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Past Performance as an Indicator of Future Performance

Defense Acquisition University
Limits of Competition in
Defense Acquisition Research Symposium

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MITRE

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Moving the past into the future…

Selecting an industry partner to maximize the probability of future program success

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BLUF

Selecting the right contractor is perhaps the most important contributor to program success.

- **The Past Performance as an Indicator of Future Performance initiative is a MITRE Project to improve the probability of a successful program outcome.**
  - Emphasize evaluating the contractor's record of performance vs. evaluating the contractor's proposed solution.
  - Initiate consistent and thorough processes to effectively evaluate proposed key contractor personnel.
  - Improve the accuracy and availability of government of past performance data repositories.
- **The recommendations can benefit the PMO by providing repeatable data driven processes using historically disparate best practices that can be effectively applied to past performance.**

The government must strive to enter into business relationships that provide high confidence of success.

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Past Performance Project Objectives

Provide approaches to improve the probability of selecting an industry partner to maximize the probability of program success.

- **Appraise the contractor's record of performance.**
  - Increase Alpha contracting negotiations with pre-qualified candidates.
  - Consider product demonstrations that exhibit performance standards early in the source selection process.
- **Evaluate proposed key contractor personnel.**
  - Require oral presentations using an extensive question and answer process to verify "actual" qualifications and experience.
  - Implement behavioral interviewing techniques to identify the desired attributes of key personnel's past performance.
- **Improve timeliness and quality of past performance data repositories.**
  - Enforce past performance data entry standards.
  - Improve data repository tools to include automated quantifiable metrics.

Evaluating contractor past performance is an important step to creating a genuine business partnership between the government and a contractor.

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Background

- **Federal Acquisition Streamlining Act of 1994.**
  - Congress acknowledged that it is appropriate and relevant for the government to consider a contractor's past performance in evaluating whether that contractor should receive future work.

- **The Office of Federal Procurement Policy (OFPP), May 2010.**
  - Directed government agencies to integrate past performance data systems, Contractor Performance Assessment Reporting System (CPARS) and the Past Performance Information Retrieval System (PPIRS).

- **Administrator for Federal Procurement Policy Memorandum, Daniel I. Gordon, January 21, 2011.**
  - "…ensuring that Contracting Officers have access to meaningful past performance assessments is so important to improving source selection decisions that we want to do everything we can to improve both the quantity and quality of past performance assessments in PPIRS."

The policies and mandates lack enforcement mechanisms to incentivize better behavior and improve past performance practices.

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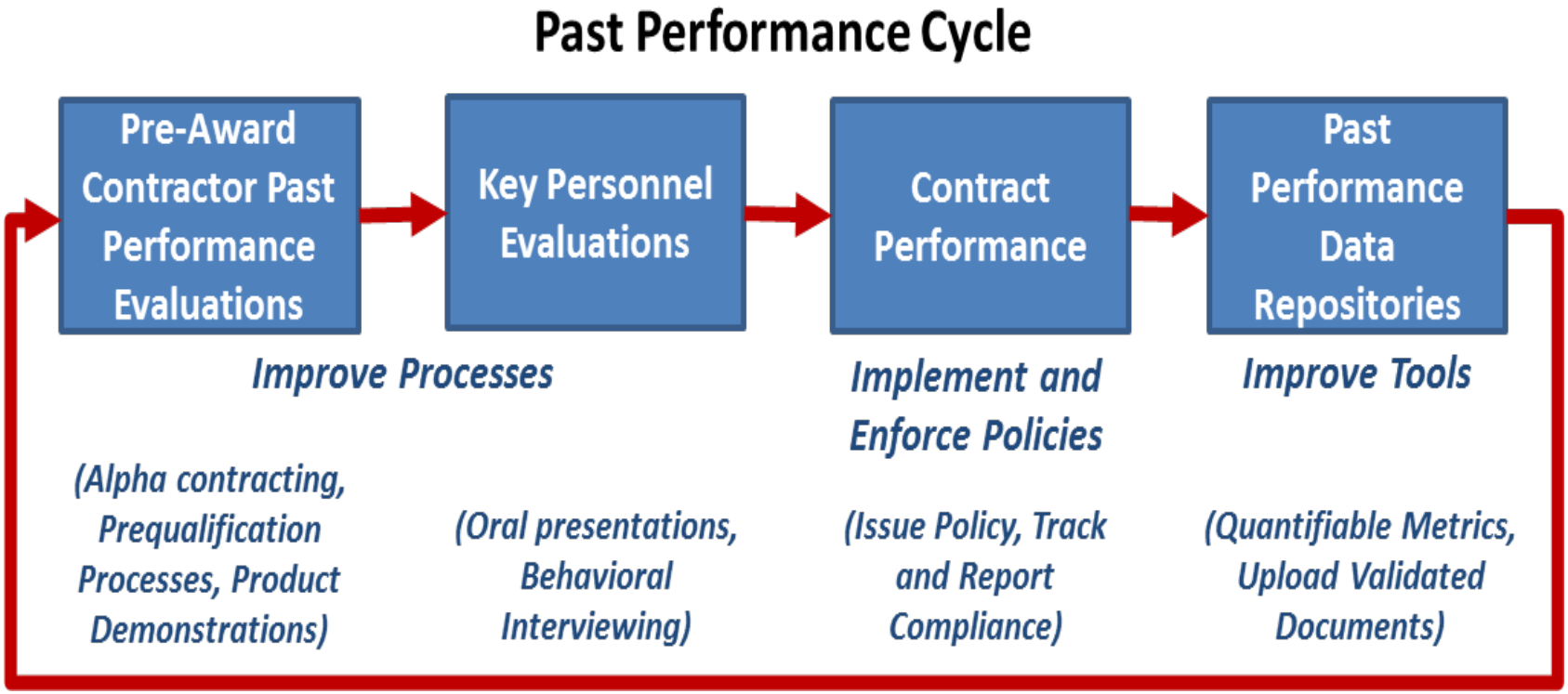
Process Overview



