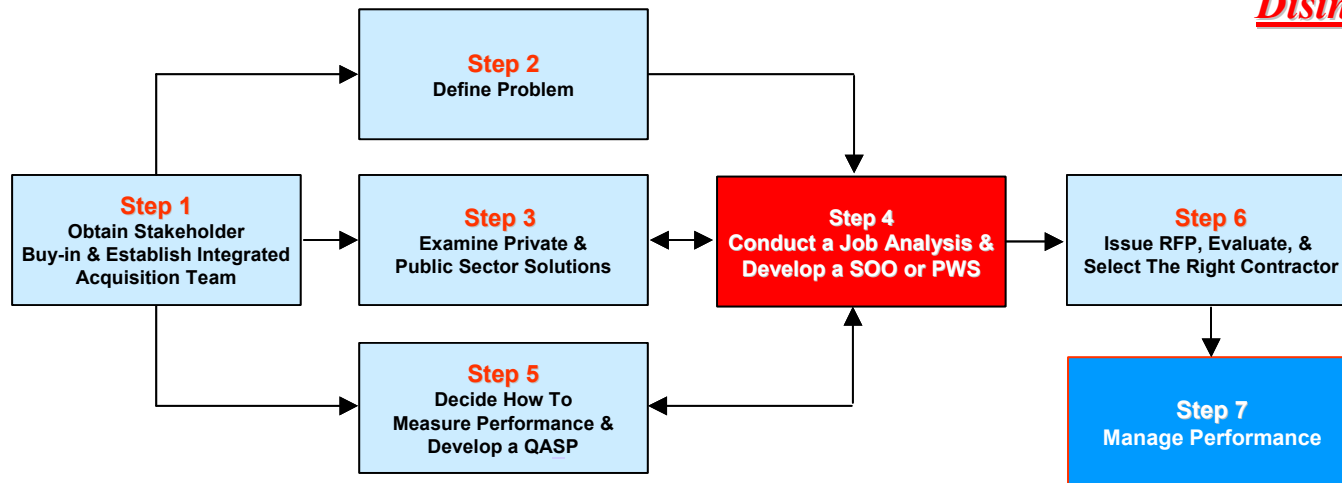
Impact on Capture Management (Pre-RFP)

- Impact on Capture Management
 - ❑ Define What Constitutes Success Early
 - Get senior management involvement and “buy-in” up front.
 - ❑ Use Capture Plans - The Capture Plan is the heart of the aggregate activities involved in winning a new business opportunity. The Capture Plan should, at a minimum, contain the following sections:
 - Section 1 – Opportunity Overview
 - Section 2 – Call Plan
 - Section 3 – Win Strategy
 - Section 4 – Job Analysis and Approach to Performing the Tasks
 - Section 4 – Competitive Assessment and S.W.O.T. Analysis
 - Section 5 – Proposal Plan.



Pre-RFP Activities

FFP?
Incentives?
Disincentives?



Use the Governments Inter-Agency 7-Step Process For Pre-RFP Project Planning/ Development to Really Know What you are Bidding!



Pre-RFP Activities

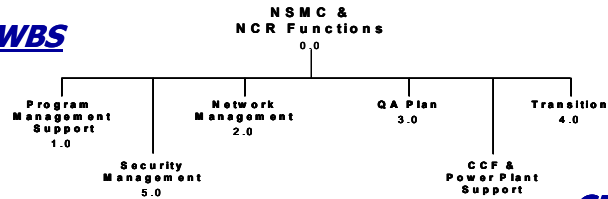
➤ Step 4 – Conduct a Job Analysis and Develop a SOW

- ❑ The Job Analysis is critical part for project/task planning. It involves a close examination of the project/task requirements and tends to be a “top-down” assessment with “re-engineering” potential.
 - Model the work by creating a WBS and loading it into an automated project management toolset (e.g. MS Project) to define resource requirements, durations, task dependencies, costs, etc. These data will then be used to generate various outputs to assist with the Job Analysis. The data will also be used as a ‘road map’ for managing the task.
 - Develop a project/TO Statement of Work (SOW) that states “**what**” and write it from the Governments perspective (e.g. the contract shall, will, etc.) so they can lift it out of your proposal and attach it to your contract/TO.



Pre-RFP Activities

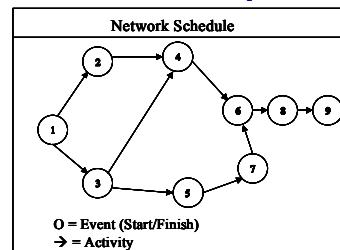
WBS



GNATT

ELEMENT	TASK #	DESCRIPTION	Jan	Feb	Mar	Apr
1	1	Program Management Support				
1.1	1.1	Task Order Management	▲			▲
1.2	1.2	Monthly Status Reporting				▲
1.2.1	1.2	MSR Heading		▲	▲	▲
1.2.2	1.2	Financial Information		▲	▲	▲
1.2.3	1.2	Program Support Items		▲	▲	▲
1.2.4	1.2	Network Management		▲	▲	▲
1.3	1.3	Monthly In Progress Reviews (PIRs)		▲	▲	▲
1.4	1.4	Training Recommendations		▲		▲
1.5	1.5	Customer Service	▲			▲
1.6	1.6	Policy, Procedure and SLA Development & Maintenance	▲			▲
1.7	1.7	Point-of-Contact (POC) System	▲	▲		▲
1.8	1.8	Special Services	▲			▲

CPM/PERT



Use Standard PM Tools and conduct a Job Analysis just like the Government does pre-RFP!

