

PERFORMANCE-BASED CONTRACTING APPROACHES

NOTE TO DoD BPA USER: This Attachment C has been developed to provide guidance, education and a starting point for programs that wish to engage a systems integrator using a performance based service contract. The approaches and any terms that may be contained herein are a baseline from which your program may negotiate and develop performance based payment structures after negotiation with the BPA holder.

C.1 Overview

Performance-Based service contracting (PBSC) approaches can be used to effectively link pricing and performance to the achievement of Government operational goals and objectives. The suggested performance based approaches described below can be used to align tactical level milestones to meet strategic DoD and Service goals and objectives and enable the Government to drive performance incentives throughout the life cycle of the ERP programs, from award to post implementation.

The BearingPoint Team's PBSC approaches can be applied to implementation performance goals and objectives as well as the longer-term operational performance improvements and cost savings that can be realized through the implementation of an enterprise solution. A multifaceted Performance-Based service contracting approach will help meet the DoD goal of holding down costs and driving service provider performance. A robust PBSC approach must account for the evolving categories of performance objectives as the program or project matures.

C.2 Performance-Based Contracting Approaches

The BearingPoint Team offers two types of approaches for PBSC:

- Withhold Based
- Reward Based

The approach applied would depend on the objectives the ordering agency is trying to achieve. The BearingPoint Team will place up to 10% of fees at risk using a withhold based approach. Additionally, the BearingPoint Team offers an incentive fee, or "share in savings" approach. This will be based on a negotiated percentage of achieved savings that can be used to incentivize performance to drive tangible cost savings for DoD. While the specifics of the incentive and the awards would be negotiated with each task order issued under this BPA, Figure C-1 and the following sections provide an overview of possible approaches as well as the circumstances in which those approaches apply and the duties of the government for projects which incorporate these approaches.

Figure C-1. Summary of Performance-Based Contracting Approach

Approach	Objective	Circumstances where applicable	Government Duties
Withhold % of Fees	Incentivize on-time performance	BearingPoint will deliver on schedule and will commit to doing so for deliverables, milestones, phases and/or complete projects.	<ul style="list-style-type: none"> Meet entrance criteria as defined in Attachment A, Task Tables. Provide Materials, Resources, and Support as agreed in Project Plan
Withhold % of Fees	Incentivize BearingPoint to provide high levels of customer satisfaction	BearingPoint is willing to be measured for services during the implementation, or customer satisfaction post-implementation. Specific areas of measurement will be determined based on the needs of individual task orders.	<ul style="list-style-type: none"> Engage an outside, independent agency to develop a statistically relevant, unbiased survey. Periodically survey a statistically significant number of project team members and/or end-users of the implementation services and share results and feedback with BearingPoint Program Management
Withhold % of Fees	Incentivize BearingPoint to meet or exceed industry standards of service	After the implementation Go-Live and once stabilized sustainment and support operations have begun. Pricing will be based on the percentage of time that BearingPoint meets or exceeds industry standards for agreed upon operations and managed service metrics.	<ul style="list-style-type: none"> Mutually agree to technical and operational key performance metrics to set performance standards. Mutually agree to measurement criteria and frequency.
Share in Savings	Align government and BearingPoint interests in reaching targeted improvements in operational metrics	<p>After the implementation Go-Live and once stabilized sustainment and support operations have begun. Mission objectives in the processes and supporting infrastructure related to the implementation of the ERP solution objectives will be used to determine financially quantifiable improvements.</p> <p>BearingPoint would also be interested in being incentivized to Share in Savings in cases where savings may be achieved through improved operations and maintenance of the supporting information technology environment.</p> <p>A portion of the realized savings would be used as an incentive fee.</p>	<ul style="list-style-type: none"> The Government will identify and agree to periodically measure key performance indicators. Baseline performance will be established and agreed upon with BearingPoint. The Government will be willing to act upon BearingPoint advice and guidance that leads to significant cost savings, wherever practical and reasonable.

C.2.1 On Time Delivery

Since future task orders will be awarded as Firm Fixed Price contracts, the BearingPoint Team anticipates that most program or project objectives will be achieved by meeting or staying ahead of schedule. The BearingPoint Team will develop detailed project plans for the work described in any given task order statement of work or statement of objectives. The project plan will provide specific dates for contract deliverables. Additionally, the project plan will clearly document key activity and deliverable interdependencies as well as required government furnished information, material or support necessary to accomplish a given task or deliverable. In the event of late delivery or accomplishment of key tasks, provided there are no causes directly related to the Government's failure to provide information, material or support as detailed in the project plan, or significant external acts such as war or flood, that would be deemed beyond the reasonable control of the Government or BearingPoint Team, the BearingPoint Team will offer a credit against fees associated with the specific deliverable. The BearingPoint Team offers this approach for any or all deliverables associated with a specific task order.