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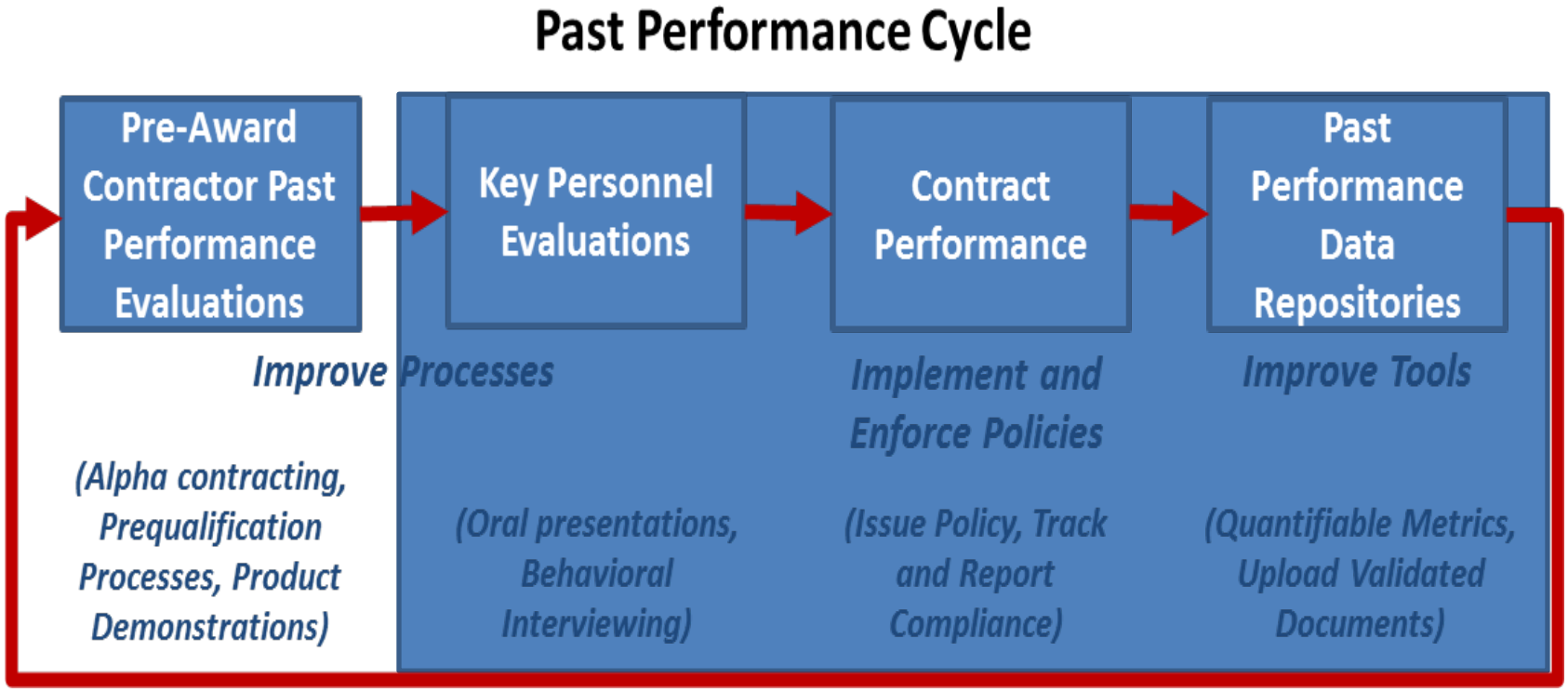
Contractor's Record of Performance



