استراتژی مدیریت قرارداد

پیکره دانش مدیریت قرارداد (Contract Management Body of Knowledge)

بخش پنجم: اصول راهنمای مدیریت قرارداد

ارائه دهنده:

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What we will learn?

- GUIDING PRINCIPLES
  - Skills and roles
  - Contract principles
  - Standards of conduct
  - Regulatory compliance
  - Situational assessment
  - Team dynamics
  - Communication and documentation

The CMBOK structure

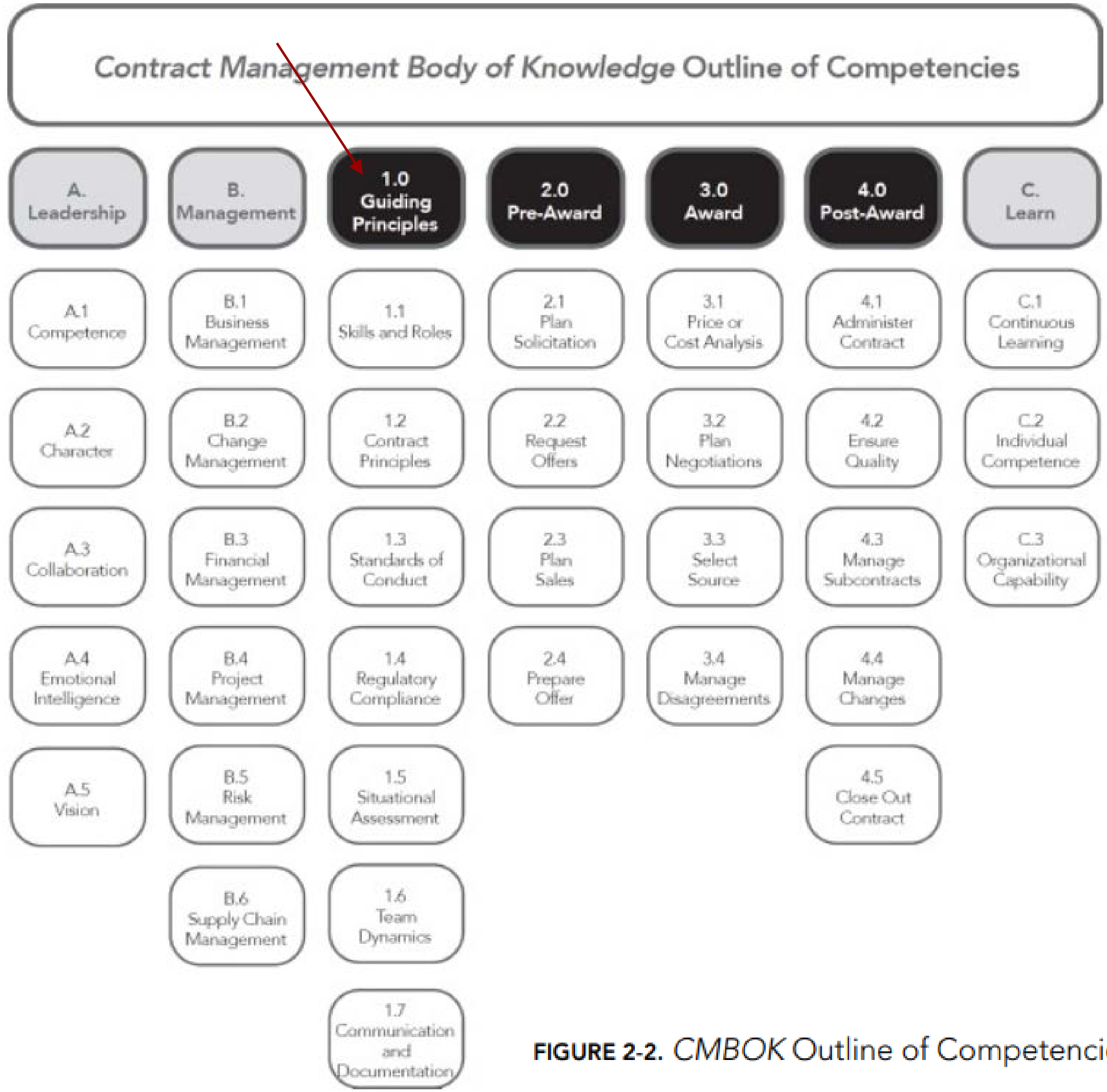


FIGURE 2-2. *CMBOK* Outline of Competencies

GUIDING PRINCIPLES

(TEAM DYNAMICS)

Competencies of guiding principles

FIGURE 5-2. The Guiding Principles of Contract Management

Team dynamics

The contract management team combines the functional disciplines of buyers and sellers for the common purpose of satisfying the customer need. While buyer and seller teams may work independently in the pre-award phase, the relationship becomes formal upon contract award and continues until the contract is closed. Members of the contract management team are expected to add value by performing their functions and knowing their roles throughout the contract life cycle phases.