The BearingPoint Team will place a portion of fees at risk as a withhold for failure to meet program or project schedule objectives as documented and agreed to in the individual task order project plans. In describing the nominal cases, the phrase "place a portion of the fee at risk" is used because each task order will determine the types of strategies to be utilized. The percentage at risk for each objective can be 0-10% provided that the total for all withhold based strategies shall not exceed 10%. In a case where the deliverable schedule is not met, it may be necessary to re-baseline dependent deliverables so that the government's and BearingPoint's interests in schedule attainment continue to be aligned.

C.2.2 Customer Satisfaction

Customer satisfaction is the most subjective Performance-Based service contracting approach to implement. Customer satisfaction can be used to measure BearingPoint's services during implementation and for the enterprise solution performance after implementation is complete. While the specific methodology and customer pool would be determined for each task order awarded, assessing customer satisfaction would require the government to engage an independent agency to develop a means to periodically survey end-users of the services or system to measure a level of customer satisfaction during any given phase of the implementation.

The BearingPoint Team will place a portion of fees at risk for meeting mutually agreed upon customer satisfaction objectives. The BearingPoint Team will credit a subsequent invoice for the fees lost as a result of failing to meet customer satisfaction objectives. The percentage of fees forfeited will be based on the following scale for customer satisfaction scores as determined by the independent surveying agency:

Figure C-2. Levels of Fees at Risk

Customer Satisfaction Score	Percentage of fees Forfeited
85 – 100 %	0%
77 – 84%	5%
70 – 76 %	8%
> 69%	10%

The Government will be required to support surveying a sufficient portion of the customer population to generate a statistically significant assessment of customer satisfaction. Customer satisfaction surveys will be conducted every 6 months or on an otherwise mutually agreed to schedule. In the event the Government fails to respond to surveys in statistically significant numbers (i.e. $N \geq 30$), then customer satisfaction will not be measured for the period in question, and no fees will be forfeited.

C.2.3 Service Level Attainment

Service level agreements are used as a component of BearingPoint's Performance-Based service contracting after the implementation goes live and enters a stabilized sustainment and support phase. Service level agreements will define mutually agreed upon technical and operational key performance indicators of the system that can be used as performance standards. Key performance indicators and corresponding performance thresholds will be established from Government operational requirements documents and supplemented with industry standards for enterprise solution operations and managed services. Key performance indicators and thresholds, as well as the measurement methodology and frequency will be established for individual task orders issued under this blanket purchase agreement. The following are representative key performance indicators that may be used:

- System Operational Availability
- System Response Time
- Help Desk Response Time
- Help Desk Abandonment
- System Reliability
- System Restart and Recovery Times
- Help Desk Resolution

The BearingPoint Team will place a portion of fees at risk based on their ability to meet or exceed key performance indicator thresholds. Key performance indicators will need to be measured on a recurring basis under standardized conditions agreed to at time of task order contract award. In the event the BearingPoint Team fails to meet key performance indicator thresholds, a portion of the fees will be credited on the next invoice presented to the Government.

C.2.4 Share in Savings

Mission goals and objectives can be used as a component of the BearingPoint Performance-Based service contracting approach after the implementation goes live and enters a stabilized operations and support phase. Mission goals and objectives will be defined to address financially quantifiable improvements in the processes and supporting infrastructure related to the implementation of the ERP solution. These mission goals and objectives will be selected based on realizing operational cost savings. Examples may include reduced infrastructure costs, reduced touch labor, lower inventory levels, or reduced work in process. A portion of the realized cost savings can be used as an incentive fee. A cost savings share formula would be developed on a task order basis that will enable the BearingPoint Team to receive associated incentive fees as cost savings are realized. This would require that key performance indicators be identified and periodically measured by the Government. Additionally, baseline performance will have to be established. Incentive fees will be awarded for incremental improvements or cost reductions that result from the ERP implementation. In addition to cost savings achieved through process improvements, the BearingPoint Team would include savings achieved through improved operations and maintenance of the supporting information technology environment.