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Contractor's Record of Performance

(Weakness)

The DoD currently lacks both adequate data and effective processes to evaluate a company's past performance qualifications.

- **Government Accountability Office Study, April 2009.**
  - Analyzed 62 procurements across 5 agencies (DoD, DOE, GSA, DHS, and NASA).
  - 82% of past performance evaluations did not contain narratives sufficiently detailed to establish credible or justifiable ratings.
  - 60% of the Contracting Officers stated that past performance is rarely or never the deciding factor in selecting a contractor.
- **However, the study concluded…**
  - Contracting officials agreed that for past performance to be meaningful in contract award decisions it must be documented, relevant, and reliable.
  - Acquisitions that placed emphasis on past performance noted that this encouraged companies to perform better.
  - Without accurate past performance information the government must rely heavily on technical and cost factors that describe a hypothetical situation.

Raise the value of "past performance" in the source selection process.

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Contractor's Record of Performance

(Solution)

- **Alpha contracting negotiations with pre-qualified vendors.**
  - Utilizing the best from the Qualifications Based Selection (QBS) (FAR Part 36) to improve innovation, quality, and creativity:
    1. The government determines the desired qualifications, experience and demonstrated competence of interested vendors.
    2. Then creates a short list, ranking the bidders by their qualifications.
    3. The government conducts interviews with the firms on the short list and then re-ranks the firms.
    4. Finally, the government negotiates a statement of work (SOW) and fair price with the most qualified vendor based on a Government Independent Cost Estimate.
  - Much of QBS can be applied to the advisory multi-step process (FAR Part 15.202) based entirely on past performance criteria to narrow down the pool.
  - Use a Q&A session as part of an oral presentation strategy.
  - Performance improvements include enhancing communication, refining and clarifying requirements, and bounding the technical solution by the capabilities of the contractor.

Amend FAR Part 15 to allow DoD to directly benefit from the QBS process.

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Contractor's Record of Performance

(Solution)

- **Pre-qualification product demonstrations.**
  - Supplements limited availability of past performance information and verifies the relevance of previous experience.
  - Demonstrations can include any material representation of similar conceptual past experience, such as prototypes or software demonstrations.
  - This source selection strategy assists with initial narrowing the pool of qualified vendors.
  - Establishes recent and relevant experience.

Demonstrations become tangible evidence of past performance.

