

Performance Based Contracting (PBC) Training

3 Day Practitioner Course

“Success isn’t something you achieve by accident, but rather by design”

David H. Marder

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, PBC 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

The aim of the **3-day PBC Practitioner Course** is to provide both buyers and sellers with a detailed understanding of how to apply a PBC approach across the contract lifecycle; from planning, developing and releasing a PBC tender, through responding to a PBC, to evaluating, negotiating and implementing a PBC. During the course students will gain a detailed understanding of the steps involved, various approaches and the Key Success Factors and common pitfalls through various practical exercises.

Throughout the course participants will:

- Define a PBC including approach and major components;
- Understand the difference between a PBC and other commercial approaches;
- Learn the process for developing and implementing a PBC;
- Learn how to establish PBC requirements including defining the outcome, and establishing the performance measures and performance levels;
- Learn how to apply optimal commercial consequences in a PBC including both

positive and negative rewards and remedies;

- Learn how to draft a PBC including Basis of Payment and transitional arrangements; and
- Learn how to respond to a PBC tender and negotiate a PBC.

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 applying a PBC approach across the contract lifecycle.

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

For more information please contact:

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Course Agenda - 3 Day PBC Practitioner Course

DAY 1

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 – Determining the Outcome

Defining the Performance Measures

- Role of performance measures in a PBC
- Types of performance measures, when to use and why
- How to choose the right performance measures
- How to average performance and weight your performance measures
- Using subjective performance measures

Performance measures for Complex Material

- Measuring Asset Management using 'ilities'; availability, reliability, maintainability, supportability and supply chain performance measures

Consolidation Exercise 2 – Finding the Performance Measures

Day 2

Establishing the Performance Levels

- General principles and approach in setting performance levels including using Stretch Targets

Defining PBC Payment Curves

- Defining the 5 types of Payment Curves and when to use them
- Using Liquidated Damages in PBCs

Consolidation Exercise 3 – Calculating Performance Score

Defining the Basis of Payment

- Defining the Cost Objective and change over the Product Life Cycle
- Principles and Key Features of a PBC Basis of Payment
- When to pay for performance
- Managing the variation in Cost

Incentives in PBCs

- Types of PBC incentives; Financial & Non-Financial Incentives
- Principles and Key Success Factors of a PBC Incentive regimes
- Understanding Commercial Financial Risk in a PBC – Consequence Analysis
- Modelling contract performance and contract payment including reviewing, quantifying and optimising risk in a PBC

Consolidation Exercise 4 – Drafting a KPI including setting performance levels ad payment curves

Day 3

Putting PBC into a Contract

- 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 5 – Drafting a PBC

Transitioning to a PBC

- How to transition successfully to a PBC

Consolidation Exercise 6 – How to Motivate Behaviour

Responding to a PBC

- Requirements and steps for delivering a winning tender response to a PBC

Consolidation Exercise 7 – Responding to a PBC

Evaluating a PBC

- What and how to undertake a PBC tender evaluation; what to look for
- How to draft a PBC Tender Evaluation Report
- Undertaking an interactive tender evaluation using a PBC

Negotiating a PBC

- PBC negotiation space and specific negotiation tools and techniques
- Requirements and steps to prepare and negotiate a PBC

Consolidation Exercise 8 – Negotiating a PBC

Key Success Factors for PBC – Lessons Learnt

- Define the 7 main Key Success Factors in developing, negotiating and implementing a highly successful PBC