Team dynamics

To be successful, each member must have a working knowledge of all roles involved on the team. These roles can include, for example, engineering, estimating, finance, legal, logistics, pricing, project management, requirement development, supply chain management, quality control, customers, and others. Becoming familiar with the other roles on the team will enable each role to complement one another, and to allow for identification of gaps or overlaps in responsibilities.

The contract management team must be able to:

Team dynamics

The contract management team must be able to:

- Conduct meaningful collaboration in order to make accurate and timely decisions while solving complex contracting problems and forming an effective contract relationship,
- Identify opportunities for process improvement and optimization, and
- Collect and record lessons learned.

8 characteristics to have successful contract management team

The contract management team

- The tenets of a **successful contract management team** include:
  1. Roles and responsibilities,
  2. Teamwork,
  3. Communication,
  4. Empathy,
  5. Trust,
  6. Diversity of thought and experience,
  7. Leadership development at all levels, and
  8. Openness to change

8 key questions to assess team health

Health assessment

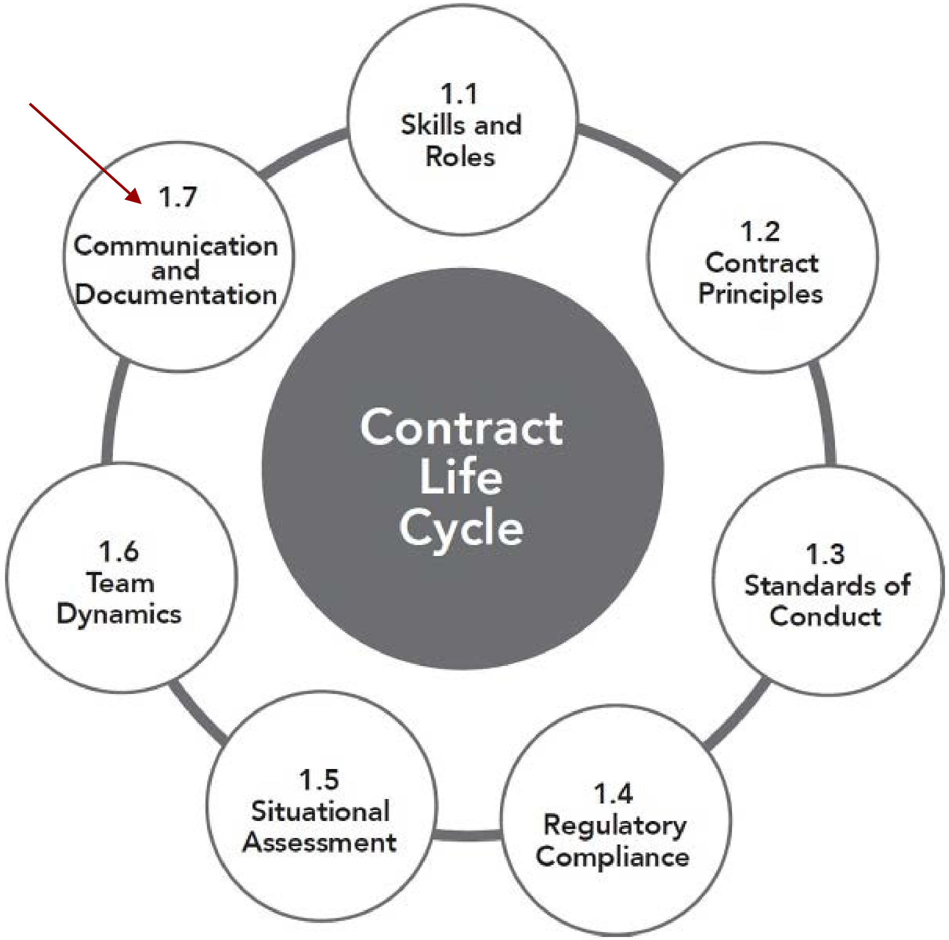
- Consider the following questions in the **team health assessment**:
  1. Are team **goals** clearly articulated and understood?
  2. Do **team members** encourage and support one another?
  3. Is **communication** open and freely transferred?
  4. Are **roles and responsibilities** understood?
  5. Is **mutual respect** present and observable for all members?
  6. Is the **contract management project** viewed as a group effort with shared successes and failures rather than individual/self-serving motives?
  7. Is the **whole team committed** to successful outcomes?
  8. Are we **capitalizing** on leadership development **opportunities** at all organizational levels?