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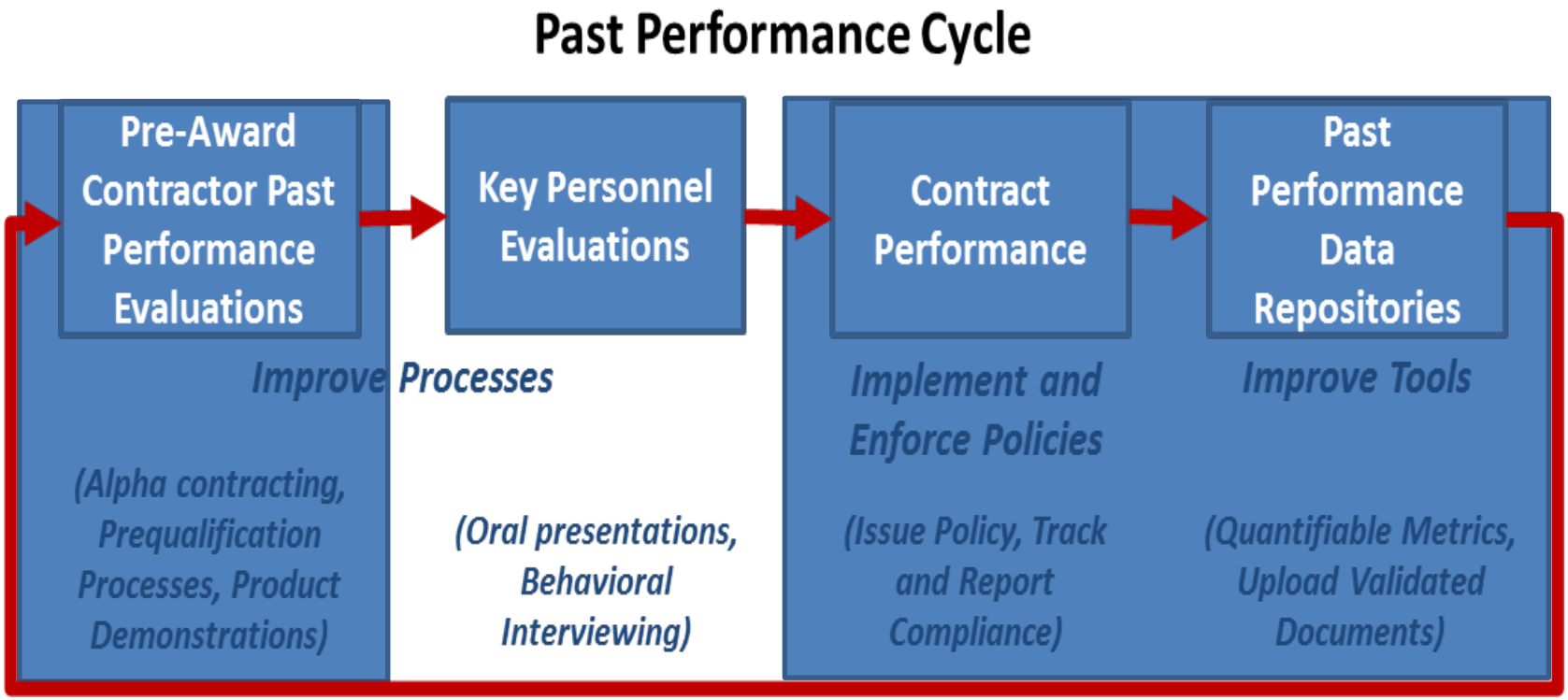
Key Contractor Personnel



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Key Contractor Personnel

(Weakness)

DoD lacks consistent and thorough processes to effectively evaluate key contractor personnel.

- **Limited evaluation of proposed key contractor personnel.**
  - DoD processes do not emphasize the selection of the strongest contractor, or ensures that the contractor assigns the "A Team" to the program.
  - Most source selection teams limit evaluation of key personnel to a simple checklist to whether they meet minimum "experience" criteria.
  - Current minimal use of oral presentations limit face-to-face access to key personnel and an opportunity to assess group dynamics.

When companies know their key personnel will be evaluated, they have an incentive to offer their best performers.

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Key Contractor Personnel

(Solution)

Qualifications of personnel proposed for key roles are paramount to the future success of the program.

- **Evaluate proposed key contractor personnel.**
  - U.S. Air Force Source Selection Procedures Guide requires discussions (written or oral) for proposal areas significant enough to affect the source selection decision.*
  - Require oral presentations using an extensive question and answer (Q&A) process to verify "actual" experience and qualifications of all key personnel.
  - Use behavioral interviewing techniques to evaluate and score key personnel's past qualifications and experience against program requirements.
  - Accept only the BEST…

*Source: USAF Source Selection Procedures Guide, March 2000, Section 2.9, p. 33

70% of Fortune 500 companies credit behavioral interviewing with being 55% predictive of future on-the-job behavior vs. 10% for traditional interviewing techniques.

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Key Contractor Personnel

(Solution)

A closer look at behavioral interviewing.

- **Understanding the results of key personnel's actual past performance, provides greater insight of future success during the source selection process.**
  - Behavioral interviewing questions are targeted on prior history relevant to the requirements of the future program.
  - This method of interviewing provides two types of important information:
    1. Examples of how they actually exhibited the desired behavior, i.e., technical, problem solving, interpersonal, leadership, etc.
    2. Evidence of their success or failure.

