

Performance-Based Contracting

Step-by-Step Process to Achieve – Checklists – Toolkit

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Foreword

Most government contracts include a Statement of Work (SOW). A performance-based SOW is called a Performance Work Statement (PWS). The PWS forms the basis for successful performance by the contractor and effective administration of the contract by the government. A well written PWS

enhances the opportunity for all potential offerors to compete equally for government contracts and serves as the standard for determining if the contractor meets the stated performance requirements.

A Statement of Objectives (SOO) is a relatively new concept which shifts the responsibility for preparing the SOW from the government to the solicitation respondents. The DOD, in particular, has adopted this concept in a bid to lower government costs by encouraging innovative contract options and flexible design solutions. The SOO captures the top-level objectives of a solicitation and allows the offerors complete freedom in the structure and definition of SOW tasks as they apply to the proposed approach.

Objectives

The aim of this book is to show you how to write a successful performance-based statement of work. Chapters lead you through all the steps necessary – from planning and market research to writing the performance-based statement of work and everything in between.

The book highlights the key elements of performance-based acquisition which encourage innovative business practices and emphasizes that performance-based acquisition requires the participation of all stakeholders – the users, the acquisition workforce and industry – to ensure the requirement is adequately satisfied.

It is vital that all stakeholders understand the importance of their role in the process, which is comprehensive and must include the user, and many different functional team members – including financial managers, legal advisors, program (project) managers, contracting officers, contracting specialists and so on. It is essential that industry be a key participant, especially, but not only, when the requirements are complex.

Overview

This handbook walks you through everything you need to know about writing a performance-based statement of work – from the initial planning to completion and performance assessment.

Introduction

Developing a PWS or SOO

There are two ways to develop a specification for a performance-based acquisition: by using a performance work statement (PWS) or an emerging methodology built around a statement of objectives (SOO).

The PWS process is discussed in most existing guides on performance-based service contracting and in the Federal Acquisition Regulation. Among its key processes are the conduct of a job analysis, development of a performance work statement and a quality assurance and surveillance plan. When people talk about performance-based contracting, this is typically the model they have in mind.

The alternative process – use of the SOO – is an emerging methodology that turns the acquisition process around and requires competing contractors to develop the statement of work, performance metrics and measurement plan, and quality assurance plan, all of which should be evaluated before contract award. It is described briefly in the Department of Defense "Handbook for Preparation of Statement of Work (SOW)" for example:

The SOO is a government-prepared document incorporated into the RFP that states the overall solicitation objectives. It can be used in those solicitations where the intent is to provide the maximum flexibility to each offeror to propose an innovative development approach. The SOO is a short document (e.g., under 10 pages) that provides the basic, high-level objectives of the acquisition. It is provided in the solicitation in lieu of a government-written statement of work or performance work statement.

In this approach, the contractors' proposals contain statements of work and performance metrics and measures (which are based on their proposed solutions and existing commercial practices). Clearly, use of the SOO opens the acquisition up to a wider range of potential solutions.

An integrated solutions team should consider these two approaches and determine which is more suitable:

- * Use of the PWS
- * Use of the SOO

Conduct an Analysis

Preparing a PWS begins with an analytical process, often referred to as a "job analysis." It involves a close examination of the agency's requirements and tends to be a "bottom up" assessment with "re-engineering" potential. This analysis is the basis for establishing performance requirements, developing performance standards, writing the performance work statement, and producing the quality assurance plan. Those responsible for the mission or program are essential to the performance of the job analysis.

A different approach to the analytical process is described in the "Guidebook for Performance-Based Services Acquisition (PBSA) in the Department of Defense." It describes three "analysis-oriented steps" that are "top down" in nature:

- * Define the desired outcomes: What must be accomplished to satisfy the requirement?
- * Conduct an outcome analysis: What tasks must be accomplished to arrive at the desired outcomes?

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About the authors

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Steven W. McKinzie, B.S., M.S., Navy Commander (retired), Certified Professional Contracts Manager (CPCM) by NCMA, Certified ISO 9000 Lead Auditor certification #4605962, Member of the Professional Acquisition Corps, United States Navy, President of M3 Corporation.

Mr. McKinzie has thirty-six years of hands on government and private sector experience in federal government contract training, quality assurance auditing, and logistics support. He has been an instructor of government contracting for the past fifteen (15) years. Other related positions that he has held include U.S. Navy Contracting Officer, with an unlimited warrant responsible for contracting for major weapon systems and their support 1980 to 1994, and Disaster Assistance Contracting Officer for the Federal Emergency Management Agency (FEMA) from 2000 to 2005. He was the Quality Control Manager on a consultant contract for the Federal Transit Administration conducting audits to insure contractor compliance with ISO9001 and 9002 standards from 1999 to 2003 for 13 different projects performing more than 60 quality audits.

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