

PRIVATE SECTOR COUNCIL



CREATING MOMENTUM IN CONTRACT MANAGEMENT

THE ACQUISITION INNOVATION PILOT HANDBOOK

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PARTNERSHIP FOR PUBLIC SERVICE

The Partnership for Public Service is a nonprofit organization that works to revitalize federal government by inspiring a new generation to serve and by transforming the way government works.

The Partnership's *Private Sector Council* (PSC) connects experts from Fortune 500 corporations with federal leaders to confront government's key management challenges on an operational level.

FOREWORD

Today's acquisition workforce is understaffed and overtaxed. It is responsible for managing procurement activities that have shifted in nature and financial obligations that have grown exponentially. Addressing the country's needs in this area requires immediate and long-term action.

Many agencies have already launched reforms, and these efforts are making a difference. But more change is needed—change that will enable our government to enhance its procurement activities now, without reversing the important progress already made. In late 2005, the Partnership for Public Service's *Private Sector Council* (PSC) approached me to discuss their concerns about this matter.

After countless conversations with federal and corporate officials at all levels and across several agencies, PSC recognized that the more immediate needs of the government's acquisition community—needs critical to our country's health and security—were either being overlooked or improperly addressed.

Due to the heavily politicized nature of the matter, reactionaries have tended to use every allegation of deficiency or scandal—whether real or imagined—as an excuse to call for “reform” by way of stricter guidelines and more narrow rules. Unfortunately, this practice of “legislation by anecdote” risks turning back the clock on the significant progress that has already been achieved.

Given the stakes, I was eager to work with PSC to facilitate a more promising solution. The experts that PSC convened for this purpose represent more than 500 years of procurement experience. Even more extraordinary is their recognition of the importance of this initiative: despite the hectic schedules that each participant juggles as a top level executives in the federal or private sector, they remained—and still remain—committed to this project's success.

It was important to the gathered participants that this effort be pragmatic. Accepting and appreciating the strengths and weaknesses of the current situation, and pledging to work with what we have—rather than what we would ideally have—is what has separated this effort from others. Recognizing the reality that many of today's contracts are likely to lack optimal and comprehensive planning on the front end, the group chose to provide program and contracting officials with the tools they need to effectively manage service contracts post-award.

In this risk-averse and politically divisive environment, I am proud to have partaken in a truly collaborative and substantive discussion resulting in the material herein. It has been a pleasure facilitating this process, and I am eager to continue working with PSC and project participants throughout the pilot phase of this project.

The focus of this effort is to get useful tools into the hands of federal project and contract teams. It represents a solution set built from the perspective of top acquisition officials who are convinced of the need for strong collaborative partnerships. I am confident that the work of this group represents the first step in meeting the needs of today's government, and enhancing our government's ability to better serve its customers—the American people.

I want to thank the *Private Sector Council* and the Partnership for Public Service of which it is a part. I especially want to thank Dr. Barbara Male and Beth Landes for the preparation of this document. Finally, a very sincere thank you to the federal and private sector participants, whose continued commitment to this process has been unwavering, and whose intellectual capital is represented in the following pages.



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INTRODUCTION

The country's procurement obligations have grown as much as 60 percent over the past five years. In fiscal 2005 alone, federal agencies issued \$388 billion in contracts—an 18 percent increase over fiscal 2004. At the same time, the nature of the federal procurement function has shifted over the past several years to accommodate government's evolving needs. While once primarily a vehicle for the purchase of goods, federal procurement activities are now increasingly focused on the purchase—and management—of services. Consequently, the acquisition workforce currently includes not only contracting professionals, but also program management staffs who are responsible for executing a wide spectrum of federal projects and programs.

In this dynamic environment, there has been one constant: the size of the acquisition workforce has not kept pace with the increased demands. Our country is asking the acquisition workforce of yesterday's numbers and yesterday's resources to effectively manage today's very different and expanding challenges. Complicating matters, these increasingly difficult work conditions have made the retention of experienced staff a pressing challenge for the acquisition community.

The negative impact of the misalignment between resources and expectations, and the strain on the workforce, has been exposed by contracting missteps in connection with both the reconstruction of Iraq and the response to Hurricane Katrina. But while many fingers have been pointed, few have bothered to address some of the serious issues underpinning these breakdowns.

THE ACQUISITION INNOVATION PROJECT

The *Private Sector Council* (PSC) brought together the Acquisition Innovation Group—senior procurement executives from 12 federal agencies and 13 private sector organizations—in an unprecedented effort to lay out a road map for improving the federal acquisition system. The participants were uninterested in assigning blame for the system's shortcomings. Instead they united to develop realistic solutions

To kick-start this effort PSC convened a series of forums which were facilitated by Professor Steven Kelman of Harvard University's Kennedy School of Government, and former Administrator of the Office of Federal

Procurement Policy in the U.S. Office of Management and Budget.

After a great deal of discussion to determine which areas were most in need of reform and where the group could have the biggest, most immediate impact, the Group chose to focus its efforts on improving the post-award contract management function. While other good government organizations have directed their reform effort on up-front contract management activities, little attention has been paid to the actual management of the program and contract post-award. As Dr. Kelman noted, "The administration of contracts once they have been signed has been the neglected stepchild" of procurement reform.

Drawing heavily on its own experience and the experiences of successful corporate and federal management teams, the Group identified three keys to successful post-award contract management:

1. A sustainable and accountable partnership
2. An infrastructure for success
3. A system of measures to monitor and improve performance

In three separate sections, the *Acquisition Innovation Pilot Handbook* examines each of these keys to success and proposes solutions to achieve them. It is the intention of the Acquisitions Innovation Group that members of the acquisitions community use this handbook as a guide for improving contract management.

In an effort to test the effectiveness of these proposed solutions, three agencies have already agreed to use the principles and recommendations enumerated in the handbook during a nine-month pilot project. Based on the experience of the various pilots, the Group expects to revise the handbook and then make it available to all federal agencies.

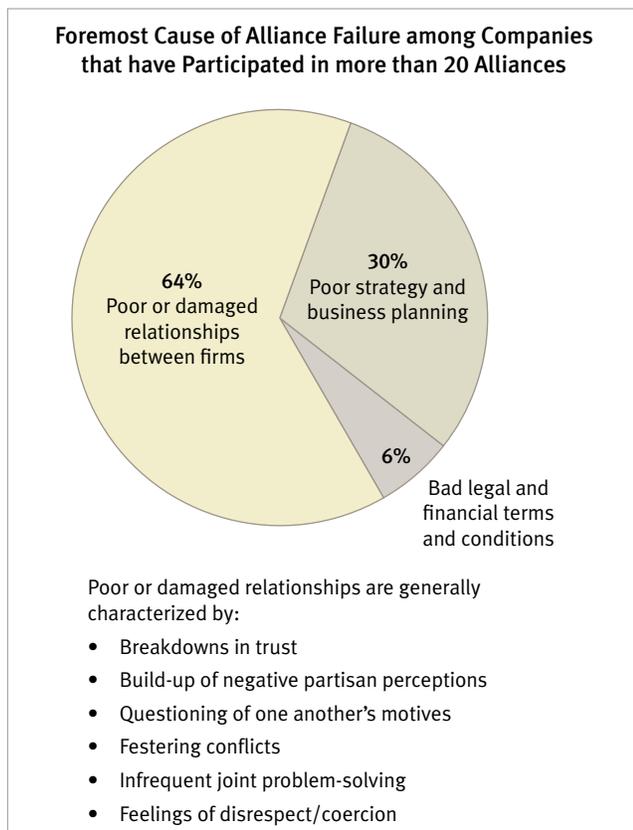
In addition to the *Handbook*, the group has created a streamlined version called the *Acquisition Innovation Pilot Playbook*. The group will also make itself available to assist members of the acquisition community as they integrate the solutions into a process—and a culture—that has become increasingly unwieldy.

PART ONE: CREATING SUSTAINABLE & ACCOUNTABLE PARTNERSHIPS

“To successfully execute a contract, it is vital to establish a strong teaming partnership between stakeholders.”
—Acquisition Innovation Forum participant

To understand how to make contracting partnerships work, one of the first questions that must be asked is why do they fail? In a 2001 study of 150 failed corporate partnerships, well over half of the failures were traced to a destructive relationship between the parties (fig. 1.1). Destructive relationships are often a product of miscommunication, distrust, and misaligned goals—all correctable issues.

FIGURE 1.1. WHY RELATIONSHIPS FAIL, SOURCE: MANAGING ALLIANCE RELATIONSHIPS—TEN KEY CORPORATE CAPABILITIES: A CROSS-INDUSTRY STUDY OF HOW TO BUILDING AND MANAGE SUCCESSFUL ALLIANCES. CAMBRIDGE, MA: VANTAGE PARTNERS, 2001.



Widespread anecdotal evidence suggests that failures in the federal space are similarly linked to an inability to establish effective partnership relationships between the federal and contractor staffs.

OVERVIEW

Suggestions of collusions between contracting parties in Iraq and during the Hurricane Katrina recovery, as well as ongoing Government Accountability Office (GAO) concerns about contract oversight, might lead one to conclude that this is an inopportune time to recommend strengthening agency-contractor partnerships. To the contrary, a sustainable and accountable partnership is an essential element of contract performance, and one that enables successful program and contract execution through:

- Alignment of contract and program goals among the contracting parties
- Decreased incidence of misunderstandings and miscommunications
- Encouragement of positive practices and behaviors like the free exchange of ideas, innovations, and quality improvements
- Shared responsibility for cost management and contract schedule adherence
- Strategic management of contract changes and change orders to minimize schedule delays
- Reduction of negative practices and behaviors that lead to disputes and litigation

It is important to note that partnering does not abdicate contract oversight or allow the “other side” to do whatever it wants or whatever yields the greatest profit. Instead, effective partnering addresses participant behaviors that go *beyond* the legally binding contract. Generally, strong partnerships incorporate the following attributes:

1. An agreed-upon **governance system** that specifies the decision-making process; such a governance process identifies what decisions must be made, who will make them, and how they will be made and monitored
2. A **well-defined infrastructure** for executing that governance, defining the committees,

roles, processes and mechanisms that formalize relationships, and rules to ensure that expectations are met

3. A **relationship management component** to inform how the parties will work together
4. **Defined alignment** between federal program and contract management personnel and between the federal and contractor staffs
5. **Mutual understanding of the contract terms and conditions**

GOVERNANCE

“The greatest failure points for contracts, both large and small, is the lack of clarity around the decision-making processes. Who’s got the authority to make and enforce what decisions, whether it’s a change control board or another aspect on the ground?”

—Acquisition Innovation Forum participant

A well constructed and effective governance system is routinely cited as a best practice in thriving partnerships. When we talk about governance, we are describing where decision rights and accountabilities exist within a partnership. A governance structure identifies:

- Management accountability for program actions
- Fiscal accountability
- Independence in internal and external audits
- Protection of stakeholder interests
- Ethical standards
- What decisions need to be made
- Who makes the decision
- How the decision will be made and monitored

Many companies engaged in outsourcing indicate that ineffective and poorly defined working relationships and roles have led to wasted time and resources, which hurt margins and cause low customer satisfaction. In response, many corporations establish **governance boards**.

CRITICAL TO SUCCESS
BUILD A GOVERNANCE STRUCTURE UP FRONT

Developing a strong governance structure is an effective way to improve poor alliances. Such a structure clearly identifies the individuals, roles, methods, processes, and rules that establish relationships, formalize practices, and ensure objectives are met. A strong governance structure also requires a knowledgeable and engaged governance board. Typically the governance board is led by an appropriate executive from the leadership level in an organization. Incorporating these components of effective governance establishes a joint management system that aligns business objectives and project processes.

It is also useful to develop a **Program and Contract Governance Plan** that incorporates several critical components into one accessible framework. The Plan should include:

- Federal/contractor organizational charts (to include key subcontractor organization charts)
- Communication channels and functional counterparts (see IBM example in appendix 1.1)
- A description of federal/contractor roles and responsibilities, to include use of a matrix that ensures definition of all key responsibilities from the strategic to the operational level (see appendix 1.2)
- An escalation/appeal process template describing how issues are to be resolved in a timely fashion
- A communication framework detailing periodic meetings/reviews, reports and how information is to be disseminated

FIGURE I.2. PROGRAM AND CONTRACT GOVERNANCE PLAN INTERFACE COMPONENTS



SNAPSHOT**The Impact of Collaboration**

In October 2005, officials from the DOE Rocky Flats Site Office declared that the environmental cleanup was completed ahead of schedule and under budget. The State of Colorado asserts that the consultative process ensured that all issues were addressed and resolved in a timely manner before cleanup activities occurred.

In a response to draft GAO findings, the DOE Assistant Secretary stated, “The GAO report recognizes the role that teamwork and agency support had in accelerating cleanup of the Rocky Flats...The regulatory agencies, community groups, and local government worked tirelessly along with the DOE and contractor organizations...the teamwork was imperative for timely completion of the project.”

The President and CEO of the contractor responded, “Beginning with a firm political commitment to accelerate and finish the cleanup of Rocky Flats, the parties worked to resolve contentious issues and reach common goals, ultimately developing a positive working relationship that is unique in the DOE complex.” (Source: Government Accountability Office)

The governance structure must articulate reporting relationships between senior leaders, partnering organizations, and prime and key sub-contractors. It must also reflect the specific joint processes that will be utilized, including problem escalation, conflict management, handling of scope creep, and communication. Finally, the governance structure must clarify how transactions will be maintained and upheld (fig 1.3).

Programs that wait to design systems in the *aftermath* of problem relationships face intense challenges, leading to program execution uncertainty, increased costs and program risks, and schedule delays.

LEADERSHIP

Effective leadership is essential to the formation of strong partnerships. Leadership commitment must emanate from both the federal and contract officials, and the commitment must cascade through more than just the prime contract leaders. It must also be evident from all leaders of key subcontractors.

CRITICAL TO SUCCESS

A LEADERSHIP TEAM DEDICATED TO
COLLABORATION WHO ESTABLISH A CLEAR
VISION OF PROGRAM AND CONTRACT SUCCESS

Leaders must clearly endorse the expected behaviors of all participants as outlined above. Changing behavior is always difficult. It is especially hard to forge a culture of collaboration in an organization that is accustomed to a *we/they* approach to team relationships. Allowing an adversarial relationship to persist between the federal and contractor workforce does not support the desired outcome: contract success. With this in mind, the role of the leader is to set the tone of collaboration through:

- Focus on the joint goal of contract success
- Organizational guidance and performance monitoring
- Clarity of roles of customers and stakeholders
- Agreement on award and recognition approaches for the joint teams
- Contract outcome expectations reinforcement
- Clear ethical and behavioral guidelines and expectations
- Being conversant in the contract terms, conditions and deliverables

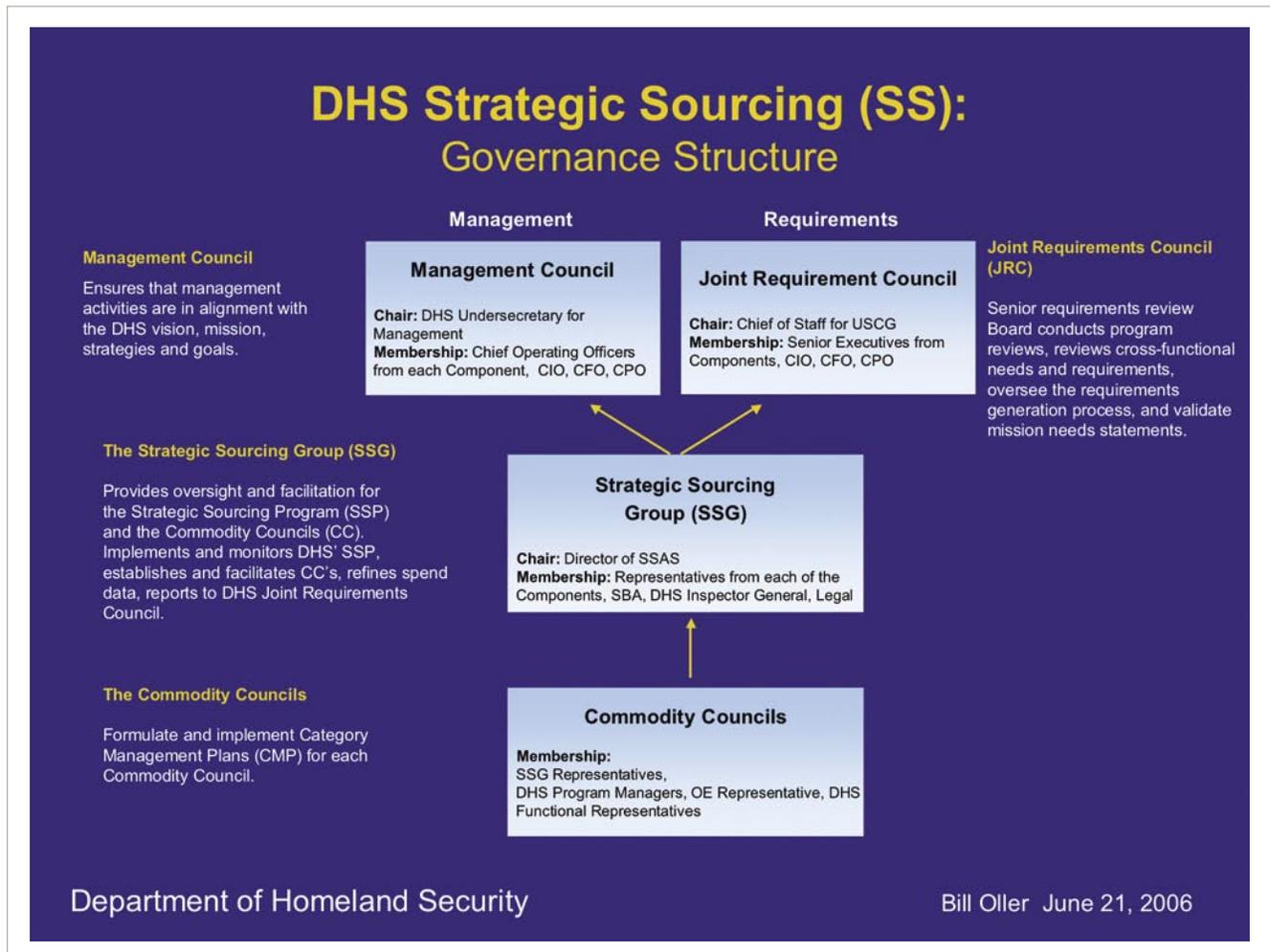
One critical role of the leader is to set high ethical standards of behavior through the contract orientation program and continuous training that reinforces the leaders' articulated expectations. The merit system principles, stated in § 2301, Title 5 of the U.S. Code (*The Merit Principles*), specify that “all employees should maintain high standards of integrity, conduct, and concern for the public interest and the federal work force should be used efficiently and effectively.” Program and contract leaders establish an early commitment to—and expectations for—ethical conduct and program integrity by describing appropriate/inappropriate behavior and providing ethics training. An accessible legal team is also helpful when facing questionable areas.

Potential ethical conflicts can be mitigated or avoided if they are identified early. In many cases, the best way to work through conflicts—especially conflicts that have the potential to significantly obstruct progress and/or damage critical relationships—is to do so collaboratively. This is particularly true when addressing a sensitive issue such as a potential Organizational Conflict of Interest (OCI). In an effort to maintain fair practices, as well as the appearance of fair practices, it is incumbent upon the government and the contractor to anticipate and identify potential OCIs before an actual conflict occurs. Typically, this responsibility falls to the contractor. However, because it is also in the government’s best interests to avoid and neutralize OCIs and to maintain as large a competitive base as possible for future acquisitions, government shares this responsibility. One of the most important elements of the review is to fully analyze the programmatic and technical nature of the contract to accurately assess the true potential for OCI. Collaboration in identifying conflicts will enable smoother sailing throughout the contract’s life-time.

Once a potential OCI is identified, the contractor should develop a plan to neutralize or avoid the concern, (often in the form of an OCI Mitigation Plan). Here, too, collaboration between government and contractor parties is critical. In situations involving impaired objectivity, such as source selection, it is particularly important that the government work closely with the contractor to arrive at an acceptable mitigation plan. The contracting officer should lead the government’s review of the proposed OCI Mitigation Plan and propose changes or enhancements where appropriate. If the government is not satisfied that the proposed plan sufficiently addresses the potential conflict in question, these concerns should be raised and addressed immediately.

In sum, leaders must continually demonstrate the desired behaviors and be vigilant about the internal commitment displayed throughout the enterprise. They strengthen collaboration between federal and contrac-

FIGURE I.3. EXAMPLE OF A STRATEGIC SOURCING GOVERNANCE SYSTEM, SOURCE: U.S. DEPARTMENT OF HOMELAND SECURITY



tor participants through reinforcement of contract goals and through insistence on partnership behavior. Leaders need to articulate the alignment between participants' work and program/contract execution. Figure 1.4, developed by RHR International, provides a useful road map in leading the types of change needed to create sustained partnerships.

and behaving in a manner consistent with achieving a common goal.

CRITICAL TO SUCCESS

ESTABLISH CLEAR RESPONSIBILITIES AND EXPECTATIONS

TRUST

SWEAT THE SOFT STUFF

“Reputation is the primary attribute of relationships...If there is no trust there is no deal, period.”