Premise of Behavioral Interviewing: the most accurate predictor of future performance is past performance in a similar situation.

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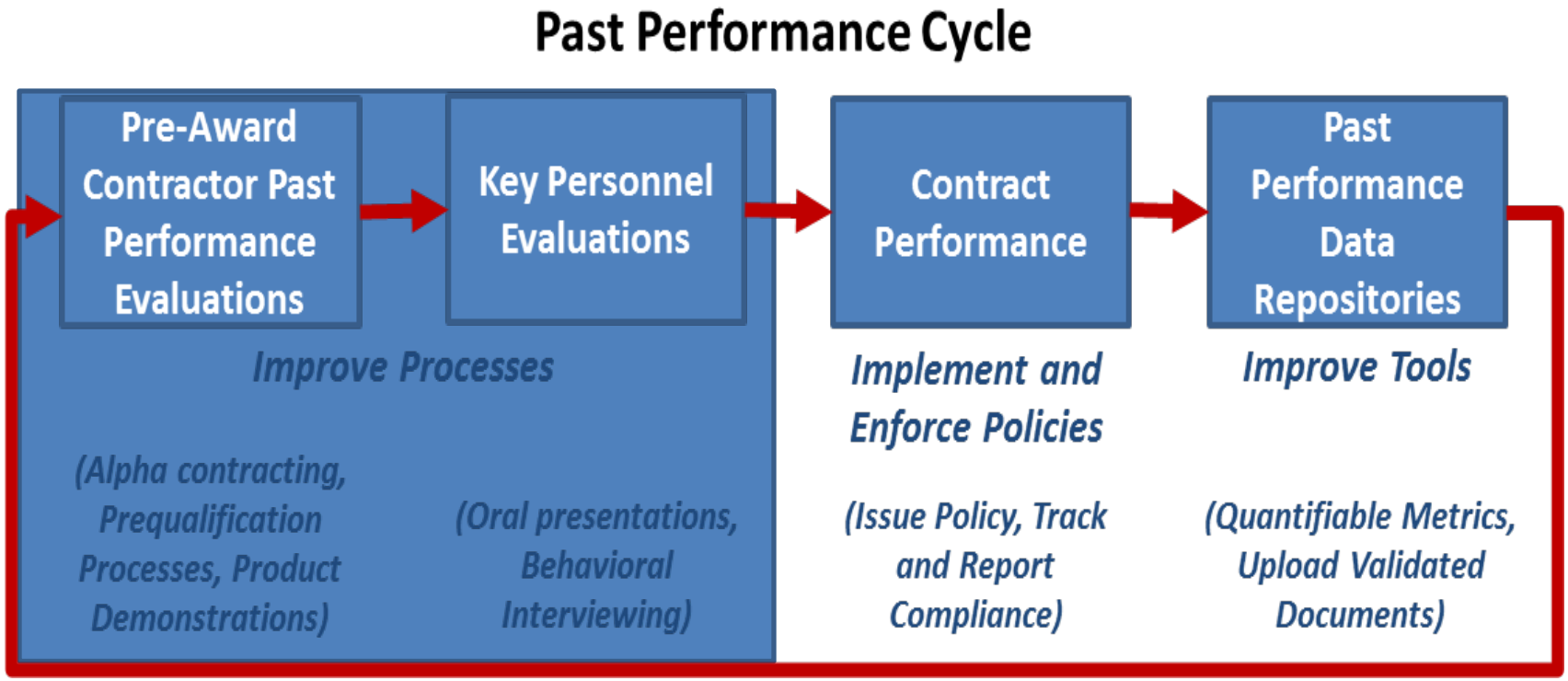
Data Repositories



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Data Repositories

(Weakness)

DoD Lacks the adequate tools and information to collect, analyze, and report past performance information consistently across contracts.

- **Despite recent improvements to systems and policies current data repositories continue to perform their functions inadequately.**
  - Lack of enforcement of past performance policies.
  - Limited quantifiable metrics for agency-wide reporting.
  - Lack of validated and approved contract deliverables in the past performance databases.

A high-quality data repository greatly strengthens the government's ability to evaluate past performance as part of the source selection process.

