

Performance Based Contracting (PBC) Training

1 Day Contract Management Course

"What gets measured gets done, what gets measure and fed back gets done well, and what gets rewarded gets repeated"

John E. Jones

Performance Based Contracting (PBC) has proven to be an effective tool in reducing overall costs for buyers and providing profitable growth opportunities for sellers making it the contract model of choice across a range of market sectors. While deceptively simple, PBCs are different to conventional contracts and require a different approach to their development, implementation and management.

The ability for organisations to effectively develop, implement and manage PBCs is critical to business success as failure can often lead to long-term performance, financial and reputational damage.

What you'll learn

To deliver the value within a PBC for both buyer and seller the aim of the **1-day PBC Contract Management course** is to provide an understanding of how to effectively and efficiently operate and manage a PBC, taking the participant from theory to practice.

Through the course the students will:

- Define a PBC including approach and major components;
- Understand the difference between a PBC and other commercial approaches;
- Understand the various roles and responsibilities of both buyers and sellers within a PBC;
- Understand a PBC contract management schedule and timings (e.g. what needs to be done, by when and by who);
- Understand how to calculate the performance score and apply PBC consequences (rewards and remedies); and
- Understand the Key Success Factors and common pitfalls in operating and managing a PBC and how to avoid them.

Your instructor

Dr Andrew Jacopino is one of Australia's best-known PBC practitioners and trainers, having been involved in over 100 domestic and international PBCs for both buyers and sellers since 2005. As a Fellow of International Association of Contract and Commercial Management (IACCM) he brings world class insight, skills, and practical experience in working with PBC arrangements of all scopes and sizes.

The course includes numerous real-life examples, anecdotes, and insights to bring the materiel to life. The highly interactive nature of this course, combined with expertise of our instructor allows participants to learn, question, and test their PBC knowledge and assumptions in a safe environment.

Who should attend

This course is designed for **directors, program and project managers, engineering and technical staff, logistics staff** and **contract managers** from both buyer and seller organisations responsible for operating in and managing PBCs.

This course can be run on an open (public) or closed (private) basis at a variety of locations depending on the training and privacy needs.

For more information please contact:

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Course Agenda - 1 Day PBC Contract Management Course

Defining the PBC

- What is a PBC and how have they evolved?
- How a PBCs different to other contracts types and what benefits to they deliver?
- When to use a PBC?
- PBC Development Process

Establishing a PBC the Outcome

- What is a PBC Outcome and what should it cover?
- Treating Safety in a PBC

Consolidation Exercise 1 – Why Use a PBC

Understand the Requirements of a PBC

- Defining the outcome, and role and types of performance measures
- Measuring Asset Management using 'ilities'; availability, reliability, maintainability, supportability and supply chain performance measures
- General principles and approach in setting performance levels
- Defining the 5 types of Payment Curves and when to use them including using Liquidated Damages in PBCs
- Defining the Basis of Payment including Financial & Non-Financial Incentives

Putting the PBC Elements into a Contract

- Defining the Performance Management Framework (PMF) - an effective and efficient PBC is more than just KPIs
- Conditions of Contract
- Statement of Work including governance
- Performance measure drafting
- Commercial rewards and remedies including contract extension (Award Term), Remediation Plan, Stop Payment, Termination and Basis of Payment

Consolidation Exercise 2 – How to Motivate Behaviour

Consolidation Exercise 3 – Reviewing a PBC

Understanding Commercial Financial Risk in a PBC

- Defining the typical areas of risk in a PBC from both a buyer and seller perspective
- Modelling contract performance and contract payment including reviewing, quantifying and optimising risk in a PBC
- Understanding the options available for PBC risk management

Consolidation Exercise 4 – Identifying the Risks and Mitigation Strategies in a PBC

Managing a PBC

Based on a Case Study provided during the class the participants conduct the following:

- Understand the scope of work required to be delivered
- Understand the overall Performance Management Framework (PMF) including:
 - Performance Measure Hierarchy
 - Payment Regime
 - Contractual Elements including rewards and remedies
 - Identify major areas of potential risk for both buyer and seller
- Develop a corresponding Schedule of Activities
- Calculate performance scores and corresponding monthly and quarterly invoice
- Where necessary, recommend the dispute resolution strategy

Case Study – participants will be provided a case study in the course to provide practical experience in the management of a PBC