—Kevin T. Jackson,
Building Reputational Capital

Trust is an essential factor in sustaining healthy partnerships. The impact of misperceptions, suspicion, and lack of respect can be devastating to achieving contract goals. Trust is based on the confidence that each party is meeting its obligations, openly communicating issues,

Building trust requires that each party's behavior is predictable to other team members. A natural first step is to clearly identify each participant's responsibilities and to jointly monitor their fulfillment. Using a commitment log to identify key actions, milestones, accountable individuals, and necessary resources is an important first step. A commitment log is different from an action list: use it to capture those activities that are critical to establishing a strong foundation of partnering. See appendix 1.3 for an example of a commitment log that may be useful in the initial stages of the teaming partnership. Periodic joint reviews of the status of outstanding commitments are also essential to

FIGURE 1.4. LEADING THROUGH CHANGE, SOURCE: RHR INTERNATIONAL

Actions for leading others through change



MINDSET/ THINKING 	EMOTIONAL 	BEHAVIORAL 
<ul style="list-style-type: none"> • Learn it thoroughly yourself. • Explain the purpose of change. • Articulate the benefits of change: <ul style="list-style-type: none"> – For the individual. – For the company. • Link daily activity to the higher purpose & benefits. • Review changes in perceptions, assumptions, beliefs in the new model. • Paint a picture of the successful outcome using Best Practices from other groups or organizations. • Provide frequent & consistent communication about change. • Help them understand & teach concepts & details of the change. 	<ul style="list-style-type: none"> • Manage your own resistance & emotion first. • Set up “reality check” meetings to vent resistance & problem solve. • Enumerate individual benefits (WIIFM). • Solicit input from others on implementing change. • Establish two-way communication. • Ensure alignment between desired behaviors & rewards. • Avoid punishing mistakes. Help people learn. • Celebrate & reward even small successes. • Create momentum & enthusiasm for change. • Teach; take time for stress reductions; use humor. • Build relationships. 	<ul style="list-style-type: none"> • Build a new leadership model. • Model desired behaviors & attitudes. • Clearly define behaviors that need to change & desired behaviors. • Give feedback frequently to reinforce changed behavior & to correct wrong behavior. • Coach & teach desired behavior. • Identify training needs & communicate upwards. • Create goals to work toward. • Help people paint a picture of success. • Help people create specific, concrete behavior-change plans.



building trust in each party's commitment to contract success. As part of the review process it is important to stay focused on developing and implementing solutions to address problems and avoid accusations of bad faith. Log entries might include how performance management, lessons learned, and promising practices will be captured, monitored, and evaluated to drive program improvement.

Some contractors have found that an issue resolution matrix, which highlights with whom to communicate when issues arise, saved time and effort in communications. Others found that working together and communicating often enabled them to implement project innovations, as well as numerous cost and time reduction measures.

CRITICAL TO SUCCESS

CREATE AND USE A PROBLEM RESOLUTION AND ESCALATION PROCESS

Specifying lines of authority and establishing measures for timely resolution of escalated issues facilitates participants' ability to stay on schedule. Consider rating issues along a severity scale, which will aid in prioritizing problem resolution. Agreeing to discuss problems early to minimize any negative impacts is an essential behavioral expectation that needs to be clearly understood and followed (see Problem Resolution and Escalation example form in appendix 1.4.).

STRENGTHEN THE ABILITY TO RESOLVE PROBLEMS

- Provide history of prior attempts to address the issue
- Describe the impact of the issue on the customer, the stakeholder, and the projects' execution
- Suggest solutions and outline additional alternatives to be considered
- Adopt the doctrine of "no surprises"
- Clearly define the issue in writing

Scheduled periodic reviews enable the problem-solving process to commence early (refer to the upcoming Lessons Learned /Promising Practices discussion on page 15).

SNAPSHOT

The Impact of Collaboration in Completing Federal Projects

The Associated General Contractors (AGC) of America and the United States Army Corps of Engineers (USACE) identified partnering as a way to avoid litigation and create value. They found that partnering creates significant value including **better communication, problem solving and mutual trust between the participants**. They view partnering as entirely voluntary—it is NOT simply another contract requirement but a change in the way AGC members and USACE view their work together.

For example, the Wyoming Valley Levee Raising Program, a \$22 million Air Force family housing project, benefited from a partnering champion who communicated often and encouraged open discussion and contributions from all partners. Leaders included subcontractors in partnering meetings so they became an involved part of the process. This communication and relationship building allowed the group to resolve issues at the lowest level and, despite major weather related delays and a plethora of change orders, to complete the project on time with no claims. (Sources: Associated General Contractors of America and United States Army Corps of Engineers)

CRITICAL TO SUCCESS

CREATE INDIVIDUAL ACCOUNTABILITY MECHANISMS

To reinforce the *partnering* nature of the relationship, integrate competencies that support collaboration into the performance plans of each individual. Provide clear and timely feedback on their performance (refer to the discussion of clear alignment in Part Two, page 26).

OTHER PRACTICES

THAT STRENGTHEN PARTNERSHIPS

Provide Joint Training in Collaborative Competencies. You should involve both federal and contract team members in developing non-technical partnership competencies that are critical to mission success, and provide training in these competencies if needed.

Successful training programs typically teach effective listening skills, clarify customer and stakeholder needs, identify communication expectations, and build important skills such as how to deliver difficult messages to internal team members and stakeholders. You should ensure that every team member receives training within one month of coming onboard.

Incorporate Collaboration as an Evaluation Factor in Contract Solicitations. If possible, an offering party’s commitment to operating within a collaborative culture should be examined as part of an evaluation factor. You should consider including language in a Request for Proposal (RFP) that asks each offering party to propose how they would effectively team with the government in a collaborative scenario.

Develop Post-Award Collaboration Agreements. Organizations such as the Department of Defense, Pentagon Renovation Office have written partnership agreements with contractors specifically articulating commitments to one another, such as an agreement to communicate effectively and work together to resolve differences. Some even formalize these agreements through a signing ceremony.

You should consider developing your own set of joint behavioral agreements which address issues of *how* the parties will act, not just *what* the parties will do. For example, these agreements might include:

1. I will do what is good for the U.S. government and in keeping with my oath of office, I will do what is good for the relationship and for me, whether or not you reciprocate.
2. I will try to understand how you see things.
3. I will be as reliable as possible.
4. I will consult you before making decisions that significantly affect you and will follow a doctrine of ‘no surprises.’ —Adapted from Vantage Partners handbook, *Making Partnerships Work*, 2001.

COMMUNICATION

EARLY AND OFTEN

“Of all the skills of leadership, listening is the most valuable—and one of the least understood. Most captains of industry listen only sometimes, and they remain ordinary leaders. But a few, the great ones, never stop listening. That’s how they get the word before anyone else of unseen problems and opportunities.”

—Peter Nulty, National Business Hall of Fame

Emphasizing the importance of communication may be viewed as an exercise in stating the obvious. However, the issue must be seriously addressed. Poor communication and the inability to manage differences between organizational cultures have doomed otherwise well-designed programs to fail in the execution phase. Promoting two-way communication between all levels of the organizations is a precursor to articulating mutual expectations.

All contracts involve managing complex relationships as programs grow to encompass an expansive network of subcontractors. The best corporate and federal programs recommend the use of some basic rules for creating effective communications:

- Regularly scheduled contract status review sessions involving all contract principals
- Detailed agendas that identify information to be sought or given and issues to be discussed at meetings
- Feedback about the effectiveness of the communications
- Judicious use of meetings—limiting them to critical reviews and to the appropriate people

CRITICAL TO SUCCESS

CREATE A COMMUNICATIONS PLAN

A communications plan focuses on addressing the information needs of key stakeholders and team partners. It addresses the strategies for providing timely status on

FIGURE I.5. NOTIONAL COMMUNICATION PLAN ENTRY

DAILY / WEEKLY / MONTHLY COMMUNICATION PLAN					
Stakeholder	Information Needed	Format of the Communication	When Information will be Available	Setting	Suspense
Program Executives	Program Status/EVM and Performance Mgmt Indicators	Quad charts/ annotated briefing, posted to Intranet afterwards	End of month	Exec Conf Room	NLT 20 days after info availability

contract, program and partnership progress. The plan outlines a strategy for outreach, which allows partners to come together to exchange information, technologies and resource opportunities, and to distribute policy and program updates. Compiling the comprehensive suite of communication needs into one tool is useful. A communication plan might incorporate some of the following elements, such as the notional entry found in fig. 1.5.

See appendices 1.5 and 1.6 and <http://ourpublicservice.org/events/aipilot> for examples of detailed communication strategies used by the Department of the Navy's PEO for Aircraft Carriers and the Department of Energy Idaho Operations Office (containing excerpts).

OTHER COMMUNICATION SUCCESS FACTORS

- **Identify communication expectations in the contract launch stage**, to include key communications and the sequencing of post award communications
- **Share decisions and content with contract participants.** You should disseminate contract, risk, and change management plans to all affected parties (see Part Two).
- **Demonstrate behaviors for professional communication etiquette.** You should ensure behavioral expectations are clear to all participants (e.g., accessibility, prompt response to phone and e-mail messages, timely disclosure of issues, performance feedback).
- **Celebrate and publish joint successes often.** Public acknowledgement of joint contributions strengthens performance.
- **Urge agency and contractor parties to make joint presentations to outside groups.** Working together will force the team members to evaluate the projects challenges and/or successes together.

CRITICAL TO SUCCESS

COLLECT AND COMMUNICATE MEANINGFUL LESSONS LEARNED AND PROMISING PRACTICES

It is only a *lesson experienced* until you commit to making it a *lesson learned*. Likewise, when things are going right in program and contract execution, take the time to capture successes. Include a full discussion of errors or mistakes, implemented solutions, success of the corrective actions, and promising practices into periodic program and contract status reviews. Such a process will institutionalize learning from successes and mistakes.

OTHER LESSONS LEARNED AND PROMISING PRACTICES SUCCESS FACTORS

- **Share contract and program experiences with other project participants.** Some companies use lessons learned tools/systems and disseminate lessons learned on regular and recurring intervals.
- **Track all actions generating from the lessons learned and promising practice finding.** You should use categories to encompass an effective program such as: technical performance, schedule performance, buyer satisfaction, contract management, risk management, financial management, and relationship management (see template in appendix 1.7).
- **Remember that the lessons learned/promising practice process is an opportunity to assess the program and contract management practices.**
- **Keep it short, easily searchable and to the point.** Too much information can be as bad as no information.
- **Assign joint partners with responsibility for collecting, analyzing, and validating the lessons learned issues.** Bad information is worse than no information.
- **Reward information sharing and organize the information so that people can find what they need when they need it.** Individuals will only share information and document successes and challenges if they believe that it is a valuable use of their time.

Based on the critical success factors, use this set of questions to guide your actions in creating sustainable and accountable partnerships (fig. 1.6).

FIGURE I.6. POSITIONING FOR SUCCESS

SUCCESS FACTORS	KEY QUESTIONS TO ANSWER	KEY DELIVERABLES
Build Governance Structure up Front	<ul style="list-style-type: none"> • How do you delegate authority and responsibility? • How do you provide adequate resources? • How do you provide the necessary information? • How do you clarify decision-making and executing accountabilities? • How do you ensure efficient decision making? • How do you explore new avenues for innovation and improvement? 	<ul style="list-style-type: none"> » Governance Plan » Delegated Authorities » Decision-making Authorities
Leadership Team Dedicated to Collaborative Partnership with Clear Vision of Program and Contract Success	<ul style="list-style-type: none"> • How do you establish vision and strategic direction? • How do you set and communicate values and clear expectations? • How do you develop alignment and commitment of people throughout the organization? • How do you adapt to changing circumstances? • How do you evaluate and improve your ability in this area? • How do you assess system and process effectiveness? • How do you develop system and process improvements? • How do you create an environment where innovation and learning are encouraged and rewarded? 	<ul style="list-style-type: none"> » Program Vision » Criteria of Program and Contract Success » Change Management Strategies » Joint Orientation » Joint Training in Partnership Competencies » Award and Recognition Program
Clear Responsibilities and Expectations	<ul style="list-style-type: none"> • How do you set clear short and long-term priorities? • How do you develop implementation plans? • How do you establish clear roles and responsibilities? • How do you communicate roles, responsibilities, performance targets and expectations? • How do you evaluate and improve your own ability in this area? 	<ul style="list-style-type: none"> » Roles and Responsibility Matrix » Communication Channels and Functional Counterparts
Problem Resolution and Escalation	<ul style="list-style-type: none"> • How do you communicate problems within and external to the team? • What forums are in place for addressing concerns/issues early and jointly? • How do you track the honoring of your commitments? • How do you evaluate and improve your ability in this area? • Which organizational levels get involved in problem solving and escalation? • How do you use alternative dispute techniques in managing your program? • What is your complaint management process? • How do you ensure that complaints are resolved effectively and promptly? • How are complaints aggregated and analyzed for use in improvement throughout your program and by your partners? 	<ul style="list-style-type: none"> » Commitment Log » An Escalation/appeal Process
Individual Accountability Mechanisms	<ul style="list-style-type: none"> • How do you hold people accountable for commitments? • How do you ensure ethical behaviors in all transactions and activities in the organization? • How do you recognize and reward accomplishment? • How do you evaluate and improve your ability in this area? 	<ul style="list-style-type: none"> » Individual Performance Plan Elements that Reflect Collaborative Expectations » Award And Recognition Program
Communications Plan	<ul style="list-style-type: none"> • How do you communicate roles, responsibilities, performance targets and expectations? • How do you define your key stakeholders? • What kind of written documents do you have that describes mission for the program and the scope of each department's/business unit's functions? • How do you keep stakeholders and the community informed about issues of common concern, such as safety or security? • How do you track your meetings and other forms of communication? • How do you relay important information to the entire team—government, contractor and key subcontractor? 	<ul style="list-style-type: none"> » Communication Plan » Governance Plan » Mission and Function Description » A Communication Framework that Details Periodic Meetings, Reviews, Reports, and Information Dissemination
Collect and Communicate Meaningful Lessons Learned and Promising Practices	<ul style="list-style-type: none"> • How do you develop clear understanding of problem root causes? • How do you ensure that corrective actions are successfully implemented and communicated? • How do you ensure that knowledge of cause and corrective action is shared throughout the organization? • Describe how the program is integrated with the integrated safety, risk and change management systems. • Describe how Lessons Learned and Promising Practices from your sites are captured and promulgated for federal and contractor attention. 	<ul style="list-style-type: none"> » Lessons Learned/ promising Practices Program » ISM/risk/change Management Systems Reflected in Lessons Learned

ADDITIONAL RESOURCES

There are several examples of effective lessons learned programs and applications in support of expanding program knowledge, to include:

Example of knowledge management Web site:

U.S. Department of Transportation, Federal Highway Administration, “Rumble Strips”
http://safety.fhwa.dot.gov/roadway_dept/rumble/index.htm

Burke, Mike, “Knowledge Management: Everyone Benefits by Sharing Information”
<http://www.tfhr.gov/pubrds/novdec99/km.htm>

O’Dell, Carla, “Knowledge Management: What’s Now and What’s Next”
http://www.chips.navy.mil/archives/02_winter/index2_files/knowledge_management.htm

PART TWO: EFFECTIVE CONTRACT LAUNCH STRATEGIES

“At the risk of sounding like a broken record, the real problem comes with the failure to adequately plan. What could we be doing to effectively plan for the contract transition?”

—Acquisition Innovation Forum participant

The transition from contract negotiations and awards to contract administration is critical to successful execution. Unfortunately, the transition process is often burdened with unrealistic expectations of immediate results and instant productivity. Often the federal and corporate representatives who negotiated the contract have transitioned to their next activity, leaving those with little understanding of the agreement in charge of contract administration. The reality of continuous staff changes further complicates the transition, often resulting in discontinuity of service and failure to deliver on schedule. Therefore, it is imperative that a formal, organized transition from contract negotiation to contract execution occurs.

OVERVIEW

A joint plan of action is needed to facilitate contract transition and optimize the collaborative launch of contract activities. Successful contract transition comes with many must-haves: effective knowledge transfer techniques, joint understanding of the contract, relationship and contract management planning, processes to manage change and risk, and ongoing staff transition programs. Strategic alignment between the internal federal and contracting teams is critical, as is the development of individual performance objectives supporting transition and contract goals. A framework for the launch strategy, key processes, and illustrative tools should include:

- A contract kick-off workshop
- A contractor and federal partnership orientation program
- A project performance management and contract management plan
- A collaborative change management process
- Contract oversight and risk mitigation processes and tools
- Program alignment
- An ongoing staff transition program

THE INITIAL TRANSITION AND KICK-OFF PROCESS

A series of initial meetings are needed to lay the groundwork for a successful partnership and the accomplishment of program goals. Comprehensive planning sessions—to include the contract kick-off meeting—are essential. The meetings ensure that both the internal team and the expanded team of federal and contract leaders agree on goals and the procedures used to accomplish them.

IBM uses an approach to this process they call the “Relationship Launch” (fig. 2.1). This approach establishes relationship management and governance in new outsourcing arrangements. For small contracts, the Relationship Launch uses a structure of multiple meetings over a 1–2 week period (or a 4–6 week period for more complex contracts) to establish the initial framework.

CRITICAL TO SUCCESS

LAY THE FOUNDATION FOR PROGRAM AND CONTRACT TRANSITION

The activity map in fig. 2.2 is a framework for sequencing the series of transition meetings and deliverables needed for an effective contract transition. It is scalable, based on several variables to include contract complexity, size, numbers of subcontractor interfaces, etc. The map identifies a series of meetings with corresponding timelines and areas that require attention. The framework starts with federal team alignment and joint kick-off meetings and ends with the partnership orientation.

FIGURE 2.1. SAMPLE RELATIONSHIP LAUNCH PLAN, SOURCE: IBM

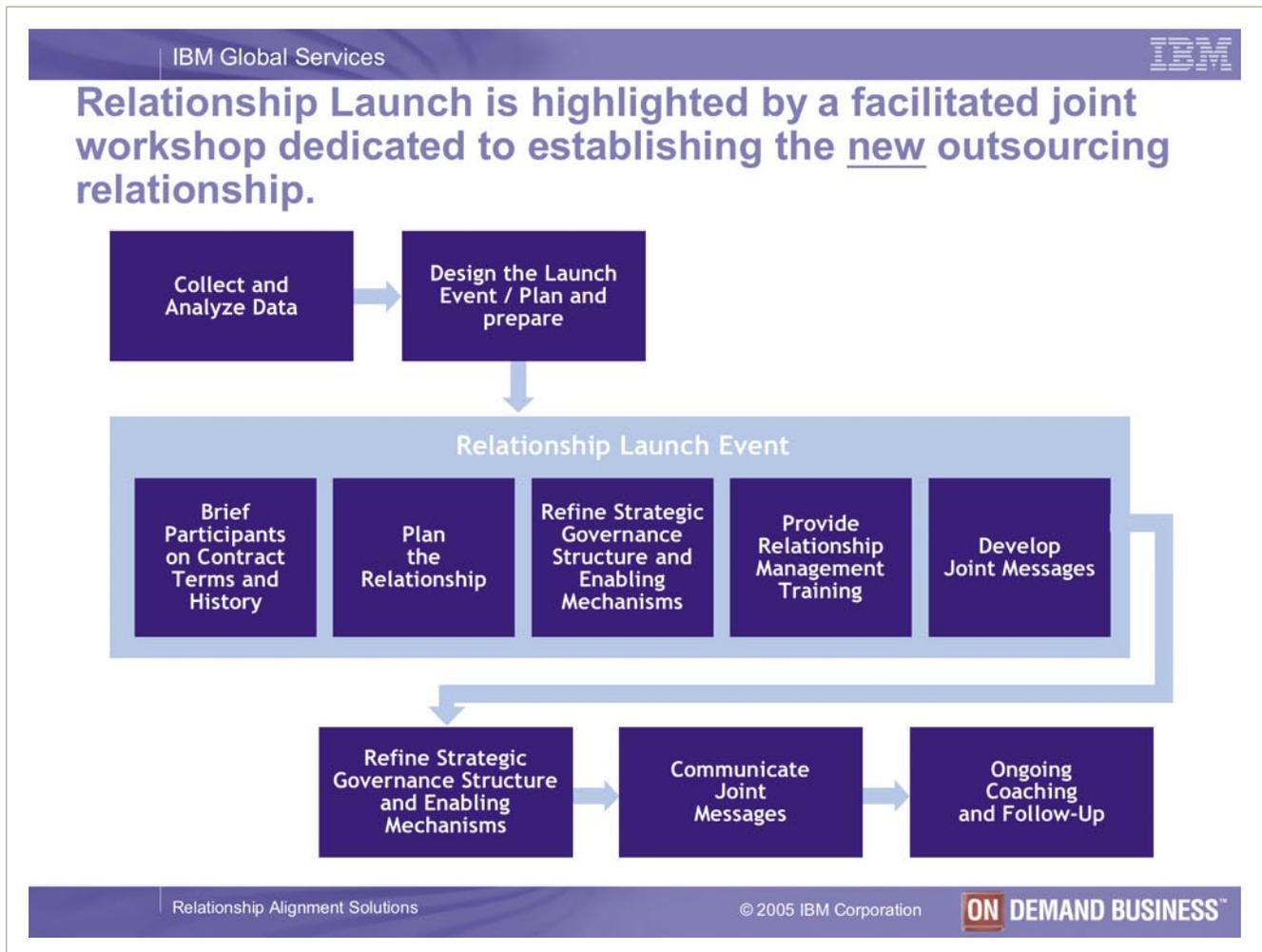


FIGURE 2.2. INITIAL MEETING SEQUENCING

STEP	TIMELINE	PROCESS/ACTIVITY MAP	PARTICIPANTS	NOTES
0	Award (A)			
1	Completed by day A + 2	<p>Align Internal House</p> <ul style="list-style-type: none"> Designate authorities Identify program and contract management responsibilities Establish CO and PM alignment <p>Schedule for next steps: s2.Joint kick-off meeting (A+7) s4.Governance plan (A+15) s5.Performance monitoring plan (A+45)</p>	<p>Government</p> <ul style="list-style-type: none"> Executive Sponsors Contracting Officer Contracting Officer's Rep. Project Manager 	<p>Internal Alignment Meeting</p> <p>Before beginning to align goals, practices, etc. with the contracting team, first ensure alignment of the internal team.</p> <ul style="list-style-type: none"> Ensure that the various federal sub-groups touching the process are committed to operating according to the defined vision and expectations Identify the interface points and individuals with specific authorities/responsibilities
5 days between the completion of step 1 and step 2				
2	Completed by day A + 7	<p>Joint Kick-Off Meeting</p> <ul style="list-style-type: none"> Executive sponsorship discussion De-brief winning contractor Pre-baseline review Establish ongoing baseline forum Identify relationship managers Identify assumptions Identify expectations <ul style="list-style-type: none"> Behavioral expectations to support collaboration Federal expectations and incentives for performance Corporate expectations and incentives for performance Identify POCs and authorities Establish teams for upcoming steps (teams should be joint and/or integrated when appropriate) <p>Establish plan of action and milestones</p> <p>Schedule for next steps: s3.Contract analysis and deliverables list (A+10) s4.Governance plan and processes (A+15) s5.Program and contract planning (A+45)</p>	<p>Facilitator</p> <p>Government</p> <ul style="list-style-type: none"> Executive Sponsors Contracting Officer Contracting Officer's Rep. Project Manager Program and Contract Component Managers <p>Contractor</p> <ul style="list-style-type: none"> Executive Sponsors Prime and Sub Stakeholders 	<p>Joint Kick-Off Meeting</p> <ul style="list-style-type: none"> A facilitator is highly recommended Begin meeting with senior executives from both parties settling expectations and describing contract/program mission importance Determine: <ul style="list-style-type: none"> What does the program "pre-baseline" look like? What is the set of assumptions for which the work is commencing? What are the expectations for the collaborative partnership? What are the expectations that the respective organizations have of their work? Also: <ul style="list-style-type: none"> Identify POCs, interface points, and responsible parties Identify which individuals will serve on joint and/or integrated teams; these teams will spend the next 30 days establishing the plan of action and identifying milestones
3 days between the completion of step 2 and step 3				
3	Completed by day A + 10	<p>Contract Analysis</p> <ul style="list-style-type: none"> Identify key dates and milestones Identify tasks, meetings, and reports Identify procedural manual contents Identify specified deliverables <p>Create Deliverables List</p>	<ul style="list-style-type: none"> Selected joint team and at least one executive sponsor 	<p>Contract Analysis and Deliverables List</p> <ul style="list-style-type: none"> Requires fast turnaround to ensure that step 4 is on schedule
5 days between the completion of step 3 and step 4				
4	Completed by day A + 15	<p>Governance Plan and Processes</p> <ul style="list-style-type: none"> Identify members of all internal and joint boards, working groups, and committees 	<ul style="list-style-type: none"> Selected joint team and at least one executive sponsor 	<p>Governance Plan and Processes</p> <ul style="list-style-type: none"> See Part One guidance on creating a governance plan that outlines the infrastructure critical to success
30 days between the completion of step 4 and step 5				