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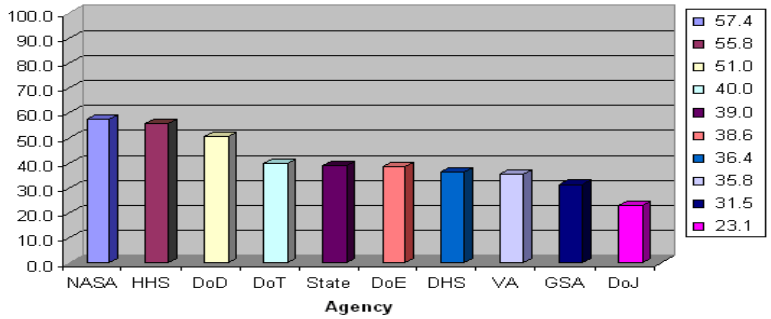
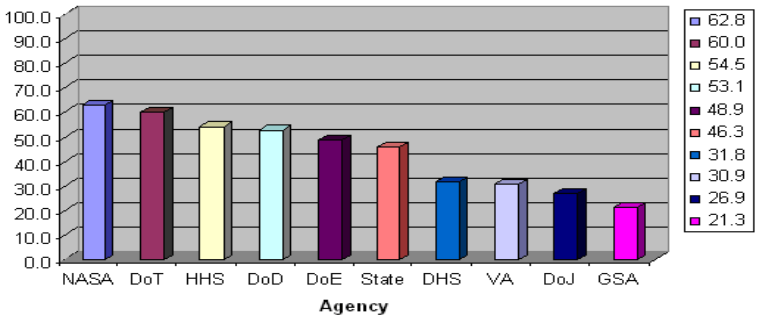
Summary of Agencies' Past Performance Assessment Review

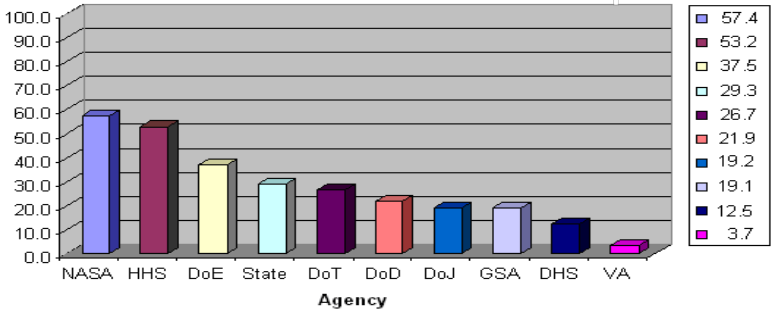
Schedule Control



Quality of Product/Service

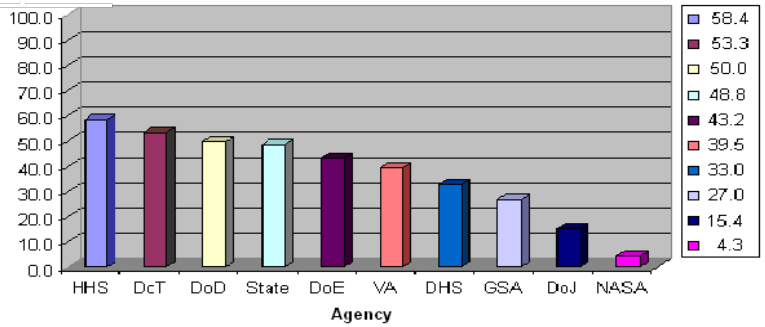


Cost Control



the processes to *support* them.

Business Relations



Source: Gordon, Daniel, Improving Contractor Past Performance Assessments Memo , OFPP, January 21, 2011

