

# Maximizing Benefit from Performance-Based Service Acquisition (PBSA)

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# Problem

- **Although at least 40% of all contracted federal government service dollars must be expended using PBSA:**
  - **PBSA should only be applied to certain types of projects, circumstances, and contract types**
  - **Sponsors are challenged to determine when/how PBSA should be applied**
  - **It has not been proven that the benefits realized outweigh the significant costs incurred**
    - **There is a lack of data and analysis that confirms/denies resources committed and value derived**

# Background

*PBSA involves acquisition strategies, methods, and techniques that describe and communicate measurable outcomes rather than direct performance processes. It is structured around defining a **service** requirement in terms of performance objectives and providing contractors the latitude to determine how to meet those objectives. It is a method for acquiring what is required and placing the responsibility for how it is accomplished on the contractor.*

## Traditional Acquisition Environment

Used when the government wants to dictate a solution.

Award fee typically not directly tied to performance.

Upfront resource commitment to prepare limited documentation not significant.

Can be structured for short- and long-term requirements.

Performance reviews meaningless for some contract types. When it matters, performance monitoring performed ad hoc.

Government and contractor conduct business very "arms length."

## PBSA

Applied if the government wants an innovative solution. Contractor free to determine "how to."

Applied if government greatly values superior contractor performance. Ties incentives to outcomes.

Significant upfront government resource commitment to prepare contract documents (e.g., quality assurance plan).

Given upfront and on-going government resource commitment, best suited for long-term contracts.

Highly structured on-going performance monitoring via SLAs and continual reference to performance evaluation plan (PEP).

Should be a trusted partnership between the government and contractor.

# Objective

- **Develop decision mechanisms and supporting strategies that government decision makers can apply to determine:**
  - **Whether PBSA is appropriate for a specific requirement**
  - **Whether an enterprise is “PBSA-ready”**
  - **How best to populate their PBSA portfolios**
- **Develop decision mechanisms and supporting tactics that program managers (PMs) can apply to maximize benefit and minimize costs once decisions have been made to implement PBSAs**

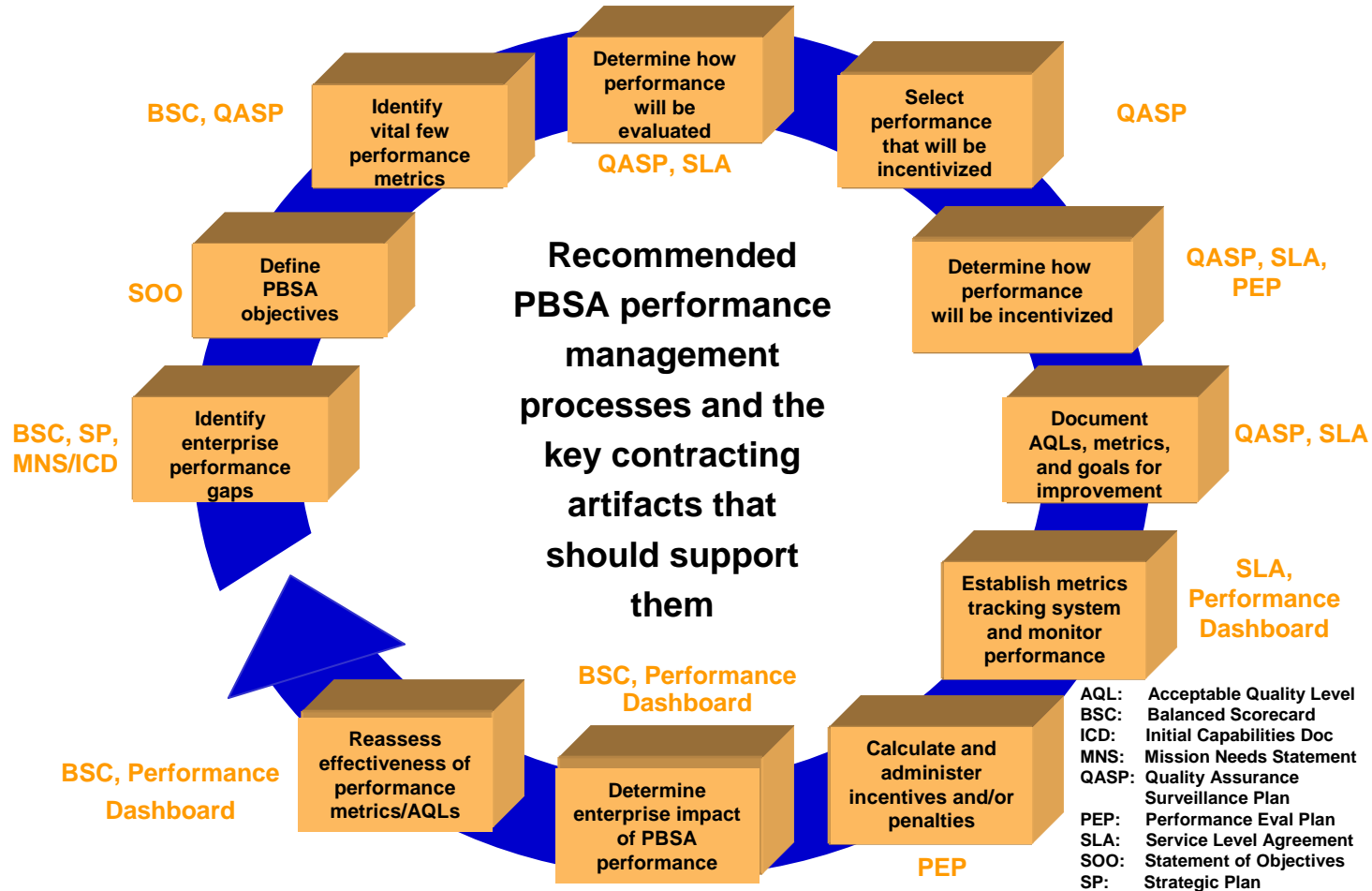
# Activities

- Investigated regulatory environment, PBSA quotas, and PBSA eligibility requirements
- Reviewed key government audits
- Identified prevalence of PBSA contracting in the federal government
- Established knowledge base and MITRE Web presence to foster information sharing
- Analyzed several relevant PBSA experiences
- Prepared benchmarking survey
- Prepared sample incentive fee structure

