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# **Recommended Methods For Evaluating Competitive PBL Offerings**

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- Special Issues With PBL
- PBL Contracting
- Some Thoughts On What To Look For

# Special Issues With PBL

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- Traditional methods for performing competitive source selection may be inappropriate
  - Certified cost and pricing data at a component level is inconsistent with a price-per-unit, hour, cycle type contract
  - PBL value propositions will be structured differently by each supplier not allowing comparison
  - Bidders cost will tend to be more opaque since they represent blended costs and risk mitigation rather than cost per labor hour or cost per part number
  - Profit caps are inappropriate since this is the incentive to continuously improve the process and modernize the product
  - Current DCAA audit methods may not be applicable except in the area of past performance evaluation

***Selection for award should be based on the value delivered for the price***

# PBL Contracting

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- The RFP
  - Recommend using a statement of objectives rather than a traditional statement of work
    - What performance do you require
      - What kind of availability
      - What kind of reliability improvements
      - Pace of improvements in reliability
    - Do not cherry-pick the SOO to shield your organization from impact or no one will bid. A contractor must be able to make money
    - What is the hurdle rate for accepting a PBL offering
      - Award threshold, i.e., minimum 10% reduction in current cost per unit/hour/cycle
      - Know what your true current costs are

# PBL Contracting

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- The RFP
  - Describe current situation
    - In same terms as you want the contractor to propose i.e., Current Cost per unit/hour/cycle
    - Should be defined based on preliminary BCA so that costs can be rolled into a BCA update
    - Do not specify how the work is to be performed only the performance required

# PBL Contracting

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- The RFP
  - Emphasize that you are going to evaluate
    - Program organization
    - Supply-chain relationships and agreements
    - Efficacy of business processes
    - Level and Number of Government/industry partnership agreements
    - Proposed plan for improving system reliability
    - Transition plan and period for achieving initial performance
    - Proposed external (performance evaluation) and internal metrics (management and control)
    - Price

# Some Thoughts On What To Look For

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- Program Organization
  - Does the proposed program organization include key partners, subcontractors, vendors and governmental entities necessary to execute the program
    - Are all of the technical bases covered especially where key subsystems are proprietary
    - Is the business entity relationship appropriate to execute the scope of work i.e., Prime/Sub, Joint Venture, LLC etc.
  - What are the lines of recourse should the bidder fail in performance of the contract
  - Does the program manager have sufficient decision-making authority to execute all aspects of the program

# Some Thoughts On What To Look For

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- Supply Chain Relationships and Agreements
  - What is the proposed supply chain
  - To what portion of the supply chain have PBL requirements been flowed
  - Period of validity for supply chain relationships
  - Type of pricing has been offered
  - Is the type of pricing consistent with the bidders proposed performance guarantees
  - How many of the relationships have been immortalized with formal agreements

# Some Thoughts On What To Look For

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- Efficacy of Business Process
  - What did the Bidder identify as core business processes
  - Has the bidder documented each process
  - Are the processes logical
  - Are the processes integrated into a total supply chain process (Recommend requiring IDEF models)
  - Do the business processes allow performance data collection and provides points at which measurement data can be attained

# Some Thoughts On What To Look For

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- Level and Number of Partnership Agreements
  - Has the contractor entered into agreements with government organizations to perform elements of the proposed support
  - How many government/industry partnerships has the bidder proposed
  - Has the contractor established how business will be conducted with the government partner
  - Are the proposed government processes and points of interface documented and integrated between the parties
  - Has a contract resolution process been established
  - How does the contractor propose to pay the government partner
  - How will government performance be measured and integrated into contractors performance metrics

# Some Thoughts On What To Look For

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- Proposed plan for improving systems reliability
  - Basis for selecting candidates for improvement
  - Proposed method for incorporating reliability improvements into the system
  - Who is the bill payer
  - Will improvements in reliability have an impact on PBL price
  - Methods for measuring improvement in reliability

# Some Thoughts On What To Look For

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- Transition plan and period for achieving initial performance
  - Period from contract award to achievement of full capability
  - Identification of transition tasks to be performed (Microsoft Project) and exit criteria to claim that they are complete
  - Do the transition tasks dependencies make sense
  - Does the period of performance for each task seem correct

# Some Thoughts On What To Look For

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- Proposed external (performance evaluation) and internal metrics (management and control)
  - Do the proposed external metrics provide a basis for measuring PBL performance
  - Is there an acceptable data collection strategy for each metric
  - Is there a process established for ensuring data collection integrity
  - Is the proposed data analysis method acceptable to the government for interpreting results

# Some Thoughts On What To Look For

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- Proposed external (performance evaluation) and internal metrics (management and control)
  - Do the proposed internal metrics cover all domains of business performance necessary to control performance (Recommend use of Balanced Score Card)
  - Have performance collars been established to serve as risk trigger thresholds
  - Is there a proposed data collection and analysis strategy defined
  - Is the frequency of data analysis sufficient to provide insight to management on business performance

# Some Thoughts On What To Look For

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- Price
  - What is included in the bidders price per unit/hour/cycle
  - What has been excluded by proposed terms and conditions
  - How does the price and included/excluded services compare with other bidders