Average High 59% and Low 13%

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PPIRS
PAST PERFORMANCE INFORMATION RETRIEVAL SYSTEM

DoD Reporting Compliance Metrics 2Q FY2012

AGENCY NAME	PERCENTAGE CONTRACTS COMPLETED 3 JAN 2012	PERCENTAGE CONTRACTS COMPLETED 6 APR 2012	QTR TO QTR DELTA
DEPT OF THE NAVY	68.8	46.8	22-
DEPT OF THE ARMY	53.7	48.3	5.4-
DEPT OF THE AIR FORCE	84.6	57.3	27.3-
DEFENSE HUMAN RESOURCES ACTIVITY	87.5	83.3	4.2-
TRICARE MANAGEMENT ACTIVITY (TMA)	72.7	29.2	43.5-
DEFENSE THREAT REDUCTION AGENCY (DTRA)	77.3	52.5	24.8-
DEFENSE CONTRACT MANAGEMENT AGENCY (DCMA)	69.1	22.4	46.7-
USTRANSCOM	83.9	11.7	72.2-
BUSINESS TRANSFORMATION AGENCY	31.5	4.5	27-
DEFENSE ADVANCED RESEARCH PROJECTS AGENCY (DARPA)	73.6	38.8	34.8-
DEFENSE INFORMATION SYSTEMS AGENCY (DISA)	70.5	31.6	38.9-
DEFENSE LOGISTICS AGENCY	29.6	24.6	5-
DEFENSE SECURITY COOPERATION AGENCY	7.2	4.4	2.8-
DEFENSE SECURITY SERVICE	42.8	6.4	36.4-
DEFENSE COMMISSARY AGENCY (DECA)	5.6	5.1	.5-
DEFENSE FINANCE AND ACCOUNTING SERVICES (DFAS)	84.1	42.3	41.8-
DEFENSE MEDIA ACTIVITY (DMA)	13.1	2.7	10.4-
DEPT OF DEFENSE EDUCATION ACTIVITY (DODEA)	4.1	0	4.1-
WASHINGTON HEADQUARTERS SERVICES (WHS)	21.4	5.1	16.3-
UNIFORMED SERVICES UNIVERSITY OF THE HEALTH SCIENCES (USUHA)	9.1	0	9.1-
MISSILE DEFENSE AGENCY (MDA)	33.3	13.7	19.6-
U.S. SPECIAL OPERATIONS COMMAND (USSOCOM)	59.9	16.5	43.4-
TOTAL AVERAGES	**59%**	**47%**	**12%-**

Source: Ginman, Richard, Contractor Past Performance Assessment Reporting-2nd Quarter 2012 Memo, April 26, 2012

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Data Repositories

(Solution)

Implement and enforce DoD policies for past performance.

- Make the responsibility for reporting past performance a shared responsibility between the contracting office and the program management office.
- The contracting office should have ultimate responsibility for collecting and populating the past performance database in a timely and consistent manner.
- Agencies should be required to report compliance metrics against this mandate.
- DoD should further require that past performance reviews become a mandatory part of Program Executive Office (PEO) acquisition program reviews.
- DoD should prohibit programs from exercising option awards, award terms, or award fee payments until they have populated past performance data into the database.
- Lastly, DoD should include an evaluation of compliance with this process as part of each contracting officer's annual pay and performance review.

Follow-up, measure, and enforce timely and accurate past performance data management.

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Data Repositories

(Solution)

Identify quantifiable metrics for agency-wide reporting.

- **Increase the accuracy of past performance evaluations.**
  - Develop objective measures that can be fairly applied to all contractors allowing consistent performance comparisons across programs and contractors.
  - Provide safeguards for program managers and contracting officers from contractor retaliation through multiple source evaluation data gathering that encourages honest and accurate past performance evaluation reporting.

- **DoD would benefit from the use of quantifiable, and simple yes/no metrics to avoid subjective judgments, and introduce consistency across agencies.**

Easy data entry, and consistent data interpretation across agencies will add value to past performance metrics.

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Data Repositories

(Solution)

Provide access to validated and approved contract deliverables in the past performance database.

- The DoD can increase the quantity and quality of the data in past performance databases by incorporating information on validated and approved contract deliverables.
  - Provides a more complete picture of how well the contractor performed over the life of a contract.

- Past performance databases should include a mechanism for uploading documents directly into CPARS to share with other government agencies.
  - This would greatly enrich the quality and quantity of past performance data.

Raise the value of “past performance” in the source selection process.