# Highlight

Key Activities	Key Deliverables
<p><b>Phase I Goal: Arm decision makers with the strategic capability to determine if/when PBSA should be implemented and when it is time to “pull the plug”</b></p> <pre> graph LR     A[Collect and analyze data] --&gt; B[Identify PBSA performance gaps]     B --&gt; C{Can PBSA succeed?}     C -- No --&gt; D[Evaluate PBSA alternatives]     C -- Yes --&gt; E[Determine when and how PBSA succeeds]     E --&gt; F[Identify what aspects of PBSA impact success and failure]     F --&gt; G[Identify key success drivers for prevalent PBSA circumstances]     G --&gt; H[Document findings and present recommendations]           </pre>	<ul style="list-style-type: none"> <li>• Repository of PBSA cost, benefit, and statistical data</li> <li>• Cost, benefit, and risk analyses of PBSAs</li> <li>• Benchmarking framework</li> <li>• Identification of existing analytic approaches/tools that can be leveraged</li> <li>• Determination of approaches/tools that must be developed</li> <li>• Guidance pamphlet &amp; brief</li> </ul>
<p><b>Phase II Goal: Arm PMs with the tactical capability to implement and manage PBSAs over the acquisition lifecycle</b></p> <pre> graph LR     A[Identify laws governing contractual flexibility. Identify/develop analytic approaches to determine flexibility needed.] --&gt; B[Develop a model PBSA contract and best-of-breed performance evaluation criteria.]     B --&gt; C[Conduct interviews with acquisition leaders to identify incentives and negotiation success/failure drivers]     C --&gt; D[Develop PBSA decision logic tree and supporting guidance materials.]           </pre>	<ul style="list-style-type: none"> <li>• Model contract &amp; validation of suggested approaches/tools</li> <li>• Key discoveries from PBSA interviews</li> <li>• PBSA decision-logic tree.</li> <li>• PM guidance pamphlet &amp; brief</li> <li>• Presentation of research results at a government investment strategies conference.</li> </ul>

# Highlight



# Impacts

- **Capture critical experiential information essential for informing government PBSA implementation decisions**
- **Provide government with improved methodologies and tools that effectively apply PBSA best practices and lessons learned**
- **Expand MITRE's business portfolio through high-value support to tactical and strategic acquisitions**

# Future Plans

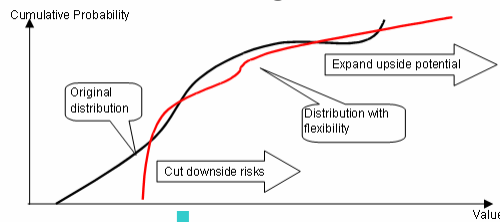
Conduct benchmarking to compare PBSA approaches and results



Develop a "PBSA readiness" checklist and prioritization scheme for determining PBSA appropriateness

Category	Process Area
Project Management	Project Monitoring and Control
	Project Acquisition Management & Reporting
	Project and Contracting (PAC)
Support	Contract Administration
	Contract Administration Support
Supporting	Organizational Management
	Organizational Development for integration (ODI)
	Organizational Change Management
Process	Organizational Process Management
	Organizational Process Improvement

Create a decision-making environment at key PBSA decision nodes to support dynamic PBSA management



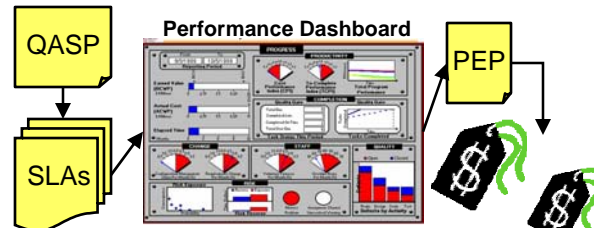
Develop an acquisition use case to include a model PBSA contract, key performance parameters, risk assessment, and critical decision points.



Conduct interviews with acquisition leaders to identify methods for improving the government's position in negotiating PBSA contracts



Develop tactical guidance for program managers



Design strategic guidance for decision makers

PBSA #1 Scorecard			
PBSA #2 Scorecard			
Enterprise Scorecard ★			
Supporting Goal #1-1	Supporting Goal #1-2	Supporting Goal #2-1	Supporting Goal #2-2
Strategic Objective #1		Strategic Objective #2	
Supporting Goal #1-3	Supporting Goal #1-4	Supporting Goal #2-3	Supporting Goal #2-4
Supporting Goal #3-1	Supporting Goal #3-2	Supporting Goal #4-1	Supporting Goal #4-2
Strategic Objective #3		Strategic Objective #4	
Supporting Goal #3-3	Supporting Goal #3-4	Supporting Goal #4-3	Supporting Goal #4-4