5 Completed by day A + 45

- Program and Contract Planning**
- Internal processes
 - Audit preparation
 - Risk management plans
 - Change management plans
 - Communications plan
 - Performance monitoring plan
 - Procedures manuals in:
 - » Problem management
 - » Change management
 - » Risk management

Reminder: For steps 3, 4, and 5, ensure that the appropriate approval is sought and granted

- Selected joint team and at least one executive sponsor

- Program and Contract Planning**
- Consider creating a contract management plan (CMP)—a general framework for a CMP is available in the Appendix (appendix 2.1). Whether or not one chooses to create a formal CMP, it is important to establish the guidelines that individuals will follow in order to:
 - » Ensure continuous alignment
 - » Ensure that risk elements are appropriately managed
 - » Ensure that no issue goes unresolved
 - » Ensure that the team is prepared to swiftly resolve any conceivable issues that may arise

Please see Part One for guidance on developing a communications plan. Further guidance on risk management can be found later in this section. Details of an effective performance monitoring can be found in Part Three.

15 days between the completion of step 5 and step 6

6 Completed by day A + 60

- Review Management Plans, Documents, Decisions, etc.** (all products of steps 3, 4, and 5)
- Share governance plans, program management plans, and contract management plans with ALL stakeholders (include related plans, e.g., communications, change order, performance monitoring)
 - Ensure alignment (e.g., plan to plan, plans to objectives)
 - Gain commitment from stakeholders to follow plans
 - Establish procedures for proposing changes to plans

- Responsible Teams
- Executive Sponsors
- Additional Stakeholders

- Review Management Plans**
- Individuals must be held accountable for managing these plans
 - Ensure sufficient training

Schedule for next steps:
 s7. Develop orientation and training program
 s7. Schedule orientation and training program sessions (A + 60–75)
 s8. Deploy (A + 75–90 = D)

15 days to fully develop and schedule the Orientation and Training Program

7 Completed by day A + 75

- Develop Orientation and Training Program**
- Curriculum should include:
 - » Background information
 - » Organization and governance overview
 - » Basic tenants of acquisition
 - » Scope of the contract
 - » Key contacts
 - » Current contract status
 - » Continued development of primary planning documents, assigned responsibilities, and timelines
 - » Issues
 - » Expectations of partnership
 - Schedule session(s) to ensure that appropriate individuals can participate

- Selected Team

- Develop the Curriculum:**
 This program should serve as a contract and program orientation for federal and contracting personnel. During the program it is critical to identify:
- Behavioral expectations of personnel
 - Action plans, processes, etc. that personnel will use to support the behavior (e.g., change management program and its associated protocols)
 - The relationship model (partnership) and communication plan to support the flow of information and the breakdown of responsibilities
 - Individual and organizational performance metrics

If a technical kick-off meeting is held, it should occur between A+75 and A+80. See the Risk Management section in Part Two for more details.

For guidance on creating the partnership component of the curriculum, see Figure 2.3. Also, for an example of a comprehensive training program, see the agenda created for the Department of Energy's Idaho Operations Office (appendix 2.1).

15 days between the completion of step 7 and step 8

8 Deploy (D)

FIGURE 2.3. ORIENTATION CHECKLIST, ADAPTED FROM DANNY ERTEL, SARA ENLOW, AND KATHERINE BARR, MANAGING OUTSOURCING RELATIONSHIPS. BOSTON, MA: VANTAGE PARTNERS, 2006.

<p>[] Communication Processes</p>	<ul style="list-style-type: none"> • What information needs to be communicated to whom and when? • How will information be shared?
<p>[] Conflict management/Problem-solving processes</p>	<ul style="list-style-type: none"> • How will conflicts be handled? • What are the appropriate escalation paths? • How will we deal with systemic conflicts?
<p>[] Guidelines/methods for handing off between negotiation and implementation teams</p>	<ul style="list-style-type: none"> • How will lessons learned through negotiations be transferred to those implementing the deal? • How will we ensure open issues not resolved during negotiations will be resolved at a later time?
<p>[] Joint training for federal and contractor</p>	<ul style="list-style-type: none"> • Do we understand each other’s business and goals? • How can we effectively communicate? • What methods can we use to effectively manage scope, change, and conflict together?
<p>[] Change management processes/tools</p>	<ul style="list-style-type: none"> • What levers can we use to drive new, appropriate behavior? • How can we communicate effectively about change?
<p>[] Scope management protocols/tools</p>	<ul style="list-style-type: none"> • How will both parties deal with scope creep? • What steps will be taken to manage scope?
<p>[] Escalation paths</p>	<ul style="list-style-type: none"> • How will issues that are unable to be solved at their source be resolved? Who will solve them?
<p>[] Demand management processes/guidelines</p>	<ul style="list-style-type: none"> • How will we balance demand from end users with financial constraints and requirements?
<p>[] Performance management</p>	<ul style="list-style-type: none"> • What metrics will be used for measuring the health of the relationship? • What metrics will measure program results? • How will incentives be used? • How will performance results be shared?
<p>[] Committees/decision-making bodies/ Governance Boards</p>	<ul style="list-style-type: none"> • What will the parties do with the data? • What structures will we use to make different decisions? • What is the scope and purview of each committee? • How will each of the decision-making bodies relate to one another?
<p>[] Risk Management tools/protocols</p>	<ul style="list-style-type: none"> • How will risk be identified and managed, to include technical and management risks? • What structures will we use to drive effective risk mitigation? • How can we communicate effectively about risk?

PARTNERSHIP ORIENTATION

A good model for a comprehensive orientation for all staff is provided by the Department of Energy Idaho Operations Office. Following the contract award, all federal staff participated in a multi-day orientation program, and the annotated briefings from these meetings were provided to all contractor employees (the orientation agenda is included in appendix 2.1 and additional components of the program can be downloaded at <http://ourpublicservice.org/events/aipilot>.)

You should review the orientation checklist (fig. 2.3) to ensure you have covered key messages that will ensure a smooth transition. These messages should be developed in advance of the orientation.

PUTTING CRITICAL COMPONENTS IN PLACE

PROJECT PERFORMANCE MANAGEMENT PLANS (PPMP) AND CONTRACT MANAGEMENT PLANS (CMP)

These documents provide an overview of the project, to include the contract and its features. The documents identify the higher-level requirements, deliverables, and

tasks necessary to successfully execute the program and contract. However, they are not exhaustive. The PPMP ideally encompasses the components addressed in a CMP. However, some departments require the development of a separate CMP. Both documents direct the reader to pertinent contract clauses for specific contract terms, conditions, program/project management guidelines and contain the following types of information:

- An overview of the program, the contract, and its features
- Key program and contract management team members, including authorities and limitations
- Critical milestones
- Processes for managing the contract
- Strategy and performance metrics to determine contractor progress and interface with other contractors/contracts
- Duration of each contract and guidance to government employees

Taking the additional step of sharing the PPMP and the CMP with the contractor team helps ensure that both

parties comply with the terms and conditions that govern the contract. A general framework for developing a CMP is available in the Appendix (appendix 2.2).

THE IMPORTANCE OF EFFECTIVE CHANGE MANAGEMENT

Many acquisitions are plagued by poorly defined requirements in the initial solicitation. This creates a potential for contractors to oversell performance and undersell cost, perpetuating the downward cycle of funding instability and impacting the contractors' ability to perform. The management of changing requirements is one of the most important determinants of program success. How the contracting partnership manages change can determine the strength of the collaboration and success or failure of the project.

CRITICAL TO SUCCESS

CREATE AN EFFECTIVE CHANGE MANAGEMENT SYSTEM THAT ALLOWS FOR JOINT INVOLVEMENT, WHERE APPROPRIATE

Some federal programs have successfully deployed integrated team processes for reviewing change orders to facilitate and shorten the process. As a result, contract changes that historically took months on major contracts were processed in a matter of weeks. For smaller contracts, the process can be streamlined from weeks to days. It is important to consider immediate actions in putting an effective change management process in place. These include:

- **A finalized contract change process.** Although the ideal solution is to identify the change management process during the solicitation, be sure to finalize the process at the time of post-award.
- **A minimized number and scope of change orders.** Limit change orders to issues that affect program outcomes. All change requests should be reviewed and approved by a federal configuration control board, given the inherently governmental function of approving changes that result in cost and schedule impacts to the contract and program. The control board model should be tailored to the organizational structure. It is important that consequences of those changes be thoroughly understood and intensively managed by the integrated team members to minimize the overall net effect on the cost and schedule.

- **Applying an Integrated Contract Change Team Process and Alpha contracting practices to change management.** A collaborative approach to planning and managing components of the contract drives different levels of performance. It involves integrating stakeholders into the process early on in order to identify and address issues that would otherwise arise later, upon the stakeholder review. When applied to change management, the Integrated Contract Change Team and/or Alpha contracting techniques require that a joint sub-team work out the details of a change proposal, resulting in a shortened processing time. Using this approach as a key contract change process integrates the relevant parties into the planning and execution of contracting activities earlier than required.

SNAPSHOT

Benefits Achieved in Using the Integrated Contract Change Team Process for Proposal Preparation

The benefits of the Integrated Contract Change Team Process are evident from the Pentagon Renovation Program's experience. The Pentagon Renovation Program used an Integrated Project Team (IPT) proposal preparation and negotiation process to deal with contract changes. The creation of this joint (government/contractor) environment enabled the proposal preparation, fact-finding, and negotiations to be accomplished concurrently. More detailed information about this best practice, as well as other examples of innovation such as the Joint Standoff Weapon (JSOW) Program's use of integrated contract change teams can be found in appendix 2.3. A sample policy, contract change proposal form and process flow diagram from the Pentagon Renovation Program is available in appendix 2.4.

Partnering with the different involved organizations early in the process ensures that priorities are reviewed; milestones are aligned to incorporate changes; and program impacts are addressed and mitigated. Typically, changes are processed in a much shorter time period. Programs have also found fewer changes being made in the contract *post-award* because the approach to change orders is worked out collaboratively in the beginning. There are often fewer disagreements about price, structure, and requirements, which in turn leads to lower costs, reduced litigation and improved quality of perfor-

mance. It could be an optimal contracting approach in a collaborative partnership.

JOINT REVIEW OF CONTRACT CHANGE PROPOSALS

The following steps are recommended in jointly working with contract change decisions:

1. Given the federal role of authorizing change requests, the federal staff should review the reason for the change, analyze the program/contract and budgetary impact of the change, and approve/proceeding to negotiations.
2. Establish a contract change team with technical and contract representatives from each side to prepare the negotiated proposal that identifies change impacts.
3. Prepare the change negotiation proposal together. Identify the people, equipment, materials, and methods that will be discussed in the negotiation process.
4. Use a standard proposal that includes set market prices for labor categories. Determine a process for pricing new labor categories.
5. Establish pre-negotiated rates for fixed-price contracts and use approved cost-rates for cost plus contracts.
6. Commit to an on-going training program on change management.
7. Lock in distinct labor/overhead rate, handling rates, and subcontractor pricing.
8. Understand the prime contractor's approach for analyzing and negotiating subcontractor performance.

SNAPSHOT

Change Processing

Use of pricing caps can expedite contract change processing. Pre-negotiating fixed rates can significantly expedite contract changes. Some federal participants recommend considering the practices adopted by Department of Navy's SeaPort Enhanced (SEAPORT-e) contract that mandates a capped fee on all cost-plus-fixed fee orders, escalation costs, and pass-through amounts that prime contractors add to the subcontractor costs. This practice significantly decreased the time required for processing task orders although it was considered to be problematic in other areas, for example treating all work the same, regardless of complexity and scope. The solicitation reference related to the capping practices is included in appendix 2.5.

Optimizing the Change Request Process Best Practice: IRS Modernization. The IRS created a comprehensive plan to streamline the contract change process in their modernization effort. Their plan clearly identifies the owners of the contract change process as a whole and the owners of its components. Of particular note is the automated tool that the IRS used to standardize their change request process. There are many advantages to utilizing such a tool: The automated system can be programmed to collect *all* necessary or pertinent information before moving a change request forward. It also saves time when affected components are identified up front. The tools allow the change request process to be formalized so informal conversations between parties are not mistaken for official change directions.

RISK MANAGEMENT

Failure to identify interdependencies and uncertainties can sabotage the smooth transition of a new contract. As the level of uncertainty around technical or business performance arises, it becomes increasingly difficult to manage risk. An effective risk management program is essential.

To support these efforts, risk assessments conducted through technical reviews need to be performed as early as possible in the life cycle—as soon as performance requirements are developed. These assessments ensure critical performance, schedule, and life-cycle cost risks are addressed. Mitigation actions should be incorporated into program planning and budget projections. It is important to get a clear picture of risk right from the start. Lockheed Martin uses a Technical Kick-Off (TKO) meeting at the time of post-award that allows all parties, including the key sub-contract teams, to discuss the performance parameters that become the basis of a risk measurement system (see a visual representation of Lockheed Martin’s TKO Event in appendix 2.6). Each parameter is initially assessed for risk, potential failure modes are identified, and mitigation strategies tied to accountable individuals/offices are identified and tracked. This review process continues throughout the life of the project, and execution risks are captured and monitored on a risk register.

CRITICAL TO SUCCESS

CREATE A CONTRACT OVERSIGHT AND RISK MITIGATION SYSTEM THAT SUPPORTS A CULTURE OF PROACTIVE PROBLEM IDENTIFICATION AND FAILURE ISOLATION

In addition to technical program risks, there are also risks associated with a transition from one contractor to another. These risks include such issues as morale, service consistency, perceived abandonment, or the potential for sabotage. Some of these management and business risks have been addressed with associated mitigation strategies in an earlier version of the Defense Acquisition University (DAU) *Risk Management Guide for DOD Acquisition* (edition 5, version 2.0). We have adapted a version of their Risk Management Techniques tool for reference (fig. 2.4).

In creating a joint approach to risk management, consider the following:

- **Develop a Risk Management Plan (RMP).** It is important to outline a comprehensive risk program. When developing the RMP, the program officer should use technology development, acquisition and support strategies, along with requirement and threat documents, and other system and program

FIGURE 2.4. RISK MANAGEMENT MITIGATION TECHNIQUES, ADAPTED FROM DEFENSE ACQUISITION UNIVERSITY

RISK	RISK MANAGEMENT MITIGATION TECHNIQUES
Personnel Shortfalls	Staffing with top talent; job matching team building; key personnel agreements; cross training
Unrealistic Schedules and Budgets	Detailed multi-source cost and schedule estimation; design-to-cost; incremental development; reuse of selected existing components; requirements scrubbing
Misunderstood Needs/Requirements	Organizational analysis; mission analysis; operations concept formulation; user surveys; prototyping; early users’ manuals; optimized communications practices; continued conversations between stakeholders at strategic, functional and operational levels; alpha acquisition practices
Lack of Product Fit	Task analysis; prototyping; user characterization (functionality, style, workload); optimized communications practices; continued conversations between stakeholders at strategic, functional and operational levels; alpha acquisition practices
Over-customizing (“gold plating”)	Use of Configuration Control Board; requirements scrubbing; prototyping; cost/benefit analysis; design-to-cost
Excessive Requirements Changes	Use of Configuration Control Board; high change threshold; information hiding; incremental development (defer changes to later increments); alpha acquisition practices
Shortfall in Externally Furnished Components	Benchmarking; inspections; reference checking; compatibility analysis
Shortfall in Internally Performed Tasks	Reference checking; pre-award audits; award-fee contracts; competitive design or prototyping; team building; effective performance management plan
Real-time Performance Shortfall	Simulation; benchmarking; modeling; prototyping; instrumentation; tuning; effective performance management plan

characteristics, are sources of information. The risk program should address the following elements:

- » Clear user requirements
- » An expressed commitment to a close partnership with users, industry, and other stakeholders
- » A defined set of success criteria for performance, schedule, and cost elements
- » Scheduled technical reviews to ensure the program satisfies the user’s needs within acceptable risk expectations
- » Preliminary risk identification and a system for on-gong risk assessment
- » Preliminary risk mitigation plans
- » An independent risk analysis function separate from the program manager’s organization
- **Make the Contracting Officer (CO) a member of the Program Risk Management team.** The type of contract, the terms and conditions, and risk sharing provisions can have a significant impact on risk. The CO is in a unique position to understand these issues.
- **Ensure risk sharing is properly incentivized for cost mitigation and reduction.** For instance, this element could be included in the award fee or incentive fee structures.

SNAPSHOT

Risk Resources

The Defense Acquisition University provides a risk management template that would provide you with a streamlined approach to developing a comprehensive plan at <https://acc.dau.mil/communityBrowser.aspx?id=25644>.

A summary of the Risk and Oversight Program that was implemented by the DOE Idaho Operations Office is provided in appendix 2.7. This summary provides a detailed look at the risk structure recently defined for major contract transitions at the Idaho Operations Office. The risk and oversight program is complex and clearly demonstrates the amount of time and attention that is required to build a risk program for an effort with national security ramifications.

CRITICAL TO SUCCESS

ENSURE CLEAR ALIGNMENT FROM THE PROGRAM MISSION TO THE INDIVIDUAL EMPLOYEE

In Part One, we emphasized the importance of all members of the partnership having a clear understanding of the program universe, ranging from the goals, objectives, stakeholders, and customers to the technical challenges of the work. Some organizations have carefully considered how to align the contract management function to the overarching programs and organizations.

The Defense Contracting Management Agency (DCMA) uses a specific approach to align contract management with program needs. Alignment occurs when an organization’s strategies, programs, business and measurement systems are poised to accomplish clear, agreed-to results.

- **Clarify Alignment.** Contract management oversight and engagement should be based on what customers need, not solely on a program or an organization’s evaluation of risk. The program and contract offices’ need to focus on priority outcomes they can control or influence.
- **Base resource commitments on customer-driven enterprise priorities and outcomes (including those mandated by law).** These priorities and outcomes should drive resource commitments—resource commitments should not be driven by workload delegations. Each person, as well as the team, must be held accountable for performance.
- **Align with customer expectations.** Consistent contact with customers drives engagement and determines the outcomes to be used in a performance-based management strategy. Contract managers should:
 - » Engage with customers to understand enterprise requirements and structure organizational alignment to achieve outcomes
 - » Use customer forums to align actions/outcomes with the customer’s need
 - » Implement a strong performance based management system
 - » Agree on performance outcomes with customers

- » Formalize the agreements to hold organizations accountable for achieving them
- » Link individual employee performance plans with agreed-to outcomes
- **Drive contract performance.** Top performance from the program and contract staffs is more easily achieved when roles and responsibilities are clearly defined, integrated processes are established, and strong management systems are in place. It is important to identify behaviors that are expected of everyone in the partnership and ensure expectations are incorporated into performance plans (See Part Three, Performance Monitoring Systems).
- **Develop clear individual performance plans.** When employee and group performance plans are aligned with program goals and objectives, the work of each person is clearly focused on goal achievement and improved organizational performance. Managers should link the program and contract goals to the employees' work.
- **Use performance feedback to get it right.** Often the Contracting Officer (CO) and the Program Manager (PM) have little or no direct input into each other's performance evaluation. Likewise, the CO seldom has input into the evaluation of the Contracting Officer Representative's (COR) performance. Effective contract and program management are inextricably linked. To reflect this linkage, you need to create a mechanism for soliciting and incorporating feedback from matrix parties. For instance, the CO should provide the supervisor with input regarding the quality of the COR contract oversight, proactive management of contract administration problems, execution of delegated authorities, etc. Likewise, the PM should consider providing input into the CO performance rating regarding dimensions such as responsiveness.
- **Agree to use of a joint recognition program.** You should consider having the top program/contracting officials agree to a joint recognition program from the start of the contract transition. You should also identify both monetary and non-monetary forms of acknowledgement and agree to key parameters for rewarding achievement of critical milestones. Non-monetary recognition may include public ceremonies or special event days. Monetary recognition for the federal staff can include On-the-Spot, Special Act or Service Awards, Time-off Awards, or annual performance

bonuses based on program/contract execution results. The contractor counterparts should have the same, if not more, flexibility to honor staff when key achievements have been accomplished. The important theme is: recognition through joint acknowledgement.

