

Performance Based Incentives (PBI's)  
&  
Project Baselines

February 15, 2001

# Outline

- The Secretarial Initiative
- The Role of a PBI
- Synergism Between PBI's & Project Baselines
- A Conceptual Approach
- The Basic Framework
- Applications Across the Complex
- Summary & Next Steps

# Secretarial Initiative

- Challenging the Department to:
  - Extend our performance management systems
  - Enhance our performance based management methods
  - Improve contractor & federal performance accountability

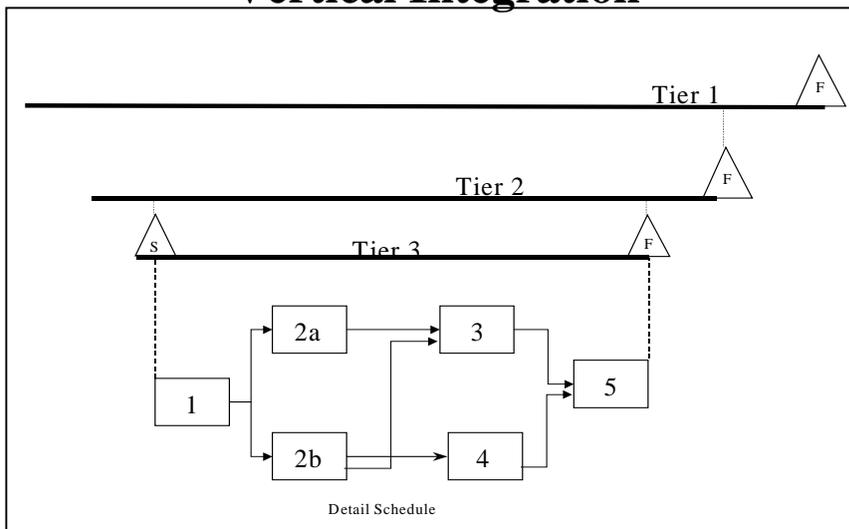
# The Role of a PBI

- A PBI is an identified element of contractor's profit tied to the achievement of:
  - specific technical performance
  - delivery schedule or
  - cost control objectives
- PBI's are used to achieve and reward specific mission or mission related goals and objectives

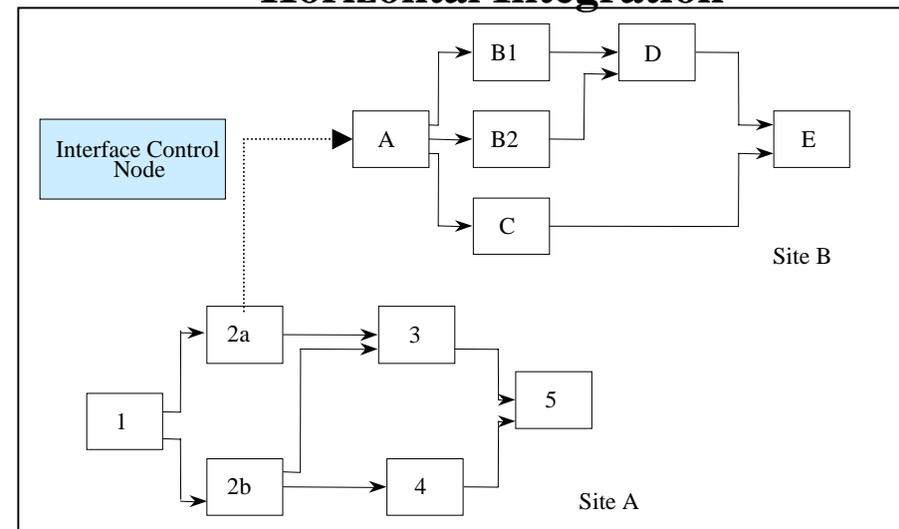
# Synergism Between PBI's & Project Baselines

- Complimentary framework for planning & execution
  - Strategy development
  - Project management and execution
  - Risk identification, prioritization, & mitigation