Resource Allocation

ELEMENT	TASK #	DESCRIPTION	DURATION (MONTHS)	START	STOP	RESOURCE ALLOCATIONS
1.0	1	Program Management Support				
1.1	1.1	Task Order Management				
1.2	1.2	Monthly Status Reporting				
1.2.1	1.2	MSR Heading				
1.2.2	1.2	Financial Information				
1.2.3	1.2	Program Support Items				
1.2.4	1.2	Network Management				
1.3	1.3	Monthly In Progress Reviews (PIRs)				
1.4	1.4	Training Recommendations				
1.5	1.5	Customer Service				
1.6	1.6	Policy, Procedure and SLA Development & Maintenance				
1.7	1.7	Point-of-Contact (POC) System				
1.8	1.8	Special Services				

Risk Matrix

Use the Project Planning Tools to Focus

WBS #	Description	Associated Risk	Mitigations
5.1	Project Management Support		
5.1.1			

Identify Risks, then Create a Risk Management Plan with Measurable Mitigation Actions!

Labor Should Cost Estimates

WBS #	Duration (Days)	Labor Categories	Required (Days)	Cost (\$)
5.1	78	Project Manager	78	\$45,895.20
	78	Project Scheduler	48	\$15,000.96
5.1.1				

Data: Actual work days
 Cost: (78 x 6 = 454 hrs) X Burdened Rate



Impact on Proposal Development

- In the late 20th Century, several techniques were developed for proposal development and the Proposal Managers toolkit included budgets, schedules, outlines, compliance matrices, storyboards, mockups, themes, discriminators, etc. Proposal Managers who work in the Federal environment during the 21st Century must adapt to deal with the new challenges.
- The successful 21st Century Proposal Managers must be knowledgeable in project development and management techniques, which extend beyond the proposal and into reality. They must also be knowledgeable in the methodologies for developing performance metrics, and the techniques for managing performance.



Impact on Proposal Development

- Proposals frequently require contractor developed SOW and contractor developed performance metrics and QA Surveillance Plan (QASP).
- Use performance-based management techniques for Management Plan.
- Include Performance Monitors to monitor metrics in Staffing Plan.
- Use Performance-Based Resumes
 - ❑ Use a matrix comparing the RFP requirements to the persons experience.
 - ❑ Write the resume to the matrix.
 - ❑ Use action verbs.
 - ❑ Use the RFP terms.
 - ❑ Provide the following two items for each job:
 - First describe what the person did
 - Next describe what they accomplished.



Impact on Proposal Development

- Use Performance-Based Past Performance Write-ups
 - ❑ Use a matrix comparing the RFP requirements to the referenced contract.
 - ❑ Write the past performance summary to the matrix.
 - ❑ Use action verbs.
 - ❑ Use the RFP terms.
 - ❑ Provide the following two items for each functional category:
 - First describe the task area
 - Next describe your performance (e.g. what your company accomplished, including problems and resolution)

New Concepts Mean New Roles

PBSC Pre-Award Activities

Marketing

- ✓ Opportunity Identification
- ✓ Opportunity Qualification
- ✓ Client Calls
- ✓ Defining Current Level of Performance ("As-Is" State)
- ✓ Client Requirements Definition
- ✓ Defining Performance Objectives and Goals
- ✓ Competitive Analysis
- ✓ Teaming
- ✓ Strategies

Capture/Operations/PM

- ✓ Strategies
- ✓ Requirements Definition
- ✓ Defining "As-Is" State
- ✓ Conducting a Job Analysis
- ✓ Developing an SOW
- ✓ Defining Labor Categories and Skills Mix
- ✓ Defining Performance Objectives and Goals
- ✓ Defining Performance Measures
- ✓ Developing a QA Surveillance Plan (QASP)
- ✓ Proposal Development

Contracting

- ✓ Teaming Agreements
- ✓ RFP Analysis
- ✓ Reqs & Certs
- ✓ Pricing

PBSC Post-Award Activities

Contracting

- ✓ Contract Administration
- ✓ Incentive Fee Management

Operations/PM

- ✓ Performance Management
- ✓ Performance Monitoring
- ✓ Requirements Coordination
- ✓ Process Improvements



Conclusion

- Is PBSC a Passing Fad?
 - ❑ Section 805 of the FY 2003 DOD Authorization Act (P.L. 107-314) passed by Congress in 2002 includes revised targets for DOD for using performance-based services contracting (PBSC) and for achieving a portion of those services contracts as fixed price.
 - ❑ Under the new law, DOD is to required to award the following minimum amount of services contracts as PBSC:
 - FY03 = 40%
 - FY04 = 50%.
 - ❑ In addition, DOD must award the following minimum amount of PBSC contracts as fixed price:
 - FY03 = 25%
 - FY04 = 35%
 - FY05 = 50%
 - FY11 = 70%.

Note: While the law only applies to DOD, many other agencies are using this to establish their PBSC goals!