For an illustration of organizational program, strategic and performance alignment, see the DCMA example in appendix 2.8.

INTRODUCING NEW TEAM MEMBERS

If a major league football team signs a new quarterback mid-season, he would most certainly be given a play-book, orientation and some practice before entering a game. So too, new members that rotate onto contract or program teams must be brought up to speed by contract and program managers before being expected to contribute. In an environment focused on a collaborative partnership, it is even more important that both the contractor and federal leaders have a recurring process for handling staff transitions. New personnel must be appropriately transitioned and integrated into the team. They should also meet the key leaders of the contracting initiative and receive sufficient background information to prepare them for their new roles and responsibilities.

Best practices indicate that select areas need to be addressed to ensure successful transition: performance expectations, cultural and personnel issues, organizational goals and values, and history. One practice recommends introducing contractors to the culture of a new organization by involving them in on-the-job experiences and having them meet with key federal personnel immediately upon arrival. (Source: IBM Center for the Business of Government, *Effectively Managing Business Service Contracts*, by Fisher, Wasserman, and Wolf; 2006)

CRITICAL TO SUCCESS

CREATE A JOINT STAFF TRANSITION AND ORIENTATION PROCESS FOR NEW TEAM MEMBERS JOINING THE PROGRAM

An overview of the contract, including contract goals, metrics, milestones and deliverables should be jointly sponsored by the CO, COR, PM, and select program executives (scalable given the size and scope of the program/contract). Each team member's unique roles and responsibilities on the contract should be provided at this session. As part of this orientation, the COR

should provide the new team member with a reference binder with background information on the contract, including:

- Program background information
- Governance structure
- Partnership expectations
- Request for proposal
- Statement of work
- Final contract
- Contract schedule/project plan
- Agency and contractor names, titles, and contact information
- Deliverables
- Change management process and contract changes documents

All new team members should understand the strategic, program and operational objectives; the team commitments; and mutual expectations. They should be informed of how their individual performance will be evaluated against these factors. Finally, the CO and the COR should discuss any challenges or concerns with the contract in an effort to prepare the new team member(s) for any specific issues to be addressed.

When providing a technical overview of the work, new members will benefit from discussing any unique requirements or challenges presented by the agency's current operating environment. The COR, lead engineers, and corporate designees will meet with the new team member to provide a technical overview of the program and contract.

Regularly distribute updated contact information identifying all contract and program points of contact (POC). All new team members should know key program and contract contacts and all staff should be provided a short summary of all key contacts. When possible these should be annotated with a picture and a short description of their roles, responsibilities, and authorities, upon arrival.

Finally, each new team member needs to understand how his or her performance will be evaluated against key program results. Any incentive structures should also be explained.

Based on the critical success factors, use this set of questions to guide your approach to effectively launching contracts and programs (fig. 2.5).

FIGURE 2.5. POSITIONING FOR PROGRAM/CONTRACT LAUNCH SUCCESS

SUCCESS FACTORS	KEY QUESTIONS TO ANSWER	KEY DELIVERABLES
Lay the Groundwork for Program and Contract Transition	<ul style="list-style-type: none"> • How do you align the federal program and contract management team? • How do you clarify your messages about the following areas: communication, problem escalation, criteria for program success, joint training, performance management, decision-making and delegated authorities, etc.? • How do you address the partnership expectations? • How do you establish the plan of action and critical milestones? • How do you conduct the contract analysis? • How are key plans developed and reviewed? • How do you create a comprehensive orientation program for joint participation? 	<ul style="list-style-type: none"> » Deploy Initial Contract Launch Meeting Framework » Program Vision » Criteria of Program and Contract Success » Orientation and Training Program » Governance Structure » Mission and Function » Key Program/contract Milestones, Deliverables, Tasks, Meetings Reports, Plans » PPMP and CMP Plans » Initial Program Baseline
Effective Change Management System	<ul style="list-style-type: none"> • How do you deal with changing program requirements? • How do you evaluate and improve your ability to control scope creep? • How do you assess change management system and process effectiveness? • How do you develop change management system and process improvements? • How do you use a collaborative approach to change management? • How do you ensure the federal role is executed in approving contract changes? • How are staffs jointly trained in the area of change management? 	<ul style="list-style-type: none"> » Change Management Process » Use of Integrated Change Team and Alpha Contracting Practices » Use of a Tailored Change Configuration Board » On-going Training in Change Management » Use of Pre-negotiated Rates when Applicable
Risk Management and Oversight Systems for Proactive Problem ID	<ul style="list-style-type: none"> • What forums are in place for addressing concerns/issues early and jointly? • Which organizational levels get involved in risk identification and mitigation? • How are risks aggregated and analyzed for use in improvement throughout your program and by your partners? • Is the Contracting Officer part of the Program Risk Management Team? • How are staffs jointly trained in the area of risk management? 	<ul style="list-style-type: none"> » Risk Board, if Applicable » Risk Management Plan and Corresponding Mitigation Strategies » Use of Risk Register
Clear Alignment from Mission to Individual	<ul style="list-style-type: none"> • How do you develop alignment and commitment of people throughout the organization? • How are resources allocated based on enterprise priorities? • Are customer expectations understood and how do you align program outcomes with customer needs? • How do you hold people accountable for commitments? • How do you help each staff member to have a clear picture of how their work fits into the larger program context? • How do you recognize and reward mission accomplishment (jointly)? 	<ul style="list-style-type: none"> » Use of Customer Forums » Roles and Responsibility Matrix » Program Vision » Criteria of Program and Contract Success » Individual Performance Plan Elements that Reflect Collaborative Expectations » Award and Recognition Program
Joint Staff Transition and On-going Orientation Program	<ul style="list-style-type: none"> • How are new members indoctrinated into the organization? • How do you ensure that every new employee has a clear understanding of their roles and responsibilities, as well as those of fellow team members? • How do you address the collaborative expectations 	<ul style="list-style-type: none"> » Staff Transition Program » Roles and Responsibility Matrix

PART THREE: CREATING A PERFORMANCE MONITORING SYSTEM

“When I award a contract, I need to take the time to define the outcomes and criteria for success. Having a way to capture program performance is really where the rubber meets the road.”

—Acquisition Innovation Forum participant

Achieving successful program and contract performance is the ultimate goal of all parties to the contract. Measuring performance during the contract execution period provides a means of identifying issues and applying corrective measures, ensuring that little problems do not become major ones later on. The primary function of measurement is to ensure contract success, not to impeach the contractor’s performance. Once a problem is identified through measurement, it is the role of the responsible party to provide corrective action for which it will be held accountable.

The reality of using performance as a driving force for improving federal program and contract management requires a commitment to act on the collected information. To build an effective measurement regime, contracting officers must frequently overcome challenges such as:

- Lack of definition about the program and its desired outcomes
- Inability to link expenditures, program activities, and outcomes
- Problems in monitoring multi-program systems, including fragmented information, complexity, and vague or overlapping missions
- Divergent perspectives of team members and key users about what is important information
- Unavailability of performance information
- Measuring factors which do not influence contract success due to being readily available

OVERVIEW

The purpose of this chapter is to assist in the design of a performance monitoring system that will drive the collection and analysis of critical information needed for effective contract and program management. In this chapter, the participants suggest measures that provide insight into the effectiveness of the collaboration and contract execution. Additionally, the group identifies promising practices currently used by corporate and federal organizations and explores the use of performance results to inform program and acquisition decision-making.

Surprisingly, there are relatively few examples of a comprehensive measurement system from which to draw. Although the universe of potential measures is expansive, participants chose to focus on measures in four critical areas:

1. **Contract launch.** Ensure initial contract processes, contract milestones, and assigned responsibilities are complete and functioning.
2. **Program and contract management.** Areas where measurement would be appropriate include:
 - Meeting contract requirements
 - Change management
 - Customer satisfaction
 - Linking incentive pay to performance results
 - Analysis of integrated program baselines
3. **Risk management.** The issue of risk is of notable significance to proactive acquisition management.
4. **Effective partnering.** Evaluate the effectiveness of the contracting partners by looking at how well issues and decisions are jointly surfaced and addressed.

SUGGESTIONS FOR INITIAL DESIGN

As a first step, it is necessary to define the program goals. A goal should be a broad statement describing a desired outcome for the fully executed contract. From the broad goals, actual targets that are measurable are identified as program objectives. Objectives provide a measurable statement about the end result that a service or program is expected to accomplish within the contract execution period. Objectives need to be drawn from the contract or program goals as illustrated by the examples in fig. 3.1. In designing the program objectives, consider the following:

1. What data and measures most effectively evaluate the progress of the program?
2. Who are the customers and stakeholders?
3. Which priorities will enable the achievement of program objectives?
4. How do we prioritize our objectives?
5. What are the timeframes and criteria for success?

Outcome measures provide the yardstick to demonstrate a program’s accomplishment of goals and objectives. Each measure that becomes part of the performance management system must be directly aligned to

objectives, which are, in turn, aligned to program goals. Certain preliminary steps are helpful in building a foundation for useful performance measurement:

- Clarify contract and program management performance expectations and behavioral expectations for the program
- Jointly identify performance measures for federal and contractor teams
- Agree on optimal program performance, measures and criteria of success for each objective
- Identify the person or persons who will evaluate program performance
- Agree on how performance results will be used

CRITICAL TO SUCCESS

ALIGN THE MEASUREMENT PROGRAM BY IDENTIFYING THE GOALS AND CASCADING MEASURES DOWN FROM THEM

The performance system must be jointly created at the start of the post-award period to ensure a clear understanding of the performance delivery expectations.

FIGURE 3.1. EXAMPLE OF CANDIDATE GOALS, OBJECTIVES, AND OUTCOMES

SAMPLE GOALS		
Sample 1	Sample 2	Sample 3
Improve the tax filing experience for taxpayers. ↓	Provide rapid and effective disaster relief in catastrophic events. ↓	Identify and disseminate best practices in cyber security. ↓
SAMPLE OBJECTIVES		
Have 70% of tax returns e-filed within 5 years. ↓	Provide 80% of required surge augmentation to crisis areas within 48 hours of the occurrence of the catastrophic event. ↓	Build effective information sharing relationships with 5 leading practitioners. ↓
SAMPLE OUTCOME MEASURES		
Build 10 successful contract relationships with private companies—each of which files 100% of its tax returns electronically. Decreased time and effort spent on tax filing as evidenced by taxpayer surveys.	Identify and contract 100% of projected specialists in designated skill areas needed for disaster relief. Effective partnership collaboration as evidenced by 95% of stakeholders rating the teaming as integral to program goal accomplishments.	Identify and test 10 successful cyber-security practices. Effective partnership collaboration as evidenced by 95% of stakeholder rating the teaming as integral to program goal accomplishments.

FIGURE 3.2. SAMPLE MEASURES TO EVALUATE PROGRAM PERFORMANCE AND EXECUTION

Monitoring Contract Launch	<ul style="list-style-type: none"> • Status and quality of deliverables, evaluated against requirements in the planning documentation • Completion of all contract launch milestones against the projected target • Number and impact of unfilled positions in critical areas of expertise are tracked • E.g., A joint requirements baseline that identifies program and contract milestones, deliverables, and work planning
Meeting Contract Requirements	<ul style="list-style-type: none"> • Progress accomplished against contract/scope of work or against a percent of work completion targets, as defined in the program pre-baseline documentation • Contract costs alignment with initial contract and planning documentation, tracking the percent of increase or decrease and cause for variance against the established target • E.g., Achieving initial capability based on readiness criteria determined by the programs. Recommend this area be underpinned by a set of sub-tier metrics that support this measure. This type of outcome measure is critical for assessing contract deployment • E.g., Percent of new staff who have completed the program/contract orientation • E.g., Percent of substantive lessons learned findings that were incorporated into program and business process improvements
Achieving Customer/ Stakeholder Satisfaction	<ul style="list-style-type: none"> • Evaluate 'Service Quality Effectiveness' through indices that include: responsiveness, reputation/image, empathy, service complaints, problem escalation frequency (numerical index will be specified by the program) • Evaluate 'Product Quality Effectiveness' through indices that include: reliability, performance, technological innovativeness, durability, interoperability (numerical index will be provided by the program) • Service and Product Quality Effectiveness could both be assessed by a value indication along the following scale: exceeded expectations, met expectations, met some expectation, fell far short of expectations
Effective Change Management	<ul style="list-style-type: none"> • Track cycle time of change based on the date the change is needed • Track time to get an approved change into the contract. This issue is especially critical based upon the date the change is needed and allows the question to be answered, "Is project progress being impacted?" • Percent of change orders that are constructive changes • Evaluate why constructive changes are occurring within an effective contract administrative process • When the Contracting Officer (CO) identifies a constructive change, track its basis (e.g., informal extra work directives, defective government specifications, incorrect contract interpretations taken by the Government, or a failure to cooperate during performance) • Track impact of changes on the schedule, including critical path impact and an estimated number of days • Track the cumulative number of changes from initial post award throughout the contract lifecycle • Track federal and contractor resources (time and effort) being spent on processing change orders against projected target • Track the revised price of work against the original negotiated price as a result of the change; summarize what changes occurred vs. competitive prices received in the original solicitation • Determine the percent of change orders that cannot be directly linked to significant program objectives • Identify the Rough Order of Magnitude (ROM) cost estimate for mandatory changes and the ROM cost/benefit analysis for discretionary changes; capture initial cost differences and impact to life cycle costs for both mandatory and discretionary changes • Track the percentage of team members who report having a clear understanding of roles and responsibilities in the change management process, according to annual surveys and periodic interviews
Analysis of Integrated Baseline	<ul style="list-style-type: none"> • Track baseline planning, status, and estimates at completion to ensure the baseline integrity based on a projected target • Track key project delivery against Integrated Master Schedule based on a projected target of milestone achievement • Track baseline adequacy and risks against projected targets
Risk Management	<ul style="list-style-type: none"> • Track and assess significant issues of programmatic and contract risk, through monitoring key issues on program/contract risk register • Track accomplishment of actions that generate from risk assessment results, in terms of projected milestones and implemented recommendations conducted as a joint Government-industry team
Demonstrating Incentive Pay Linkage to Performance Results	<ul style="list-style-type: none"> • Actual results achieved in key program performance parameters and milestones by contractor, as evidenced in incentive documentation such as award fee recommendations, incentive fee payments, and executive bonus payments • Actual results achieved in key program performance parameters and milestones by federal staff, as evidenced in incentive award justifications such as annual performance awards or Special Act or Service Award justifications • Instances of use of "exit ramps" in contract involving prime or subcontract performance if performance becomes unsatisfactory, as specified in award fee provisions
Earned Value Management	<ul style="list-style-type: none"> • Measure schedule and cost variance against the project baseline through Earned Value Management (EVM) methods • Track the incidence of project re-baselining

SUGGESTIONS FOR WHAT TO MEASURE

“Begin active contract management with the kick-off meeting. Use that meeting to reiterate the governance model, communications strategy, risk management process, and performance monitoring approach. From the moment of contract award, ask, “How are we going to be successful?” Monitor contractor performance beginning the day of contract award.”

—Ann Costello and Bob Welch *Best Practices and Lessons Learned from the Front Lines*, July 2006

Once program goals have been identified, actual measures can be developed. What are the characteristics of an ideal measure? Measures should:

- Be quantifiable and include collectable data
- Support the achievement of program objectives
- Assess progress toward achievement of program objectives

You should define criteria for success to ensure that all parties of the joint partnership have a clear understanding of what success will look like.

You should also develop measures in several areas to enhance insight into your program and contract management performance. The Group focused on candidate measures in the areas of contract launch, contract requirements, change management, customer satisfaction, linkage of individual incentive pay to results, integrated baseline analysis, and risk management (fig. 3.2). All measures should be tailored to the defined criteria for success in each respective program.

CRITICAL TO SUCCESS

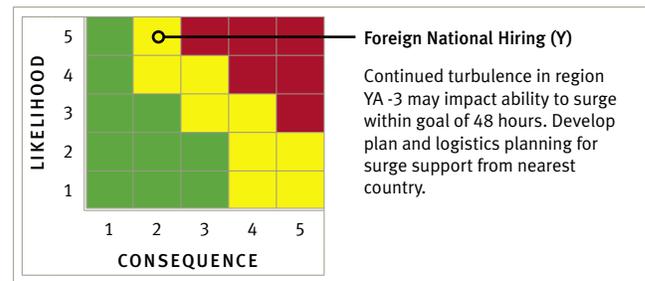
USE THE MEASUREMENT PROGRAM TO DRIVE ALL LEVELS OF DECISION MAKING: STRATEGIC, OPERATIONAL, AND BUSINESS

RISK MANAGEMENT

As described in Part 2, the issue of risk is significant to effective program and contract management. Cost, schedule, and performance risks are a recurring reality for every acquisition. Key performance parameters (KPP) are identified as performance specifications in the final contracting documentation. These parameters serve as the basis of the risk measurement system, where each parameter is initially assessed for risk and are aligned to mitigation strategies and accountable individuals/offices.

During KPP reviews, the team jointly addresses key technical specifications, interfaces, execution plans, deliverables and execution risks and captures the findings on a risk register. The register provides a standard format for evaluating and reporting program risk and facilitates common understanding of risk at all levels of management. The register is typically used to aggregate the results of a thorough risk review and track the level of risks identified within a program. The level of risk for each risk element is reported as low (green), moderate (yellow), or high (red), based on predefined criteria. In turn, each rating is underpinned by the results of extensive risk analysis (fig. 3.3).

FIGURE 3.3 EXAMPLE OF RISK REPORTING, ADAPTED FROM RISK MANAGEMENT GUIDE FOR DOD ACQUISITION, PUBLISHED BY DEFENSE ACQUISITION UNIVERSITY



CRITICAL TO SUCCESS

BUILD IN REGULAR PERFORMANCE REVIEWS THAT FLAG POTENTIAL PROBLEMS AND ALLOW FOR PROACTIVE MITIGATION ACTION PLANNING

FIGURE 3.4. PREDICTIVE RISK MONITORING SYSTEM, SOURCE: LOCKHEED MARTIN CORPORATION



SNAPSHOT

Use of Predictive Risk Analysis

Lockheed Martin Corporation relies on a program of predictive risk monitoring that yields some rich sources of measurement data possibilities for the pilot contracts. Suppliers are continually assessed against four dimensions: ability to execute, business viability, performance, and requirements assurance. Their monitoring system provides a comprehensive look at potential program derailleurs. Figure 3.4 provides a comprehensive dashboard of key indicators used in assessing predictive risk (see also appendix 3.3). These indicators are reviewed regularly by key executives.

OTHER FEDERAL AND CORPORATE EXAMPLES OF PERFORMANCE MEASUREMENT

Several federal and corporate programs use a scorecard to display the key performance metrics. Frameworks such as a balanced scorecard depict the linking of objectives and measures to the program strategy. The scorecard grants insight into performance at the enterprise level by integrating customer measures with financial, internal business and organizational growth. For example, the Boeing Airlift and Tanker program's key performance metrics focus on five areas of results: investor, customer, workforce, supplier and partner, and organizational effectiveness (fig 3.5).

The Army Material Command recommends identifying joint metrics as soon as a contract is awarded. The metrics they have used to evaluate their partnering programs can be found in appendix 3.1.

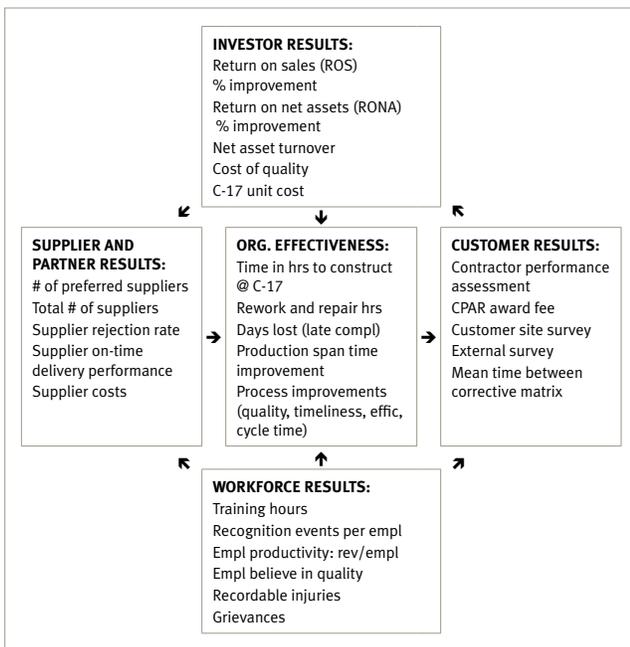
Pfizer relies on a scorecard to measure its global practices pertaining to customer satisfaction with suppliers along several dimensions:

- Account support, to include availability, flexibility and adherence to policies
- Quality, to include products and services development
- Delivery of products and services to Pfizer, including timeliness
- Value, to include price competitiveness, savings, and shared cost models

Pfizer’s supplier scorecard is provided as an illustrative example in appendix 3.2.

GAO recommends that federal agencies conduct periodic program reviews or audits to identify systemic problems and determine what adjustments to policy or practices should be made to improve performance over the long run. NASA and HHS use formal program evaluation teams to guide programmatic changes. Consider assigning individuals to conduct performance monitoring oversight as doing so can strengthen the analytical findings of the performance system. The use of peer reviews may also be an appropriate practice for strengthening the integrity of performance reporting.