## Vertical Integration



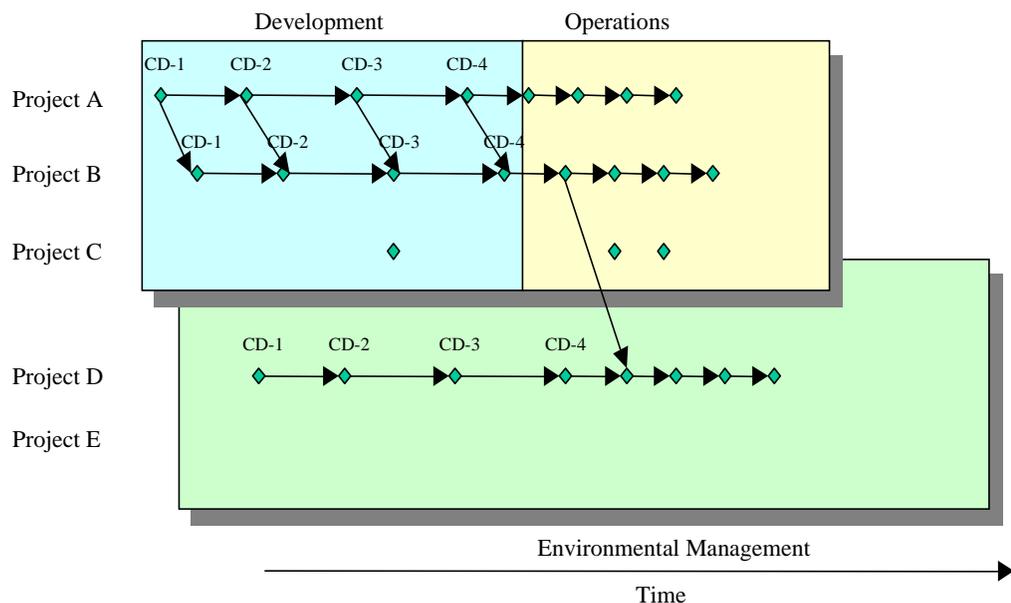
## Horizontal Integration



# Conceptual Approach

## Desired Capabilities:

- A road map for mission related goals and objectives
  - Short term
  - Long term
- Decision Making Capabilities
  - Predictive Modeling & Simulation
  - Proactive vs reactive
  - “Can we get there from here?”
- Develop strategy & policy for planning guidance
- Develop multi-year planning
- Balance fiscal resources & constraints

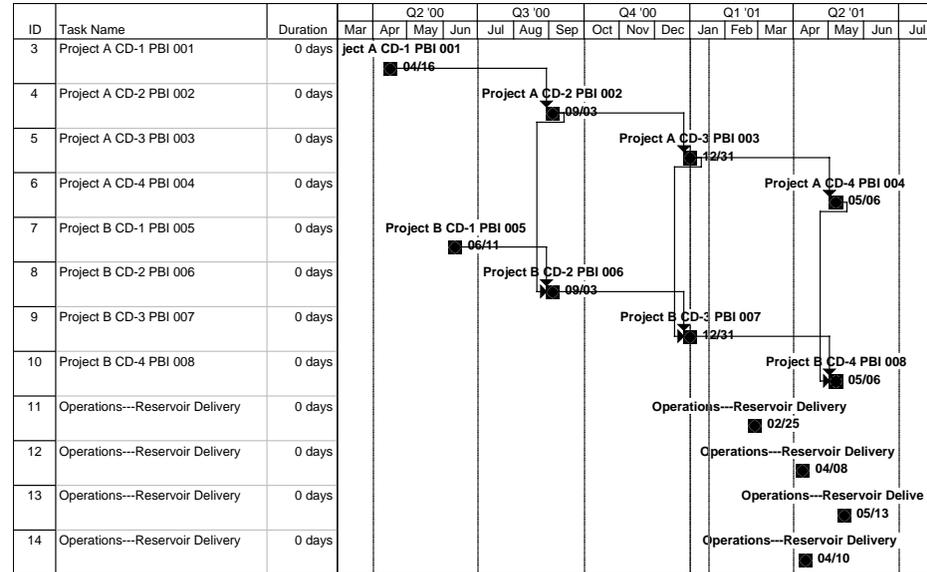
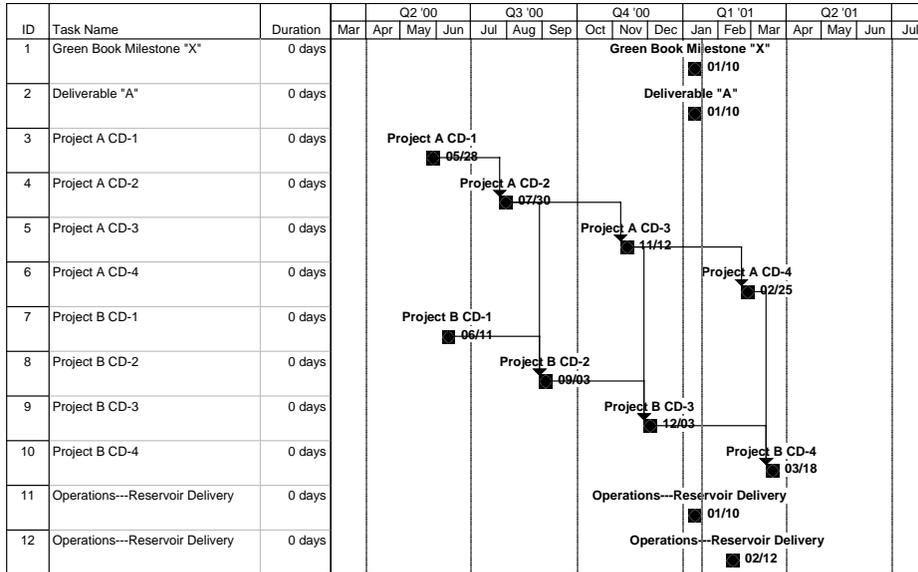