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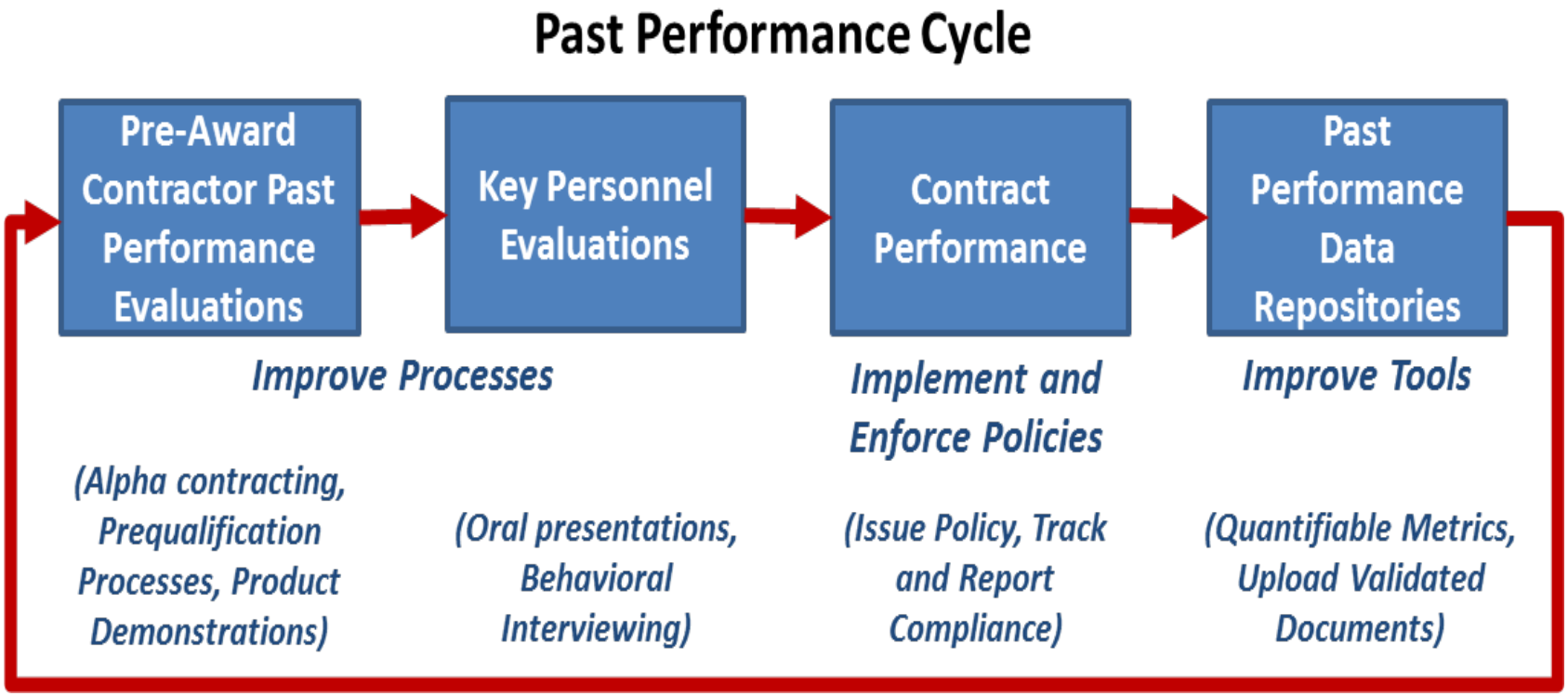
Summary

The lack of adequate past performance data, tools, processes, and policy enforcement hinders the government from effectively evaluating the qualifications of companies and key personnel.



The inability to fully utilize past performance as a predictor of future contract success places the DoD at risk of repeating program mistakes.

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Recommendations

Implementation of the following recommendations could have a significant, positive impact on future program success.

- Use alpha contracting negotiations with pre-qualified vendor candidates. Amend FAR Part 15 to allow for a QBS-like approach across a broader range of acquisitions.
- Use product demonstrations as part of source selection to increase accuracy in evaluations of the contractor's performance record.
- Include oral presentations in the evaluation process; improve the consistency and depth of personnel evaluations by using the Q&A process to verify the qualifications and experience cited in proposed key personnel resumes.
- Issue a policy-wide mandate that enforces past performance data entry standards. Use an online tool to track and report compliance to this policy requirement.
- Agree on a set of quantifiable metrics to capture in data fields within databases of past performance.
- Increase the quantity and quality of data in past performance databases by incorporating information on validated and approved contract deliverables.

Past performance's value will increase with *efficient tools* to provide the data, *effective enforcement of policies, and supporting processes*.

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Past Performance is an indicator of Future Performance

Lets maximize the use of past performance to increase the probability of future program success

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