FIGURE 3.5. PERFORMANCE DASHBOARD, SOURCE: BOEING AIRLIFT AND TANKER PROGRAM



MEASURING COLLABORATION

Too often, the quality and effectiveness of collaboration within a federal program goes without being assessed. You should periodically check the health of the alliance by conducting joint reviews to assess business goals and the quality of the working relationship. Collecting and analyzing data that depicts the organizational pulse can be accomplished by using several simplified tools for data collection: one-on-one or focus group interviews, survey instruments, and other forms of analysis such as a cost-benefit assessment of the partnership.

CRITICAL TO SUCCESS

USE MEASUREMENT AS THE GAUGE TO ASSESS THE HEALTH OF THE COLLABORATION

USE OF INTERVIEWS

Interviews are useful in capturing the effectiveness of the collaboration. Interviews should be conducted in person and should include open-ended questions. Questions should be included that evaluate collaboration between—and among—the federal and contract teams and on the teams themselves. A key benefit of conducting interviews is that they can serve as leading indicators of trends and issues. Sample questions might include:

1. Was a joint kick-off meeting held?
 - Was it helpful to the project launch?
 - What about it was useful/not useful?
2. Describe the program goals and objectives.
3. Describe how the team works to accomplish goals and objectives.
4. Do you feel that you work in a collaborative environment?
5. Can you point to any benefits of working collaboratively?
6. Do you trust your counterpart in the government/private sector? Does your counterpart honor commitments?
7. Did you participate in goal setting?

SNAPSHOT**Developing Survey Questions**

An informal collaborative effort involving federal and corporate acquisition and program management professionals developed a draft concept paper entitled, *The “C” Change in Management: Program Management (PM) in Today’s New Collaborative World*, version 1.0, revision date January 20, 2006. It offers some good survey questions for your consideration in the following categories (sample questions provided):

Program Manager Skills and Competencies

- Does the PM demonstrate team-building techniques?
- Does the PM understand how to manage and mitigate risks?
- Does the PM demonstrate an understanding of the principles of sound contract management?

Organizational Attributes and Traits

- Are incentives in place that encourages collaborative behavior?
- Is the workforce “blended”? Do federal employees identify their contractor counterparts as teammates?
- Are the messages articulated at the top of the organization reflected at the bottom?
- Are baselines established early in order to accurately measure progress and results?
- Are accountabilities clear?

Network Characteristics

- Do partnering organizations share a common set of goals and objectives?
- Does the network benefit from advisors such as stakeholders, policy makers and technical experts?

Growing Collaborative Program Managers

- Is program management a required part of the professional development curriculum for each job series?
- Are employee exchanges between Departments encouraged?
- Do employees contribute to the evaluations of service providers?
- Are federal and contract employees collocated?

(Source: Robbins-Gioia, LLC)

USE OF SURVEY TOOLS

You should consider conducting an annual survey of all members of the partnership. Candidate questions are provided but can be tailored to your information needs. An extracted example of an in-depth tool developed by Dr. Jennifer Brinkerhoff, with the School of Public Policy and Public Administration, The George Washington University, is provided in appendix 3.4. The instrument includes interviews, program reviews, and survey tools useful in assessing partnerships from several perspectives, to include trust and confidence, partner performance, and compatibility.

A simple approach might utilize questions similar to the following set. Participants would be asked to respond on a scale (1-6 point scale, with 6 being “agree fully” and 1 being “disagree fully”), with opportunities for comments:

Example of a Basic Survey Tool

1. I understand my roles, responsibilities and boundaries of my position and of the other partnership members – both government and contractor.
2. I understand the goals and objectives of the program and the contracts that I support.
3. I understand which individuals possess delegated authorities, and can name the authorities that they possess.
4. The government’s Contracting Officer Technical Representative(s) (COTR) is directly involved in the technical tasks of the contract.
5. The government’s Contracting Officer(s) (CO) is directly involved in the program.
6. The government’s Contracting Officer, Contracting Officer Technical Representative, and Program Manager work effectively to accomplish the program’s goals and objectives.
7. The government and contractor leadership work effectively to accomplish the program’s goals and objectives.
8. All levels of the partnership work effectively to accomplish the program’s goals and objectives.
9. I have confidence in the technical recommendations and decisions made by the contractor workforce. By the government workforce.
10. I have confidence in the collaborative behaviors demonstrated by all members of this team.

11. I believe that I am receiving the training and development needed to strengthen my ability to be an effective team member.
12. I clearly see the impact of my job on the completion of this work.
13. I know where I can obtain information about the on-going performance of this program and contract.
14. I have confidence that performance information about this program and contract is up-to-date and accurate.
15. The decisions are made on this program are timely and effective.
16. Conflicts are addressed and appropriately resolved in a timely fashion.

Survey data should be collected, analyzed, and briefed to all levels of the organization. In turn, the team may want to identify a joint group to continue working on the issues and challenges surfaced by survey responses.

USE OF COST BENEFIT IN ASSESSING PARTNERING BENEFITS

It is worthwhile to assess the degree of partnering by considering the following candidate measures:

- Direct financial costs of creating the partnerships, to include costs of starting an integrated organization, changes in staffing patterns, training, and information
- Availability of managerial tools for inducing agencies to partner effectively, to include incentives, shared lines of profit, authority, information, and workload controls
- Impacts of partnering, to include technical aspects of the program, outcomes or morale

(Source: IBM Center for The Business of Government, Robert Klitgaard and Gregory F. Treverton's article titled, "Assessing Partnerships: New Forms of Collaboration," 2004.)

You should consider two-way regular relationship assessments. Not only should the government inform the contractor of its satisfaction or dissatisfaction, but the contractor should be able to rate the government's management ability, the openness of collaboration, and the degree of trust. You should implement this suggestion in a way that is realistic for your program environment.

For instance, the best approach for many programs may be to encourage authentic assessments through verbal, non-attributional conversation.

ENCOURAGING USE OF PERFORMANCE INFORMATION

Performance monitoring informs present and future decision-making for programs and acquisition activities. The following method is recommended for optimizing the use of performance information:

- Ensure agreement among all parties on all the measures that will be tracked and the criteria for program/contract success up front.
- Create a forum for discussion by selecting a small audience and setting aside sufficient time.
- Decide how the information will be collected, analyzed, and used (e.g., resource allocation, budgetary decisions, performance improvement planning, strategic planning). Will an independent team from within the program/contract staff be responsible? Will program and contract officials be accountable? Who will make the presentation? Who will prepare and oversee the actions generated by the review?
- Assess federal/contractor performance at regular intervals. Some programs hold monthly reviews; others hold quarterly reviews.
- Decide how performance information will be communicated both internally and externally to the program.
- Develop a system for tracking commitments that generate from program reviews. Add the actions to the program commitment log, with assigned responsibilities and milestones.
- Hold executives, program and contract officials, and partnering staff accountable through individual performance sessions and evaluation.

Based on the critical success factors, use this set of questions to guide your performance management system design (fig. 3.6).

FIGURE 3.6. CRITICAL SUCCESS FACTORS IN DESIGNING A PERFORMANCE MANAGEMENT SYSTEM

SUCCESS FACTORS	KEY QUESTIONS TO ANSWER	KEY DELIVERABLES
Align Measurement Program, from Goals to Measures	<ul style="list-style-type: none"> • How do you align the goals, objectives, outcomes and measures and implementing actions for the program and contract? • How do you collect and analyze relevant data and information to address these factors as they relate to your strategic planning: <ul style="list-style-type: none"> » Your customer/stakeholder needs, expectations, and opportunities » Technological and other key innovations or changes that might affect your products and services » Factors unique to your organization, including partner and supply chain needs, human capital issues, etc. • How do you align the goals, objectives, outcomes and measures and implementing actions for the program and contract? • How do you ensure that your planning and budgeting are based on realistic assumptions and guidance? • How do you ensure that adequate measures are in place to monitor progress? • What metrics will be used for measuring the health of the relationship? • What metrics will measure performance that drives program results? • How will incentives be used? • How will performance results be shared? 	<ul style="list-style-type: none"> » Program Strategy Documents » Criteria for Program and Contract Success » Orientation and Training Program » Creation of the Measurement Program » Performance Management Plan
Drive Decision Making	<ul style="list-style-type: none"> • How do you ensure that adequate measures are in place to monitor progress? • How do you assess system and process effectiveness? • How do you develop system and process improvements? • How do you develop clear understanding of problem root causes? • How do you ensure that corrective actions are successfully implemented and communicated? • How do you ensure that knowledge of cause and corrective action is shared throughout the organization? 	<ul style="list-style-type: none"> » Communication Plan for Disseminating Results » Corrective Action Plans » Criteria of Program and Contract Success
Establish Regular Cycle of Performance Reviews	<ul style="list-style-type: none"> • How do you ensure that a management review system is in place in which the leadership team monitors results and links progress to the organizational vision and strategic objectives? • How do you develop clear understanding of problem root causes? • How do you ensure that corrective actions are successfully implemented and communicated? • How do you ensure that knowledge of cause and corrective action is shared throughout the organization? • How do you ensure that you are receiving accurate data that supports logical decisions? 	<ul style="list-style-type: none"> » Performance Board » Performance Review communication » Performance Analysis Results » Monthly/Annual Performance Report
Measure Collaboration	<ul style="list-style-type: none"> • How do you take the organizational pulse on issues such as partnering, communication, level of trust, ability to achieve joint results, and employee morale? • How do you create an environment where innovation and learning are encouraged and rewarded? • What do you do with the assessment results you collect regarding partnership effectiveness? 	<ul style="list-style-type: none"> » Award and recognition Program » Communication Plan to Disseminate Findings » Corrective Action Plan, if Necessary

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APPENDIX 1.1. SAMPLE FUCTIONAL COUNTERPARTS

SOURCE: IBM

		CUSTOMER	JOINT	IBM
LEVELS	STRATEGIC Joint Relationship Mgmt. Board	<ul style="list-style-type: none"> • Name, Chairman • Name, Role 	Joint Relationship Mgmt. Board (twice a year)	IBM Senior Management <ul style="list-style-type: none"> • Name, IBM Gen Mgr • Name, IBM Managing Dir • Name, IBM Global Proj Exec
	FUNCTIONAL Joint Service Dev. Board	<ul style="list-style-type: none"> • Name, Role 	Joint Service Dev. Board (monthly) <ul style="list-style-type: none"> • Levels of satisfaction • Emerging concerns 	<ul style="list-style-type: none"> • Name, IBM Global Proj Exec • Name, IBM Project Exec • Name, IBM Global Delivery Proj Exec
	OPERATIONAL Joint Service Delivery Board	<ul style="list-style-type: none"> • Name, Role 	Joint Service Delivery Board <ul style="list-style-type: none"> • Change Management Process and Interface • Service Management Process and Interface • Problem Management Process and Interface 	<ul style="list-style-type: none"> • Name, IBM Global Delivery Proj Exec • IBM Service Mgrs
<i>The joint Governance will ensure a proactive, flexible, and committed relationship.</i>				

APPENDIX 1.2. SAMPLE ROLES AND RESPONSIBILITY MATRIX

		STRATEGIC		FUNCTIONAL MANAGEMENT										OPERATIONAL	
		Business strategy; ID of objectives; Guiding principles	Breakdown of specific team objectives/ responsibilities	Business requirements	Requirements management	Infrastructure solution design	Business project management	Change control management	Performance management	Risk management	Communicatons plan	Oversight program	Records	Safety	Manage services and achieve service levels
Federal team	Senior Executive	R OWN: M. Smith	C	C	I										
	Project Manager	P	R OWN: J. Doe	R OWN: R. Johns	P										
	Contract Officer	P	I	P	P										
	COR/ COTR	P	P	I	P										
	Project Sub Team Leads	I	P	P	P										
	Supporting practice POC's (HR, Finance)	I	I	P	P										
	Technical Staff	I	I	I	I										
Contractor	P	I	I	R											
R=Responsible; P=Participating; I=Informed; C=Consent; Own=Process owner															

APPENDIX 1.3. SAMPLE COMMITMENT LOG

Name of pledging individual	J. Smith, Team Contractor	P. Jordan, Agency HR Executive
Confirmation that pledging individual has the authority to make pledge	Contract Clause X	Agency Regulation Y
Name of individual to whom pledge has been made (recipient)	J. Doe, Agency Team	B. Smith, Agency Team CO
Confirmation that recipient has authority to approve the proposed pledge	FAR SubPart X.xx	N/A
Date of pledge	6/8/06	7/2/06
Detailed description of pledged action	Will ensure A, B, and C happen in the event of specific Circumstance Y	Will work with individuals, managers and teams to ensure that individual performance plans of specific individuals reward behavior that supports effective execution of contract in question
Team(s) responsible for execution of action	Contractor Sub-Team 3, Led by R. Thomas	Agency HR Team
Timeline for pledged action	Within three weeks of Circumstance Y	During annual performance planning sessions
Indicators: How will all parties know when the action is completed?	The situation does not require additional financing to restore.	Individuals are rewarded for specific effective contract execution practices. Individuals are not rewarded for behaviors that conflict with execution practices.
Agreement from both parties that pledge has been met (signatures and dates)	J. Smith 11/05/06 <i>J. Doe 11/05/06</i>	In progress

APPENDIX 1.4. SAMPLE PROBLEM RESOLUTION AND ESCALATION FORM

ADAPTED FROM GREGORY A. GARRETT, WORLD CLASS CONTRACTING, CHICAGO: CCH INCORPORATED, 2001.

[] RISK	[] ESCALATION	[] URGENT ESCALATION
Date Issue Identified:		Control Number:
# of Times Escalated:		Date Resolved:
From:	Telephone Number:	Fax Number:
To:	Telephone Number:	Fax Number:
Description of Issue:		
Background and Prior Attempts to Address the Issue:		
Impact of Issue on Customer, Scope, Cost, Schedule, Legal, and Financial Systems:		
Recommended Action:		
Resolution:		
Escalate to:		Date Escalated:

APPENDIX 1.5. SAMPLE PROJECT COMMUNICATIONS STRATEGY

ADAPTED FROM NAVAL SEA SYSTEMS COMMAND (NAVSEA)

An effective communication strategy identifies how information will be shared; it defines the level of communication and methods of implementation.

Below is an example of an effective communications strategy, from NAVSEA. In creating your own project communications strategy, it is strongly recommended that the components that NAVSEA outlines below, are addressed:

1. Types of schedules to be developed and shared between organizations

Example:

Schedule	Provided	To Whom
Key Event/Milestone	At outset	Customer's organization and all organizations managing work
Executive Level Schedules	Weekly	Ship's CO & department heads

2. Meetings that will occur, including time, purpose, and participants

Example:

Meeting	Location	Time	Participants	Purpose/Conduct
Shipyards Commander's Bi-Weekly Meeting	Shipyards Commander's Office	10:00	CO; Shipyards Commander	Purpose: Review status of executing projects; hear CO concerns Conduct: SY Commander conducts meetings Goal: Enable face to face communication between SY commander and CO

3. Distribution requirements for letters and memoranda

Consider:

- Who should be on distribution lists?
- Who is responsible for internal distribution?
- What are the assumptions associated with distribution (i.e. does a letter or memoranda sent to a CO imply that certain individuals have seen the document and concur/approve)?

4. Special briefings, including time, purpose, and participants

5. Team social plan

6. Performance recognition (how to achieve)

7. Events requiring notification

Consider:

- Establish a well defined and clearly communicated Emergency Notification Process?
- How are agenda items for meetings/events submitted?

8. How the Memoranda of Agreement or Standard Work Practice [or your agency's equivalent(s)] will be issued, to whom it will be issued, and how the contents will be briefed

NAVSEA Team One Example:

“In the past, multiple Memoranda of Agreement (MOAs) were issued to codify specific agreements between multiple organizations. Creating, routing, mediating and incorporating comments and issue of this multitude of MOAs was extremely cumbersome. Under the direction of Team One, these standard MOAs written between the ship and shipyard were combined into an instruction as a Standard Work Practice.” This does not mean that other MOAs won't be issued to cover agreements between certain parties, but the above-described action is likely to reduce confusion and time spent on non-value added and cumbersome activities.

9. How and to whom the Integrated Project Execution Strategy will be communicated

Consider:

- Who will be provided with copies of the strategy during development?
- When will these copies be provided?
- Who must concur with or approve the final strategy before the CO briefing?
- How will the final execution strategy be issued, and when?

10. Types of electronic communication to be used and by whom (e.g., e-mail, pagers)

Consider:

- Who will be issued a mobile phone?
- Who will be provided with internet access?
- Who is responsible for maintaining accurate contact information?

11. Co-location strategy (if appropriate)

12. How inputs for status reports/meetings will be prepared by the project team

APPENDIX 1.6. SAMPLE CONTRACT MANAGEMENT PLAN COMMUNICATIONS EXCERPTS

SOURCE: DEPARTMENT OF ENERGY, IDAHO OPERATIONS OFFICE

17.2 Formal Communications with the Contractor. All formal direction to the contractor is issued by the NE-ID Manager (as CO), or as delegated, the CO, or the COR within designated authority in accordance with G.3. Such direction should be in writing, but may be provided orally in meetings, briefings, phone, or video conferencing. A written record of direction should be created for such oral directions. All formal written correspondence to the contractor should include the contract number within the subject line. Correspondence will include the following statement, where applicable:

“The Government considers this action to be within the scope of the existing contract and therefore, the action does not involve or authorize any delay in delivery or additional cost to the Government, either direct or indirect.”

The following caveat should be included within the body of correspondence issued by the COR:

“If in my capacity as a Contracting Officer’s Representative (COR), I provide any direction which your company believes exceeds my authority, you are to immediately notify the Contracting Officer and request clarification prior to complying with the direction.”

The CO must be on concurrence for all correspondence to the contractor (e.g., technical direction by the COR) and receive a copy when issued. Only the CO has the authority to interpret the contract terms and conditions or make changes to the contract.

To ensure correspondence control, all formal correspondence should be addressed to the contractor’s local contract manager, and cite the contract number and applicable contract provision and/or GFS/I item number in the letter’s subject line. Formal communication from the contractor should follow a formal contract correspondence tracking system with commitments appropriately assigned and tracked for timely completion.

Informal communications with the Contractor. Informal communications can occur between NE-ID employees and any contractor employees. This type of communication is non-binding for both the government and the contractor and does not constitute contract direction (i.e., formal communication). Informal communication can take the form of electronic mail, retrievable databases, telephone, facsimile, presentations, meetings, and other means.

Informal communications between NE-ID and contractor staff are needed for proper oversight coordination. This communication should be constructive in nature. Avoid requesting information obtainable by other means. In their informal communications, NE-ID staff need to avoid the impression the communications are formal. When the CO or COR is engaging in informal communications, s/he must be careful to identify those communications as non-binding.

Other Communications. During the performance of this contract, the Contractor will also be required to communicate with non-NE-ID member(s) in conjunction with its responsibilities and work scope. The following parties most likely to be involved are DOE-Headquarters, other federal agencies and offices including the Environmental Protection Agency and General Accountability Office, other site contractors and officials from state agencies including the Idaho State Department of Health and

Welfare. Because these entities are outside of the contractual relationship between the Contractor and NE-ID, their communications to the Contractor may not be construed as contractual direction to change the scope or terms and conditions of the contract. It is expected, however, that these interactions will be fully coordinated with the appropriate NE-ID project and communications staff.

In addition, DOE will emphasize the need to coordinate all interaction with local, state, regional and national media with the NE-ID Communications Office, and headquarters counterparts. All news releases, media interviews and other formal interactions with media need to be coordinated with the NE-ID Communications Team Lead, or his designee. NE-ID will ensure that all the appropriate headquarters approvals and clearances for these activities are obtained. These activities are currently governed by the March 24, 2004, memo from former DOE Under Secretary Robert Card entitled “Prior Notifications,” and the July 28, 2004 Memorandum from William Magwood, Director, Office of Nuclear Energy, Science and Technology, entitled “Actions Requiring NE-1 Approval.” These documents specifically identify the types of communications that need previous headquarters approval. These limitations also apply to interactions with congressional members and their staffs.

APPENDIX 1.7. SAMPLE LESSONS LEARNED AND PROMISING PRACTICES SUMMARY

LESSONS LEARNED AND PROMISING PRACTICES SUMMARY	
Project Name:	Customer:
Prepared By:	Contact Author:
Date Prepared:	Contact Telephone:
EXECUTIVE SUMMARY	
Background:	
Learning Highlights:	
Recomendation Summary:	
TECHNICAL PERFORMANCE	
Experience:	
Recomended Process Improvements:	
Proposed Tools Updates:	
SCHEDULE PERFORMANCE	
Experience:	
Recomended Process Improvements:	
Proposed Tools Updates:	
CONTRACT MANAGEMENT	
Experience:	
Recomended Process Improvements:	
Proposed Tools Updates:	
RISK MANAGEMENT	
Experience:	
Recomended Process Improvements:	
Proposed Tools Updates:	
FINANCIAL MANAGEMENT	
Experience:	
Recomended Process Improvements:	
Proposed Tools Updates:	
RELATIONSHIP MANAGEMENT	
Experience:	
Recomended Process Improvements:	
Proposed Tools Updates:	

APPENDIX 2.1. SAMPLE ORIENTATION AND TRAINING PROGRAM

SOURCE: DEPARTMENT OF ENERGY, IDAHO OPERATIONS OFFICE

The Department of Energy, Idaho Operations Office (NE-ID) created a Contract Management Seminar Series as well as a Contract Oversight Guidance Document outlining the overall framework and methodology for all NE-ID contract and oversight activities. The Contract Management Seminar Series provides understanding and the necessary tools for a new contract management role that places accountability on the contractor and maximizes the effective deployment of scarce oversight resources. The curriculum provides employees with information about the nature of their responsibilities, the provisions of their contracts, and the regulatory processes that define acquisition and contract management environment.