	FY 01	FY 02	FY 03	FY 04	FY 05	FY 06	TEC
<b>Budget</b>	100	200	200	300	350	350	1500
<b>EAC</b>							1700
<b>GPRA Measure</b>	Qty #	Total Qty					
<b>Earned Value Management</b>							
<b>Cost Variance</b>	0						0
<b>Schedule Variance</b>	0						
<b>CPI</b>	1.00	0.97	0.95	0.93	0.90	0.87	
<b>SPI</b>	1.00	0.95	0.92	0.90	0.87	0.85	
<b>EAC (Contractor)</b>	1500	1550	1600	1620	1640	1650	
<b>EAC (Government)</b>	1500	1575	1620	1650	1670	1700	

# The Basic Framework

## Critical Decision (CD)/Milestone/ Interface Points

## Performance Based Incentive (PBI) Logic



- Utilize existing data to plan, assess, and predict:
  - Performance and Future Incentives
  - Resource Requirements
- Integration & interface points between projects and incentives provide a road map across the complex

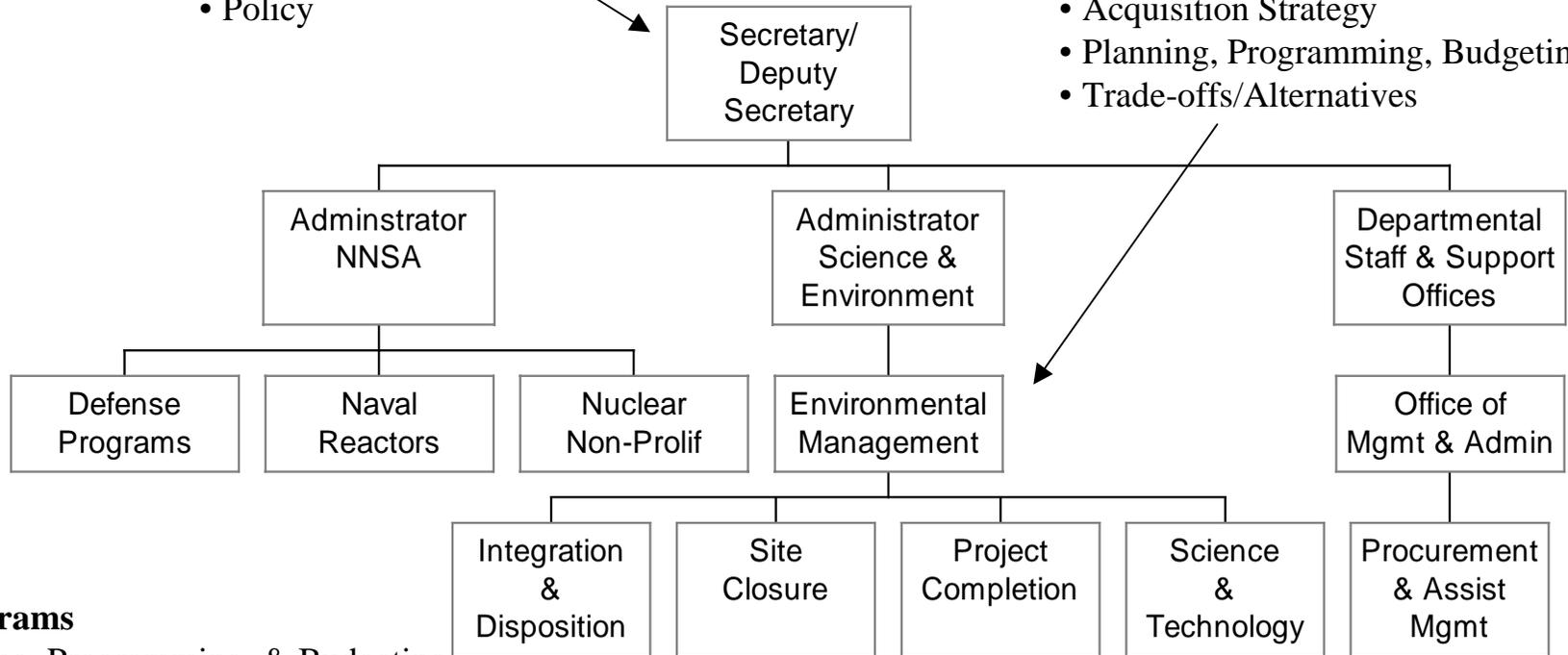
# Applications Across the Complex

## Secretary/Deputy Secretary

- Agreement w/ President
- ESAAB
- Policy

## Assistant Secretary

- Requirements Flow-down
- ESAAB
- Acquisition Strategy
- Planning, Programming, Budgeting
- Trade-offs/Alternatives



## EM Programs

- Planning, Programming, & Budgeting
- Critical Path Analyses
- Earned Value Management
- Progress Towards
  - Annual PBI
  - Multi-year PBI
- Integration
  - Internal./External to Project/Site
- GPRA Performance Measures
- Baseline & Budget Change Control

## Procurement

- Acquisition Planning
- PEMP's
- PBI's

# Next Steps

- Individual Site Specific Discussions
- Input for Design of Road Map