The model was created to enable NE-ID to achieve specific objectives:

- Provide necessary knowledge, processes, and specific contract management strategies to management office employees;
- Show what the contract management organization specifically does;
- Increase the consideration of performance based results in oversight activities;
- Ensure that oversight is graded to risk;
- Increase contractor accountability; and,
- Provide for a deliberate, consistent approach for all NE-ID contract and oversight activities.

CONTRACT MANAGEMENT SEMINAR SERIES

MODULE 1: “What We Need to Know”

Lesson i: Course Opening and Introductions

Chapter 1: The NE-ID Contract Management Seminar Series

Chapter 2: The Federal Acquisition System

Chapter 3: Overview of the DOE Contracting Environment

Chapter 4: Contracting Authority and the Contract Management Team

Chapter 5: Understanding the Contract - Overview

Chapter 6: Understanding the M&O Contract

Chapter 7: Modifying Contracts

Chapter 8: Terminations, Disputes, and Appeals

Appendix A: Homework Assignments

Appendix B: Case Studies

Appendix C: Guide to Contract Types

Appendix D: Table of Contents for I.D. Contracts

Appendix E: Service Contract Policies

Appendix F: Glossary and Acronyms

MODULE 2: “What We Need to Do”

Lesson i: Course Opening and Introductions

Chapter 1: Discussion of Homework Assignments

Chapter 2: The Draft INL Request for Proposal

Chapter 3: The Draft Idaho Completion Project (ICP) Request for Proposal

Chapter 4: What Do We Do? (Fundamentals of Contract Management)
 Chapter 5: What Can't We Do (Standards of Conduct for NE-ID Employees)
 Chapter 6: The NE-ID Oversight Model
 Chapter 7: Earned Value Management
 Chapter 8: The Path Forward at NE-ID
 Appendix A: Cases and Exercises
 Appendix B: Subpart FAR 42 Contract Administration Functions
 Appendix C: DOE P 226.1 (Draft) and DOE N 226.1 (Draft)
 Appendix D: Fee Provisions, ICP Draft RFP
 Appendix E: Earned Value Management "Gold Card"

MODULE 3: How Are We Going to Do Contract Management at NE-ID?

Lesson 1: The New INL Contract
 Lesson 2: Proposal Highlights
 Lesson 3: The Battelle Energy Alliance (BEA)
 Lesson 4: The INL/ICP Interface
 Lesson 5: NE-ID Roles and Responsibilities
 Lesson 6: The NE-ID Contractor Oversight Model
 Lesson 7: Organizing NE-Id Work Processes
 Lesson 8: Performance Based Incentives
 Lesson 9: Course Summary

MODULE A: "General Overview"

Lesson i: Course Opening and Introductions
 Chapter 1: The NE-ID Contract Management Seminar Series
 Chapter 2: The Contracting Environment
 Chapter 3: Overview of Contracts
 Chapter 4: The New NE-ID Contracts
 Chapter 5: The Idaho Cleanup Project (ICP) Request for Proposal
 Chapter 6: Contractor Oversight
 Chapter 7: Proper Conduct for DOE Employees
 Chapter 8: Mission-Focused Contract Management
 Appendix A: Cases and Exercises
 Appendix B: FAR 42.302
 Appendix C: DOE P 226.1 and DOE N 266.1
 Appendix D: Glossary and Acronyms

APPENDIX 2.2. SAMPLE CONTRACT MANAGEMENT PLAN (CMP) COMPONENTS

ADAPTED FROM THE DEPARTMENT OF ENERGY, IDAHO OPERATIONS OFFICE

CMP Structure—capable of being adapted to cover all contracts within a single program

Example: Tool to Enhance Management and Administration of its Contracts

Consider Creating a Contract Management Plan for your contract to Support its Effective Management and Administration

There is no one right way to craft a CMP. Your CMP should meet your particular needs. For guidance however, you might consider integrating some of the following suggested components into your plan:

- | | |
|--|--|
| <p>1.0 Contract Summary, Background and Scope of Work</p> <ul style="list-style-type: none"> • What product(s) does the contract provide for? • Why is the product important? How does it support your mission? <p>2.0 Identification of Key Contract Management Team Members, Including Authorities and Limitations</p> <ul style="list-style-type: none"> • Establish a Contract Management Team (CMT) to manage all dealings between the government and the contractor from contract award until all work scope has been completed, accepted, and final payment has been issued • Identify team members; delineate authorities, roles and responsibilities of each team member in regards to key contract administration and oversight duties • Distribute contact information for each team member <p>3.0 Contract Identification</p> <ul style="list-style-type: none"> • Contract Title: • Contractor Name: • Contract Type: • Contract Number: • Performance Period: • Total Contract Value: \$ • Total Program Value: \$ <p>4.0 Contract Administration Functions and Management Processes</p> <ul style="list-style-type: none"> • See FAR Subpart 42.3 for required contract administration functions • Coordination and monitoring of the technical, safety, regulatory, quality, security and business requirements to ensure that the contractor performs to such requirements • Assignment of responsibility for these activities <p>4.1 Work Authorization System</p> <p>4.2 Contract Transition Planning
Transition Plan describing approach for accomplishing transition to contractor and assumption of responsibility for scope</p> <p>4.3 Method for Monitoring Performance-Based Objectives</p> <ul style="list-style-type: none"> • Approach and Methods of Evaluation <p>4.4 Fee Administration and Invoice Review</p> <p>4.5 Contract Change Control Process</p> <ul style="list-style-type: none"> • The structure for managing change control relating to scope, cost, and schedule, as well as mitigating variances to approved scope, cost, or schedule • Review of Contractor's Requests for Equitable Adjustments <p>4.6 GFS/I Review Process</p> <p>4.7 Contractor Litigation Management</p> <p>4.8 Contractor Employee Claims System</p> <p>4.9 Proposed Settlement of Costs for Post Contract Liabilities</p> <p>4.10 Inspection and Acceptance Process</p> | |
|--|--|

4.11	Post-Contract Liabilities
4.12	Contract Closeout Contractual closeout includes resolution of unresolved claims, release of the government from continuing liabilities, other legal activities needed to end the contractual relationship, and final fee determination (see requirements of FAR 4.804, Closeout of Contract Files)
4.13	Contract Records
4.14	Contract Communication Process <ul style="list-style-type: none"> • Public Communications • Formal Communications with Contractor • Informal Communications with Contractor • Other Communications
4.15	Key Terms and Conditions
5.0	Contract Deliverables and Performance Risk Areas
5.1	Near-Term Contract Deliverables and Hold Points
5.2	Key Contract Vulnerabilities or Performance Risk Areas
6.0	Strategy for Determining Contractor's Progress
7.0	Strategy for Cost Reduction
8.0	Key Performance Metrics for Determining Contractor Progress
9.0	Agreements with State, Community, or Other Entities
10.0	Other Special Emphasis Areas <ul style="list-style-type: none"> • Contract Startup • Post-Award Orientation for internal team • Post-Award Conferences with Contractor • Lessons Learned and Promising Practices

APPENDIX 2.3. SAMPLE ALPHA CONTRACTING BEST PRACTICE

Joint Standoff Weapon (JSOW)

Based on the JSOW experience, Dr. Mark E. Nissen of the Naval Postgraduate School developed a case study which demonstrates JSOW use of an Alpha contracting model and the benefits that resulted:

A major difference between the JSOW approach and the typical federal contracting approach is immediately apparent. The document serving as the projects baseline (usually the contract) is typically signed by both parties after the award and negotiations. However, JSOW took a different approach. Once the RFP reaches a state where both parties agree that it is representative of their objectives, they create and disseminate a baseline configuration (rather than a contract). This means that the baseline configuration is essentially an updated draft of the RFP.

This practice enables a different approach to change management that agencies wishing to avoid the delays and miscommunications that often accompany the change-order process should seriously consider. ANYONE who wants to change the RFP/contract has to submit a request and obtain approval from the joint Change Control Board (CCB). If it is approved, the change is implemented into the baseline RFP, which is then made available to all concerned. The result is that all concerned parties are viewing and reviewing the same version of the RFP, and the alpha team always has the most current RFP from which they can prepare their proposal.

Nissen notes that CCB membership is ultimately key to the process' success. If the group is too large, it may not be possible to schedule meetings as often as necessary to sufficiently support a short-cycle time alpha contracting process. However, if the group has too few members, then there is a greater change that the CCB may fail to anticipate an inadvertent negative impact of a well-intentioned change on a group lacking representation.

For the full case study, please visit: <http://web.nps.navy.mil/~menissen/papers/jsowcase.htm>.

APPENDIX 2.4. SAMPLE INTEGRATED CONTRACT CHANGE TEAM

SOURCE: OFFICE OF THE SECRETARY OF DEFENSE PENTAGON RENOVATION PROGRAM

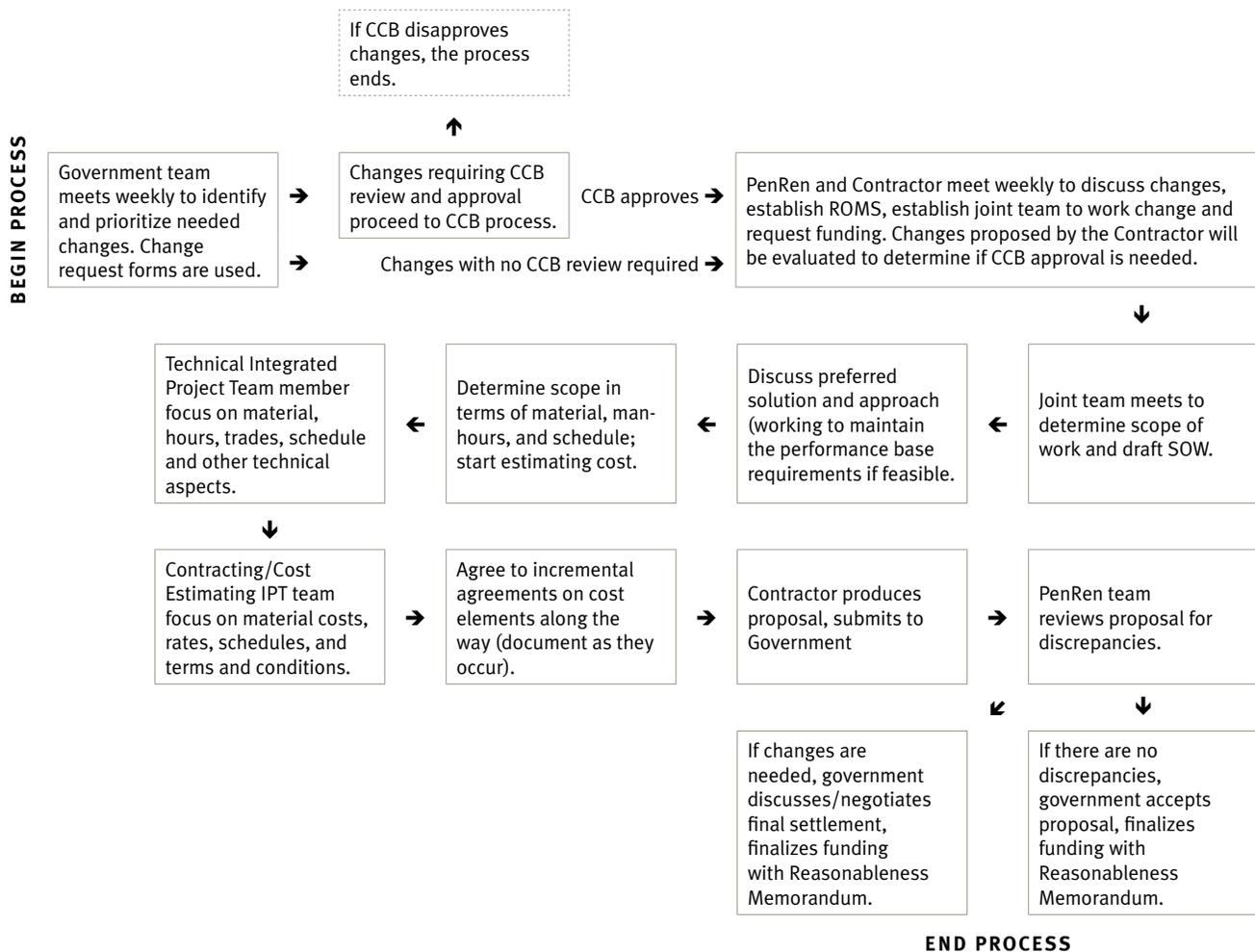
ICCT Process

To make the change order process as efficient as possible while ensuring that the customers' need is ultimately met, an alpha-contracting approach is typically best

The Contract Change Management Program that the Pentagon Renovation Team ultimately developed identified:

- The basic change order process—step by step—that the program would follow
- The responsibilities and authorities of specific individuals in relation to the change order
- The step-by-step processes for specific types of changes (e.g., those requiring Configuration Control Board review, normal changes, expedited changes, emergency changes)

The Pentagon Renovation team found that a serial change process in which the government and contractor work independently to arrive at an agreement can result in inefficiency, poor communication, fragmented reviews, and other negatives. Instead, they used an Integrated Project Team (IPT) proposal preparation and negotiation process. The creation of this joint (government/contractor) environment enabled the proposal preparation, fact-finding, and negotiations to be accomplished concurrently. Below is a flow chart demonstrating the team's basic change-order process.



The Pentagon Renovation team used a Memorandum of Understanding (MOU) that covered the pricing procedure, roles, and responsibilities of the parties. If these components are not covered in the Proposal Preparation and Negotiation Integrated Product Team process in the basic contract, an MOU document is a good way (and may even be required) to touch upon those important elements. The Pentagon Renovation team used their MOU as a tool to get everyone on the same page and to engage stakeholders in a streamlined and more effective change order process from the beginning. For example, the Pentagon Renovation team included the following language in their MOU, which was signed by both parties:

Responsibilities:

The following paragraphs identify the primary responsibilities of the teams involved from the development of a scope of work through the establishment of a proposal. This is designed as a collaborative process with involvement from appropriate team members at all stages:

- | | |
|---|--|
| <p>A. The Government Integrated Project Team (GIPT) will:</p> <ol style="list-style-type: none"> 1. Obtain a signed MOU of the process 2. Participate in the kickoff process 3. Ensure appropriate members of the team are available to provide information to the Contractor 4. Work with the Contractor to develop a scope of work and negotiate pricing 5. Provide incremental agreements to the Contracting Officer for review on a daily basis when the Contracting Officer is unable to attend the proposal preparation and negotiation meetings 6. Prepare and sign the Integrated Project Team proposal summary memo 7. Work to develop a spirit of trust throughout the process | <p>B. The Contractor will:</p> <ol style="list-style-type: none"> 1. Sign a MOU identifying the roles and responsibilities of the teams 2. Provide a representative that has the authority to commit the contractor and participate in the kickoff process 3. Ensure appropriate members of the team are available to provide information to the GIPT 4. Recommend solutions to address the change 5. Work with the GIPT to develop a scope of work and negotiate pricing 6. Disclose rates, estimates and subcontractors' cost 7. Submit certified cost and pricing data if required 8. Prepare an updated schedule 9. Prepare, sign and submit the proposal 10. Work to develop a spirit of trust throughout the process |
|---|--|

The Pentagon Renovation team also created forms that standardized the way change requests were submitted, reviewed, and processed. By way of example, see a selection of the forms used by the team for Baseline Requirement Changes on the following pages.

**BASELINE REQUIREMENT
Change Request Forms and Instructions
INSTRUCTIONS**

CHANGE REQUEST FORM

SECTION 1. Proposed Change. Summarize the reason for the baseline requirement change. Attach a page(s) documenting the original baseline requirement in the contract. Proposed changes to concept drawings or specification sections will be annotated on the last page of the change request. Any specific details related to the proposed new baseline requirement should be included in the adjustments to the drawings and specifications. This section must be coordinated through the GIPT PPN IPT. Annotate the name and phone number of the person preparing this section.

SECTION 2. Schedule Impact. Summarize the estimated impact to the schedule including critical path impact and an estimated number of days. This section should be coordinated with the project construction management team scheduler for the individual GIPT.

SECTION 3. ROM Cost Estimate–Mandatory Change. The budget section must be completed or coordinated with a program estimator. It must provide a budget cost for the design (if required) and for the actual construction of the proposed change. Annotate the name and phone number of the person preparing this section.

SECTION 4. ROM Cost/Benefit Analysis–Discretionary Change. This section should be completed for discretionary changes only. In addition to initial cost differences, life cycle costs, reliability, maintainability, and environmental considerations may be addressed. Attach separate sheets to the change request form as necessary to provide all of the supporting documentation available for Section 4.

CCB Member Evaluation Form

Please complete each section as indicated.

CCB BOARD ACTION FORM

Please complete each section as indicated.

**Baseline REQUIREMENT
Change Request Form**

Document Control Number _____ (Date and Time: YYYYMMDDHHHH)

PROJECT: _____ Type of Change: [] Mandatory [] Discretionary

1. Proposed Baseline Requirement Change (attach supporting documentation)

Technical POC: _____ Telephone: _____

2. Schedule Impact (include estimated number of days, critical path impact, etc.)

3. ROM Cost Estimate—Mandatory Change Only (attach supporting documentation)

Design \$ _____ Construction \$ _____

Technical POC: _____ Telephone: _____

4. ROM Cost/Benefit Estimate—Discretionary Change Only (attach supporting documentation)

Design \$ _____ Construction \$ _____

Technical POC: _____ Telephone: _____

CCB Member Evaluation Form

Please complete each section as indicated.

CCB BOARD ACTION FORM

Please complete each section as indicated.

**Baseline REQUIREMENT
CCB Member Evaluation Form**

PROJECT: _____ Type of Change: Mandatory Discretionary

Document Control Number _____ (from attached change request)

Scope of Work of Proposed Change (Short title from attached change request)

Comments: _____

2. Recommendation Approval Disapproval

Signature: _____ Date: _____

**Baseline REQUIREMENT
CCB Action Form**

PROJECT: _____ Type of Change: Mandatory Discretionary

Document Control Number _____ (from attached change request)

Scope of Work of Proposed Change:

Decision Approval Disapproval

Recommendation Approval Disapproval

Comments: _____

Signature: _____ Date: _____

Chairperson CCB

Comments: _____

Signature: _____ Date: _____

Resource Manager

Comments: _____

Signature: _____ Date: _____

Contracts Manager

Decision Approved Disapproved

Comments: _____

Signature: _____ Date: _____

Deputy Program Director

Decision Approved Disapproved

Comments: _____

Signature: _____ Date: _____

Program Director

APPENDIX 2.5. EXCERPTS FROM SEAPORT-E SOLICITATION

SOURCE: DEPARTMENT OF THE NAVY

H.10 Savings Clause

Cost Reductions for Repetitive High-dollar Value Requirements

For high-dollar value task requirements involving repetitive tasks, (when identified in a task order solicitation) the Government is seeking contractors to identify business improvement processes, innovations and cost savings initiatives to provide high quality services while achieving a reduction in the cost the the Government. For task orders for repetitive high-dollar value requirements with a base period of one year under Items 1000 and 3000 and/or all Award Term Option Items, the contractor agrees to the maximum extent practicable to reduce the price for services performed under each subsequent year by at least:

Percent Reductions from base period or price from previous year:

- Year 2 % _____
- Year 3 % _____
- Year 4 % _____
- Year 5 % _____
- Year 6 % _____
- Year 7 % _____
- Year 8 % _____
- Year 9 % _____
- Year 10 % _____
- Year 11 % _____
- Year 12 % _____
- Year 13 % _____

C. Maximum Pass Through Rates—Applicable to all Task Orders

The Contractor agrees that the maximum pass-through rate that shall be charged against any non-ODC CLIN where labor is proposed under this contract shall not exceed _%. For purpose of this clause, the pass through rate is defined as the cumulative amount of the two elements listed below divided by the price paid to the subcontractor or the vendor:

1. Any and all indirect costs including, but not limited to, program management, subcontract management, invoice processing, Quality Assurance, overhead, material handling charges, G&A, burdens and mark-ups; and
2. Any and all prime contractor profit or fee

The Prime Contractor may not apply any additional fees or burdens on the elements of pass through.

For purposes of the maximum pass-through, any effort provided by a division, subsidiary or any other entity of the prime contractor shall not be considered subcontracted effort and all fee/profit must be provided at the prime level subject to the limitations specified in this contract.

5.5 Volume II—Cost/Price Proposal

Evaluation Factor 3—Cost/Price

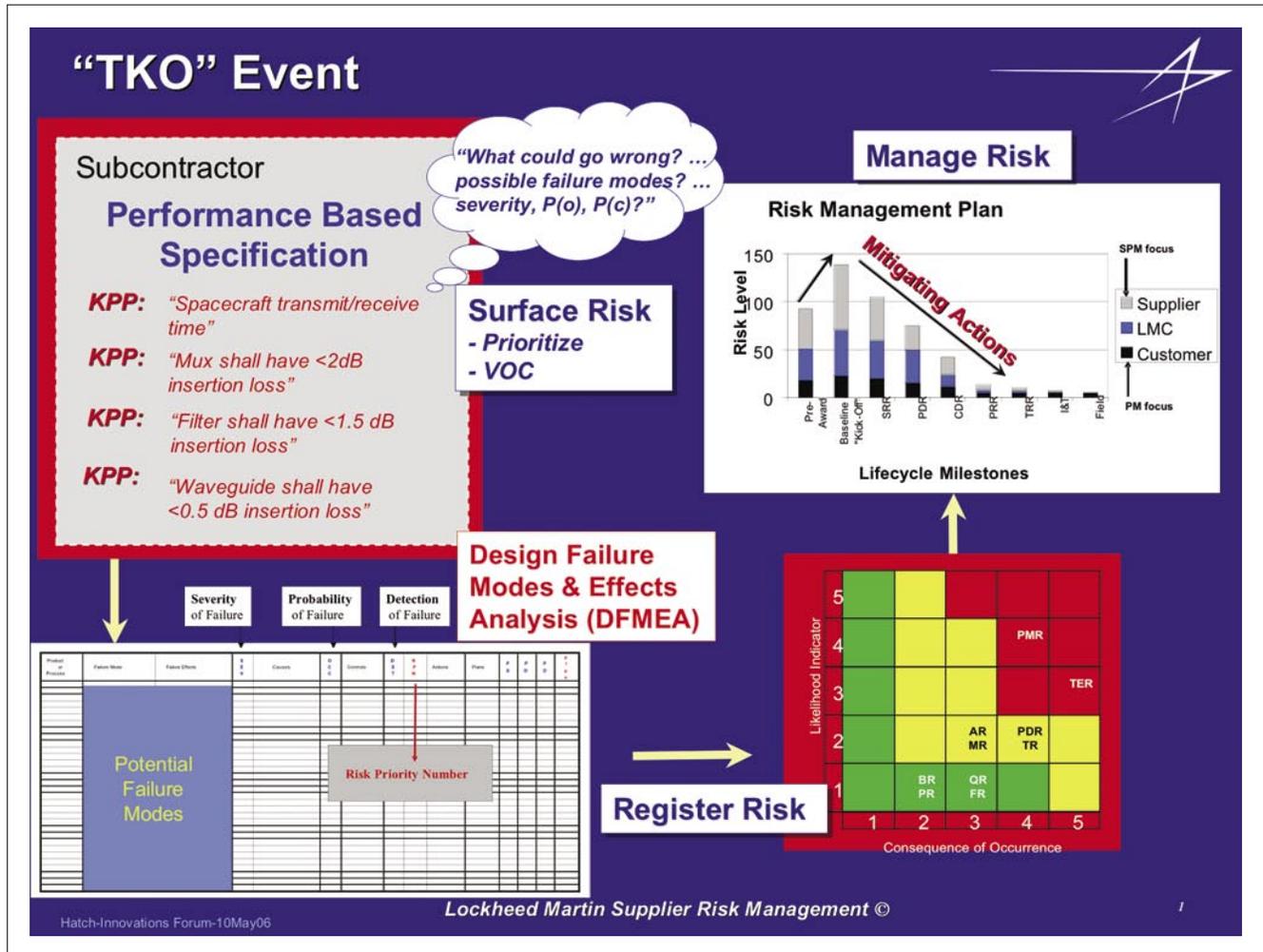
- a. **Cost Savings Approach.** It is the intent of this solicitation to provide the Navy with outstanding engineering, technical and programmatic support services while maximizing innovation and cost reduction initiatives. The offeror shall describe its cost savings approach to provide high quality services at a reduced cost to the Government in the following format:
 1. For all proposed amounts within the Section H Savings Clause, describe how you will achieve the proposed price reductions and volume discounts. Describe how you will minimize the pass-through charge and your ability to reduce it below the proposed percentage during the life of the contract.
 2. Describe approaches for additional cost savings initiatives, which could be implemented at any or all levels including for example, professional support services process improvements, e-business solutions, or cost savings for contractor travel. The offeror must include either a statement that the cost savings approach was prepared by team members or provide a list of consultants involved in preparing the response. The Cost Savings approach shall not exceed twenty pages. The Government will not consider any information beyond the last word of the 20th page.
- b. **Ceiling Unit Price for CLIN 1000.** The offeror shall provide a breakdown of the derivation of the ceiling unit prices, including the method for developing the direct labor rate (what labor category for what company,) the indirect burdens applied, the escalation used, and the fee rate. Additionally the offeror is required to demonstrate application of TOTAL PASS-THROUGH COSTs on subcontractors, including all charges that would be billed. The offeror's price breakdown shall not exceed one page. The Government shall not consider any information presented beyond the last word of the 1st page.
- c. **Compensation Plan for Professional Employees—No Page Limit**

NOTE: The offeror shall include in its cost/price proposal the date that the cognizant DCAA office has determined its accounting system to be adequate for the accumulation, reporting, and billing of costs under cost reimbursement contracts. Offerors shall include in their proposal if they have an established electronic invoicing system in place.

APPENDIX 2.6. TECHNICAL KICK-OFF MEETING

SOURCE: LOCKHEED MARTIN CORPORATION

A visual representation of Lockheed Martin’s Technical Kick-Off (TKO) event—part of their comprehensive approach to risk management from the onset of contract transition:



APPENDIX 2.7. RISK/OVERSIGHT MANAGEMENT BEST PRACTICE

SOURCE: DEPARTMENT OF ENERGY, IDAHO OPERATIONS OFFICE

Measuring and Addressing Risk Before it Becomes a Problem

Risk management and oversight practices are inextricably linked. After all, the purpose of contract oversight is to monitor elements of the contract that are at risk for causing negative consequences including:

- Disruptions to the contract schedule or budget
- Unintended side effects, e.g., health or safety issues
- Obstacles to achieving the customer's desired product

The Department of Energy, Idaho Operations Office (NE-ID) created a contract oversight guidance document that outlines the framework and methodology for all NE-ID oversight activities. This Contract Oversight Model is now considered a best-practice and a good model for your program's oversight practices.

When properly utilized, this model—which identifies risk, institutes a process for determining the severity of the risk, and encourages the selection of oversight practices consistent with risk determination—can lead to savings in time, money, and headaches.

This model was created to enable NE-ID to achieve specific objectives:

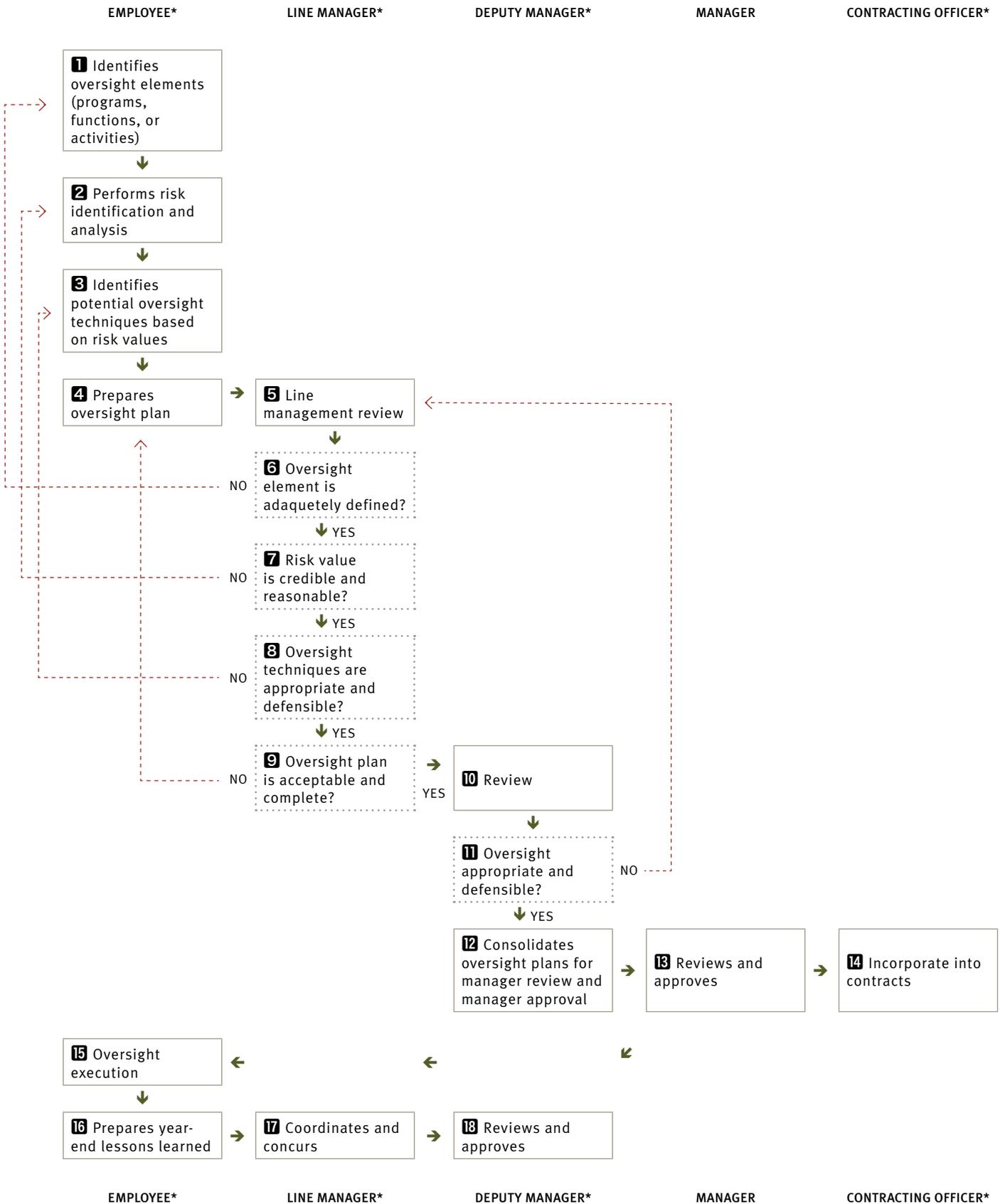
- Increase the consideration of performance based results in oversight activities
- Ensure that oversight is graded to risk
- Increase contractor accountability
- Increase the use of systems validation versus transaction verification
- Provide for a deliberate, consistent approach for all NE-ID oversight activities

NE-ID's oversight model is categorized into six major components:

- A. Identification of oversight elements (elements for which risk should be monitored)
- B. Completion of risk determinations
- C. Integration of program/projects and functional elements
- D. Assignment of oversight techniques (choosing the appropriate oversight technique based on risk determinations)
- E. Creation of formal oversight plans (template)
- F. Evaluation of the Contractor's Assurance System

The following pages will address these components and provide tools and examples to enable you to incorporate NE-ID's best practices into your own oversight activities.

On the next page is a diagram summarizing the steps, process flow, and responsibilities for the performance of this model. Following the diagram, there is an explanation of the above listed components and guidance for addressing and utilizing them.



* The Contracting Officer must be consulted and accept the all oversight activities are consistent with contract intent and language.

Identify Oversight Elements

The first step is to identify those elements of work which should be overseen. The contract should identify the oversight elements and provide for oversight authority. Oversight elements comprise programs/projects, systems, operations, processes, functions, and/or information that the agency oversees to assess performance and compliance.

Below is a sample listing of NE-ID’s oversight elements:

ELEMENT	RESPONSIBLE NE-ID INDIVIDUAL	DESCRIPTION	CONTRACT REFERENCE
Cost Estimating System	Amy Lang	The contractor’s estimating system includes all people, processes, procedures, planning, and management controls that result in the documentation of all work to be performed during the current period and throughout a project’s lifecycle.	Attachment C-A-1(b)(1) and List B, DOE 413.3
IT Project Management	Leonard Scotts	Functional work scope includes project scheduling support, development, and implementation of cost control measures, performance measurement, and monthly progress status (cost and schedule).	List B, DOE O 200.1
Etc...			

Responsibility for other elements may lie in the contractor’s organization. For example, NE-ID’s summary of oversight elements also includes the following:

- **Events/Occurances:** The contractor maintains adequate processes for preventing and controlling events and occurrences that negatively impact environmental compliance status. Oversight methods used are operations awareness, review of incidents and critiques of events as they occur, monitoring of performance indicators, and assessment or surveillance if issue of concern are identified.
- **RCRA Permit Compliance:** The contractor maintains adequate processes and expertise to prepare adequate permit applications and modifications to identify when they are needed, to comply with permit once issued. Oversight methods used are operations awareness, review of permit applications and implementing processes, review of noncompliances and corrective actions, monitoring of performance indicators, and regular assessment and surveillance in concert with ID operations personnel.

A. Determining Risk

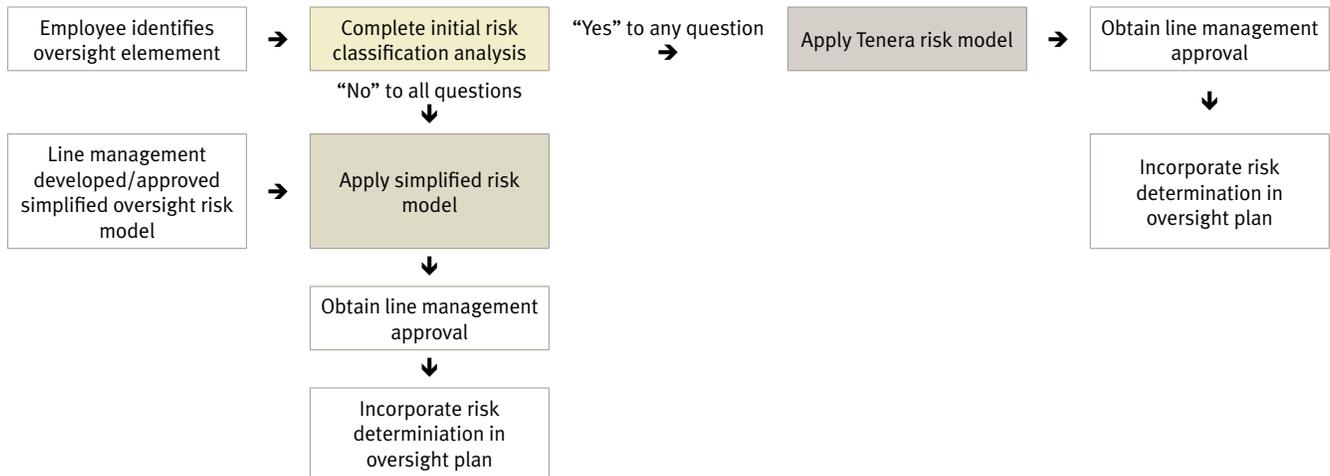
All oversight elements are analyzed to determine their overall risk.

Risk = The severity and probability of negative consequences, evaluated using a structured and quantifiable process. Based on the risk determination process, all oversight elements will be categorized as:

High—Failures could have a major impact on mission results, employees, or the public

Medium—Failures could have a moderate impact on internal operations, employees, or the public

Low—Generally have little impact on operations, mission results, employees, or the public



INITIAL RISK CLASSIFICATION ANALYSIS

1. Will system failure contribute to a fatality or serious injury?
2. Will system failure directly contribute to a significant radiological event including a criticality event?
3. Will system failure directly contribute to a significant environmental release?
4. Will system failure directly impact mission achievement?
5. Will system failure significantly erode public or stakeholder trust/confidence?
6. Will system failure result in significant and consequential cost impacts?

TENERA RISK MODEL

The TENERA model is an aid in determining the risk value of oversight elements, and to assist in ranking these elements according to their relative risk. Please <http://ourpublicservice.org/events/aipilot> for information about how this program used the TENERA model.

SIMPLIFIED RISK MODEL

The simplified risk model is specifically designed by the organization responsible for the type of element in question. For example, see the finance and accounting simplified risk model below:

SYSTEM	FINANCIAL EXPOSURE TO MIS-REPRESENTATION	INDICATIONS OF SYSTEM PROBLEMS	POTENTIAL FOR ADVERSE PUBLICITY	NEW OR CHANGED SYSTEM	QUALITY OF INTERNAL CONTROLS	TIME SINCE LAST REVIEW	QUALITY OF SYSTEM DOCUMENT	TOTAL RISK VALUE
Payroll	4	3	3	5	4	5	3	106
Accts Payable	5	3	5	5	3	5	3	110
Accruals	5	5	3	4	4	5	3	121
Accts Rec'able	1	4	2	1	2	5	3	64
Cost Dist	5	5	4	5	4	5	5	132
Reimb Acctg	5	3	4	5	4	5	2	117
Cash Mgmt	1	2	2	3	3	5	3	63
Property Acctg	2	4	3	5	3	5	3	95
Travel	1	2	4	5	3	5	3	63

Risk factors value judgements of the level of exposure in the current environment. 1=very low exposure; 2=moderately low exposure; 3=neutral; 4=some unwanted exposure; 5=high exposure

This tool facilitates calculation of total risk values for various systems by multiplying established criteria weights by quantitative, value-judgment risk factors, such that the total risk values are viewed as the highest for finance/accounting-related risk determinations.

In the example above, weighted criteria (7-1) are used in balancing traditional risk factors with risk factors which become particularly applicable under the INEEL's new incentive fee Performance Evaluation Measurement Plan approach. These numbers are not precise, and so in order to avoid giving the impression of precision, these elements are then banded into "High," "Medium," and "Low" risk categories for assigning oversight techniques:

- High Risk: Cost Distribution (132), Accruals (121), Reimbursable Accounting (117)
- Medium Risk: Accounts Payable (110), Payroll (106), Property Accounting (95)
- Low Risk: Travel (81), Accounts Receivable (64), Cash Management (63)

B. Integrate Program/Project and Functional Elements

Integrating functional oversight elements with program/project oversight elements can be challenging.

First, we must recognize that the same functional oversight elements that are designed to provide overall institutional management and control may also be identified as an oversight element for the program/project workscope.

The second step is to identify those “crossover elements.” For example, a radiation control oversight element may be designed to provide overall institutional management and control. That same oversight element may also be needed to monitor activity within the program/project workscope. See the matrix below as an example of one technique for identifying crossover elements.

For these crossover elements, it becomes more difficult to identify exactly who is responsible for the element’s oversight.

Step three is to determine exactly where that responsibility lies. Is it the responsibility of the individual who oversees the element from an institutional perspective? Or is it the manager of the program/project to which the element is being applied?

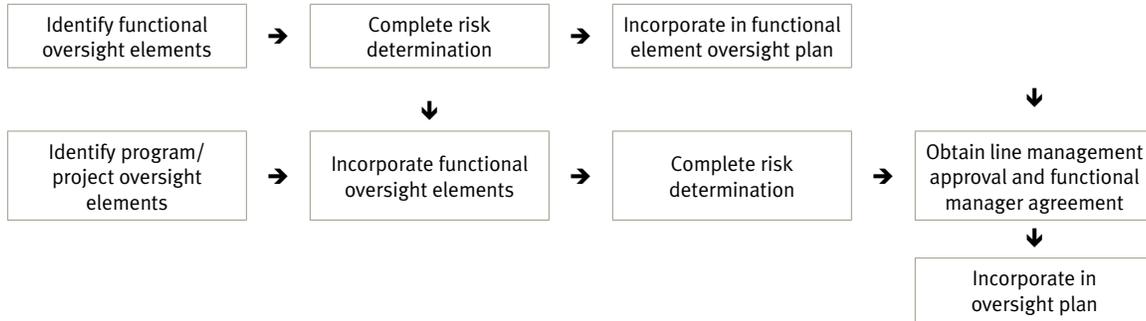
Here is one example of how the responsibility can be distributed while ensuring that knowledge is shared and no risk element is left unmonitored:

- Individual A might assume responsibility for overseeing an element on an overall institutional basis, and for providing support and assistance to programs/projects as the PM assesses the application of these systems to the program’s/project’s workscope
- Individual B (likely an individual from the program/project team) is to assume responsibility for effective functional system application to workscope activities

Coordination between program/project managers and functional systems owners/experts (such as Subject Matter Experts or Facility Representatives) must be demonstrated in the formal oversight plan.

Functional Systems	Institutional Oversight	National Security	Technology Transfer	Clean/Close INTEC	LDRD	←
Cost Estimating	X	X		X		Contract Workscope This matrix is an illustration to demonstrate one technique for identifying crossover oversight elements only—intersection points should be determined by responsible program/project manager in coordination with functional oversight element experts.
Real Property Management	X	X	X	X	X	
Payroll Accounting	X					
Safety						
DOE O 440.1A	X	X		X	X	
Radiation Control						
10 CFR 835	X	X		X		
Industrial Hygiene						
DOE O 440.1A	X	X		X		
↑						

INTEGRATE PROGRAM OVERSIGHT AND FUNCTIONAL SYSTEMS



C. Assign Oversight Techniques

NE-ID advises that after each oversight element has been identified and the risk determination has been made, the appropriate oversight technique and the rigor of its application must be determined. Not every oversight technique should be used for every element. The cost of oversight (to program and to contractor) must be considered, along with the consequence of failure/non-compliance.

Generally, elements with higher risk levels call for oversight techniques to be applied with more rigor. Similarly, those elements with lower risk levels generally call for oversight techniques to be applied with less rigor.

NE-ID has identified eight general oversight techniques:

1. **Performance by and oversight of contractor self-assessments:** Periodic, value-added appraisal to confirm effectiveness of contractor’s self-assessment program
2. **Joint system reviews, including periodic sampling:** Joint, periodic, value-added appraisals and reviews to confirm contractor’s compliance with contract requirements and the safe accomplishment of programmatic work-scope
3. **External assessments/reviews:** Monitor contractor performance through the review of information provided by departmental elements and/or external organizations
4. **Oversight of corrective actions:** Review extent, effectiveness, timeliness of contractor corrective actions and have access to the contractor’s “Corrective Action Tracking System”
5. **Assessments—risk based and management authorized:** Periodic, value-added assessments to confirm contractor’s compliance—scope of assessments determined with input from HQ and the contractor
6. **Utilization of performance metrics/trending/benchmarks:** Review, compare and evaluate metrics contractor’s published metrics to evaluate effectiveness of the contractor developed site and mission specific performance measures and indicators (for programmatic, operational, administrative, and safety performance accomplishments)
7. **For-cause reviews:** Conduct reviews where significant weaknesses are identified to determine cause, develop recommendations and provide corrective actions to prevent recurrence
8. **Operational awareness:** Routine status meetings, facility/operational walk-throughs, surveillances, document reviews, progress reports, readiness assessments and program reviews; operational awareness of contractor work activities is typically obtained from line managers and staff

Example: High-risk program operations should probably use the operational awareness technique on a daily basis, while administrative related elements using operational awareness (liaison meetings) may only be needed monthly or quarterly. The tradeoff between consequence and resources must be balanced.

The selected oversight techniques—and the determination of how rigorously they will be applied—must go through the appropriate evaluation and approval process. At that point, they are incorporated into the oversight plan.

By way of example, NE-ID shared these general guidelines for aligning risk levels with oversight techniques:

OVERSIGHT TECHNIQUE	RISK LEVEL		
	LOW	MEDIUM	HIGH
Oversight of contractor self-assessment	F	F	F
Joint systems reviews	R	S	F
External assessments/reviews	R	S	F
Oversight of corrective actions	F	F	F
Assessments-management authorized	R	S	F
Metrics/trending/benchmarks	F	F	F
For-cause reviews	R	S	F
Operational awareness	F	F	F

Technique used: R=rarely, if ever; S=sometimes, as determined; F=frequently, almost always
 These general guidelines are not intended to infer that all of these techniques are used on each oversight element, rather emphasis must be placed on the combination of techniques which will provide the best cost/risk tradeoff.

D. Create Formal Oversight Plans

Be consistent in documenting the approach and results of each oversight element. This will focus oversight and facilitate management’s understanding of the adequacy of the oversight. It will also enable staff and management to readily determine whether the parameters and rigor (techniques) of the systems oversight are appropriate, as related to risk and results. Management may adjust techniques and deliverables as necessary before approving any oversight plan.

The oversight document below is used by NE-ID. Consider adopting a similar document for your own program.

SAMPLE OVERSIGHT PLAN

OVERSIGHT PLAN	
Fiscal Year:	Date: Risk — H M L
OVERSIGHT ELEMENT DESCRIPTION/PARAMETERS	
<ul style="list-style-type: none"> Document exactly what is being monitored; capture the parameters under review as succinctly as possible; if you find that the oversight techniques are too broad or complex, consider segmenting your element into more manageable sub-elements 	
OVERSIGHT OUTLINE	
Techniques/Approach Selected (describe) and Rationale: <ul style="list-style-type: none"> Refer to eight general oversight techniques guidance in section D Oversight Schedule: <ul style="list-style-type: none"> To be updated as performance and/or risk considerations change Oversight Deliverables Planned: <ul style="list-style-type: none"> Establish oversight expectations; begin with the end in mind 	
REVIEW/APPROVAL ACKNOWLEDGEMENTS	
Oversight Lead: <i>Who is accountable for the oversight [Including scope, approach (rigor), scheduling, deliverables]</i>	Date:
Division Director Approval: <i>Ensure line management approval</i>	Date:
Deputy Manager Approval:	Date:
LESSONS LEARNED (include status of corrective actions)	
<ul style="list-style-type: none"> What has been learned from the oversight conducted this year? Basis for tracking contractor corrective actions; basis for potentially modifying oversight in the future 	

E. Evaluate Contractor Assurance System

In order to ensure that the oversight activities performed by the contractor are adequate/appropriate, you should include requirements for the contractor-developed Contract Assurance System.

By way of example, the Idaho National Laboratory Contract Management Plan includes the following language:

Contract provision, H.4. requires the contractor to develop a Contract Assurance System that as a minimum has the following key attributes: comprehensive description of risks, validation process, notification to the Contracting Officer, independent assessment reviews, trending reports with metrics and an implementation plan for the Contractor Assurance System.

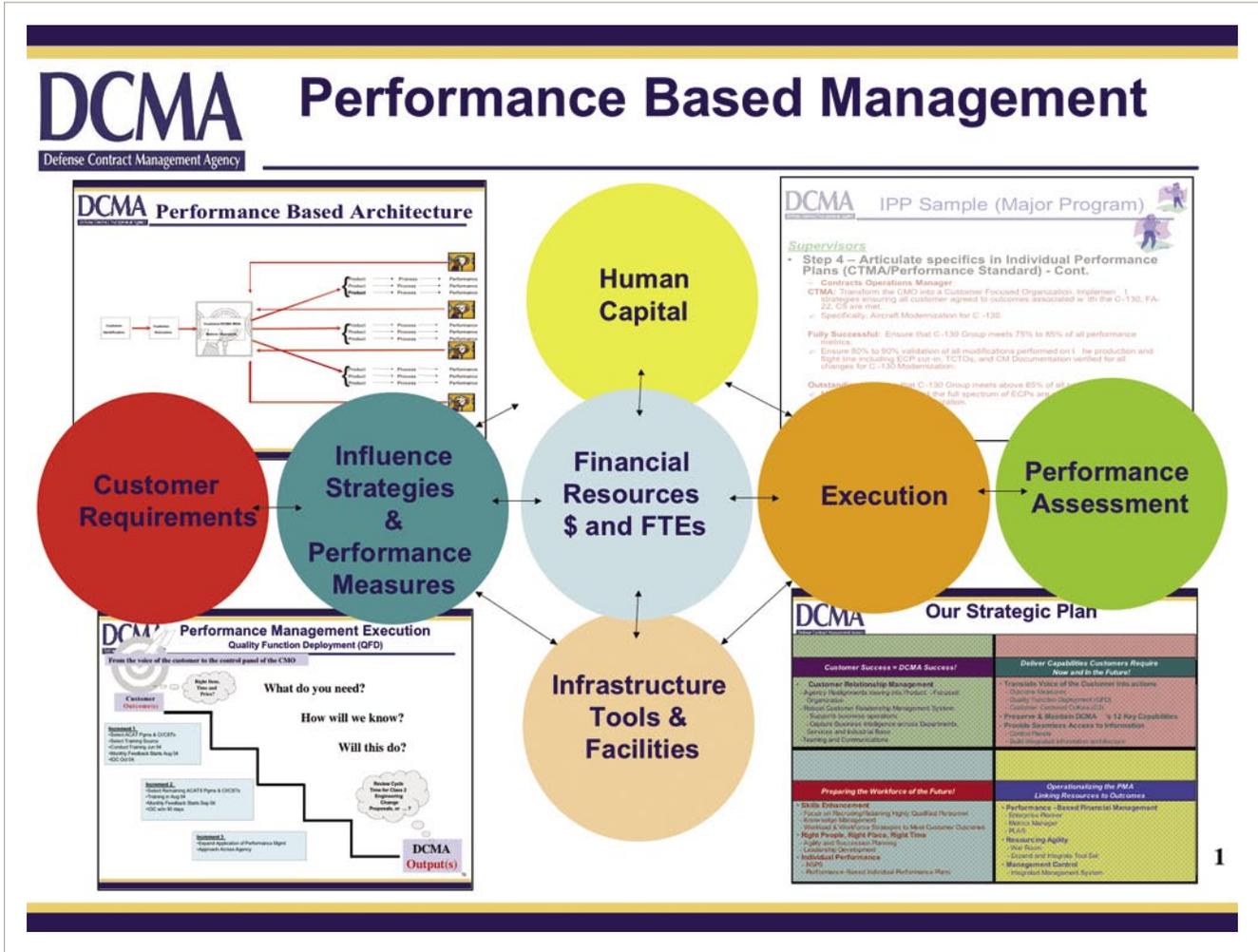
It is envisioned that when the CAS is implemented and matures, oversight will be conducted from a system level or perspective. The goal is to reduce evaluations when the contractor demonstrates an effective self-assessment program that includes self-identification, taking appropriate corrective actions, and successful follow-on action to prevent recurrence and improve performance.

If the contractor's performance is deficient, and management processes have not produced the desired results, NE-ID can increase evaluations in order to protect the government's interest. A general exception to the systems level oversight approach will be for high hazard nuclear facilities and activities.

Consider including similar language in your own contract management plan and discussing your expectations regarding the CAS with the contractor and other stakeholders at the outset.

APPENDIX 2.8. SAMPLE STRATEGIC ALIGNMENT

SOURCE: DEFENSE CONTRACT MANAGEMENT AGENCY



APPENDIX 3.1. SAMPLE PARTNERSHIP METRICS

SOURCE: ARMY MATERIAL COMMAND

The following metrics have been successfully used in AMC partnering arrangements:

- Cost: Comparison of cost objectives with actual incurred costs
- Quality: Measuring the contractor's in-house quality performance in addition to just measuring the quality once the product or service is delivered
- Delivery: On-time
- Paperwork: Assess if paperwork is reduced as a result of partnering—can be a survey question or a log of outgoing/ingoing mail.
- Litigation/Claims: Goal of zero
- Quality Deficiency Reports and Reports of Item Discrepancy: Track the number of them and the manner and timeliness of resolution
- Percentage Received on Award Fee
- Achievement of Contractor Profit Objectives (remember, profit is NOT a dirty word)

APPENDIX 3.2. SAMPLE GLOBAL SUPPLIER SCORECARD

SOURCE: PFIZER

Supplier Scorecard



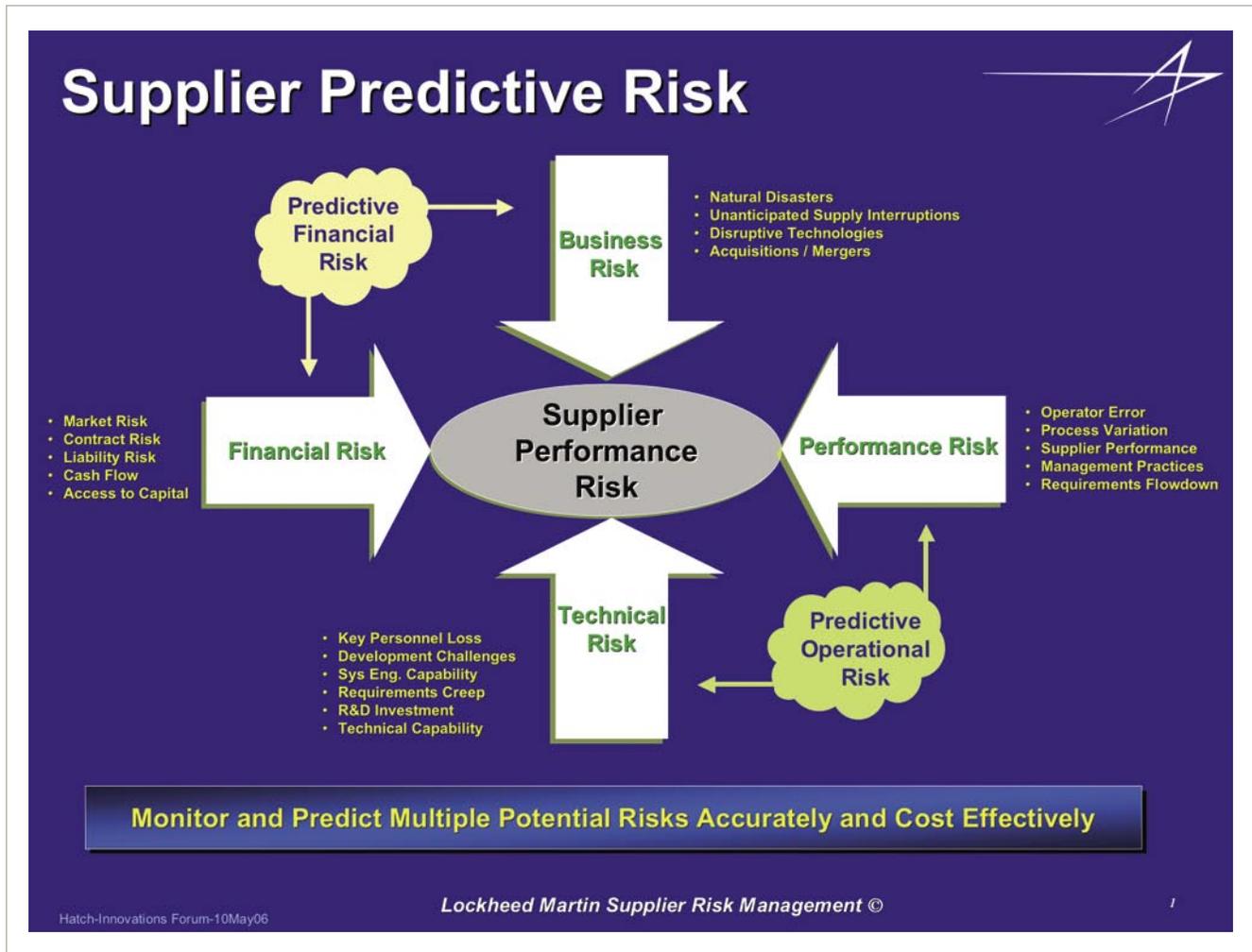
Global Supplier Management Five Panel Report is primary vehicle utilized to communicate results of Supplier’s evaluation

Supplier Name		Annual Objectives:				
Date of Evaluation						
Panel 1 - Account Support	Score 50	Status Y	Panel 2 - Quality	Score 95	Status G	
Issues & Opportunities -			Issues & Opportunities -			
Panel 3 - Delivery	Score 46	Status R	Panel 4 - Value	Score 87	Status G	
Issues & Opportunities -			Issues & Opportunities -			
Panel 5 - Overall Performance & Customer Satisfaction		Score 76	Overall SM Program Status		Y	
Issues & Opportunities -						

- G** No major issues exist: 75% or greater average score in category
- Y** Some issues exist and are identified and being addressed: 50%-74% average score in category
- R** Issues exist within the scope of the category:
 - Issues persistent/ reoccurring, not being resolved in a timely manner to Pfizer’s satisfaction
 - Below 50% average score in category

APPENDIX 3.3. SAMPLE PREDICTIVE RISK COMPONENTS

SOURCE: LOCKHEED MARTIN CORPORATION



APPENDIX 3.4. MEASURING COLLABORATION

SOURCE: DR. JENNIFER BRINKERHOFF, SCHOOL OF PUBLIC POLICY AND ADMINISTRATION, THE GEORGE WASHINGTON UNIVERSITY

Evaluating Collaboration Effectiveness: A Methodology

Evaluating Collaboration Effectiveness: Methodology and Evaluation Instruments

1. Process Observation and Assessment

This method will include a review of project documentation and reports, observation of management meetings and program activities (to be determined), and analysis of all data, including those collected by the methods below. The assessment aspect of this method will include an initial summary and analysis. This initial analysis will cover Project Year 1, and will include the initial partner interviews surveys. It will focus on the proposed assessment targets, in addition to drawing from the broader literature on partnership theory and best practice. Initial and subsequent analyses will be supplemented by interactive feedback and interpretation sessions with partnership actors collectively. These sessions will more directly address the developmental aspects of the assessment, in the service of improvements and learning. Assessment sessions will be integrated into scheduled PMC meetings.

2. Partner Interviews

Representatives of each partner organization will be interviewed to determine baseline information and potential indicators for partnership value-added, partner objectives, partnership identity, partner performance, definitions of mutuality and equality, partner organization identity and its maintenance within the partnership, and efficiency and strategic management of the partnership. A more specific interview guide is attached. The interviews will be semi-structured, i.e., with a combination of closed- and open-ended questions. Initial interviews will be informed by the results of the first partner survey (below).

Appropriate representatives will be determined by the partner organizations themselves and may entail one or more individuals as appropriate. Where more than one person is identified, they may be jointly interviewed according to their and the organization's preferences. In some instances it may be important to conduct separate interviews targeting the partner organization's representative to the PMC, in addition to other representatives deemed key actors in the partnership, i.e., relevant senior management or activity coordinators. To the extent possible, efforts will be made to generate a consistent (or at least not contradictory) report from each partner organization.

Feedback on potential indicators will form the basis for applying an adaptation of the Delphi technique in order to specify indicators agreeable to all. The Delphi technique is a "group process technique for eliciting, collating, and generally directing informed (expert) judgment towards a consensus on a particular topic" (Delp et al. 1977, 168). It typically consists of anonymous input on a range of issues for which consensus is sought. Several rounds of input and feedback, usually through mail or e-mail, are conducted, with data collected, collated, and analyzed to inform subsequent rounds until consensus emerges (or disagreement is highlighted). The proposed Delphi adaptation will entail initial data collection through partner interviews, with subsequent e-mail ranking and feedback, potentially to a broader group than those initially interviewed. Final presentation and agreement on suggested indicators will occur at a PMC meeting.

3. Partner Survey

Prior to the partner interviews, a survey will be distributed to partner organizations and staff. The survey will consist primarily of closed-ended questions. Many of these will consist of quantitative ordinal scales. The partner survey can later be adapted, as needed and appropriate, and re-administered periodically throughout the lifetime of the partnership or for the determined length of the assessment process. Subsequent surveys will be informed by the partner interview, agreed indicators, and the results of process observation and assessment. In particular, the partner interview will form the basis for the Delphi technique to determine agreed indicators for partnership value-added and the degree of partnership. Follow-up questions for baseline data and subsequent monitoring will be developed and incorporated into later surveys.

Partner Interview Guide

I. OUTCOMES OF THE PARTNERSHIP RELATIONSHIP

A. Value-Added

1. What do you think the partnership provides in terms of value added, beyond what an independent contractor could provide?
 - a. Can you provide any quantitative examples?
 - b. Can you provide any qualitative examples?
2. Has the partnership resulted in enhanced linkages with other programs and actors? If so, please give examples.
3. Please identify other examples of multiplier effects of the partnership, that is, outgrowths that were unforeseen but positive.

B. Partners Meet Own Objectives

1. Your organization's drivers (i.e., incentives/objectives) for participating in the partnership:
 - a. What are/were your organization's drivers or objectives?
 - b. Has your organization attained these benefits sought?
 - c. Is your organization satisfied with the progress in attaining these benefits?
 - d. If your organization is dissatisfied with its ability to meet its drivers through the partnership, is this due to a feature of the partnership itself, or are there other intervening factors? Please identify.
2. Has your organization's performance been enhanced by your participation in the partnership?
 - a. If yes, please provide examples.
 - b. If no, can you suggest why?
3. Has your participation in the partnership enabled you to better respond to your constituencies?
 - a. If so, how? Please provide examples.
 - b. If not, why?
4. Do you feel the partnership has a particular operating organizational culture? If so, please describe its characteristics.

II. PARTNER PERFORMANCE

A. Partners and Partner Roles

1. Are you fulfilling the role prescribed to you in the partnership/program design? If not, why?

B. Satisfaction with Partners' Performance

1. Are your partners fulfilling the roles prescribed to them in the partnership/program design?
 - a. Please identify any exceptions.
 - b. Please identify, if possible, the reasons for these exceptions.
2. Are you satisfied with the contribution your partners are making to the partnership? (discuss each partner)

3. Do you feel that your partners perform above and beyond the call of duty in promoting and implementing the partnership? Please specify partner(s) and examples.

III. DEGREE OF PARTNERSHIP

A. Mutuality

1. What does mutuality and/or equality in the partnership mean to you?
2. What would you consider to be indicators of these characteristics?
3. On what basis is the division of labor determined? (e.g., expertise, authority, “the find”)
4. How is the balance between risk and reward/investment and benefit within the partnership determined?

B. Organization Identity

1. What is your organization’s mission?
2. What are your major strengths and weaknesses?
3. Who are your primary constituents?
4. What are the underlying values of your organization?
5. Describe your organization culture.
6. What kinds of adjustments have you made in order to participate and promote the effectiveness of this partnership?
7. Have your partners adjusted in response to your concerns about compromising your strengths and identity?
8. Do you feel your organization has changed as a result of this partnership? If so, how?

IV. PRESENCE OF PRE-REQUISITES AND SUCCESS FACTORS

1. Do you feel there is a lot of trust among partners in this partnership?
2. What is the nature of senior management’s involvement in the partnership and its activities?
3. Are there external constraints that inhibit the ability of the partnership to meet its performance expectations? Please identify.
4. Do all partners possess the necessary capacity to effectively participate and contribute to the partnership? If not, what is lacking?
5. Do you feel you and your partners are compatible (e.g., operating philosophies, management styles, team work, constituencies, core values)?
6. Are there mechanisms in the partnership to address incompatibilities among the partners?

V. EFFICIENCY AND STRATEGY

1. What are the most critical factors influencing the partnership’s success?
2. Are these factors continuously monitored?

Initial Partner Survey

Instructions: Questions should be answered on behalf of the organization unless otherwise specified. Questions should be rated on a scale of 1 to 7, where 1 = strongly disagree and 7 = strongly agree, unless otherwise marked. Some questions require responses specific to each organization and/or actor. When asked to rate your partners and/or other actors, leave your own organization/actor space blank; “not applicable” (N/A) should be reserved for other inapplicable questions.

Please note that while summary data and analysis will be shared with the Partnership Management Committee (PMC), the precise source of partner ratings will not be disclosed. Furthermore, results of this survey and the assessment process in general will not be disclosed beyond the PMC without PMC approval.

I. OUTCOMES OF THE PARTNERSHIP RELATIONSHIP

A. Partners Meet Own Objectives

1. We are satisfied with our ability to meet our organizational objectives for joining the Partnership. _____

II. DEGREE OF PARTNERSHIP

A. Mutuality

1. Our organization’s view is considered equally in decision making. _____
2. Partners are reciprocally accountable (i.e., each is accountable to all of the others). _____
3. Partners have access to Partnership-related performance information of their partners upon request. _____
4. Evaluations and assessments are jointly determined. _____
5. There are established channels within the Partnership for on-going dialogue and information sharing at both the individual (representative) and partner organizational levels. _____
6. Partners respond to information requests in a timely and accessible manner. _____

III. PRESENCE OF PRE-REQUISITES AND SUCCESS FACTORS

A. Pre-Requisites and Facilitative Factors

General

1. Partners are willing to share decision making power and resources, including information. _____
2. Partners are receptive to new solutions that will improve the strategic value of the Partnership. _____
3. Partners are receptive to new solutions that will improve the Partnership’s day-to-day performance. _____
4. Partners implement corrective actions immediately when a problem arises. _____
5. Partners accommodate special requests from our organization. _____
6. Partners readily adjust to meet unforeseen situations. _____

B. Success Factors from the Literature

Trust and Confidence

1. This Partnership is characterized by a high degree of trust among partners. _____

Senior Management

1. Our senior management directly participates in this Partnership. _____

Ability to Meet Performance Expectations

1. External constraints do not prevent the Partnership’s success. _____
2. All partners possess the necessary capacity to effectively participate and contribute to the Partnership. _____

Clear Goals

1. Partners meet regularly to review, revise as needed, and assess progress in meeting identified goals. _____
2. Partners share a common vision for the Partnership. _____
3. Goals of the Partnership are mutually determined and agreed. _____



PARTNERSHIP FOR PUBLIC SERVICE

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