GUIDING PRINCIPLES

(COMMUNICATION AND DOCUMENTATION)

Competencies of guiding principles

FIGURE 5-2. The Guiding Principles of Contract Management



Communication and documentation

Communication between all affected parties must be exchanged and managed to maintain contract management effectiveness. Communication must:

- Minimize the effect of personal biases,
- Maximize the likelihood of accurate results, and
- Facilitate communication among affected parties.

Communication and documentation

Contract managers facilitate communication through clearly written documentation that is unambiguous and able to be understood. Where appropriate, documentation is exchanged and managed among affected parties. Documentation is often prepared and retained in contract files to support determinations made and actions taken. Examples of topics to document include, but are not limited to:

- Contracts and the planning leading to a contract;
- Gestures, conduct, and verbal exchanges;
- Rationale used in decision-making and business judgment;
- Mutually agreed-upon expectations;
- Planned and unplanned events;
- Performance issues and accountability;
- Conflict and resolutions;
- Changes and solutions;
- Risk management and mitigation;
- Contract compliance and performance quality; and
- Knowledge gained and lessons learned.

Documenting rationale used in decision-making and business judgment

- **Justification** for contract management actions should be in **writing in a format** that complies with **applicable procedures**.

- At a minimum, a written justification has three sections:
  1. The WHAT: State the decision.
  2. The WHY: State the rationale why the decision is necessary (the circumstances).
  3. The HOW: State how the decision was made (the process).

Documenting rationale used in decision-making and business judgment

- To justify the first decision,
  1. State the decision to deviate from the preferred method;
  2. State in detail the rationale for why it is necessary to deviate from the competition policy; and
  3. Describe in detail how the contract management team went about making the decision including consideration of alternative methods.

Documenting rationale used in decision-making and business judgment

- To justify the second decision,
  1. State the name, location, and other pertinent information of the source;
  2. State the rationale for why this is the only source for the job; and
  3. Describe in detail how the team went about determining that this source is capable, competent, experienced, etc.

Documenting rationale used in decision-making and business judgment

- To justify the third decision,
  1. State that the price is fair and reasonable;
  2. State the rationale for why that determination is necessary in this case or under these circumstances; and
  3. State the process by which the team decided the price is right, such as compared to prior competition, guided by benchmark publications, surcharges for emergency response, or other cost or price analysis techniques.

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Document and record management

- (Contributed by Arnaldo Arcay, CPCM, CCCM)
- **Every contract manager** must be fully **aware of the importance** of performing <u>document management</u> and <u>record management</u>.

- The difference between documents, records, and their management follows.
  1. Documents
  2. Records

Document and record management: Documents

- "Documents" include **physical and electronic data** that support the **existence** of a contract or transaction (e.g., papers, files, emails, faxes, etc.).

- Documents represent and express the organization's daily business operations and continuously evolve.

Document and record management: Documents

- **"Document management"** is a **systematic process** to administer documents which enables them to be properly created (e.g., keeping all the different versions during the negotiation process), categorized, organized, shared, and easily retrievable by other team members or internal stakeholders.

Document and record management: Records

- **"Records"** are final documents and do not evolve.

- They represent the unaltered and legal recording of a transaction or contract.

- Records represent or provide evidence of an organization's activities, commitments, decisions, and other management activities.

استراتژی مدیریت قرارداد

پیکره دانش مدیریت قرارداد (Contract Management Body of Knowledge)

بخش ششم: فاز Pre-Award از چرخه حیات مدیریت قرارداد

ارائه دهنده:

سید محمدرضا علوی‌پور

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What we will learn?

- Pre-Award
  - Plan solicitation
  - Request offer
  - Plan sales
  - Prepare offer

The CMBOK structure

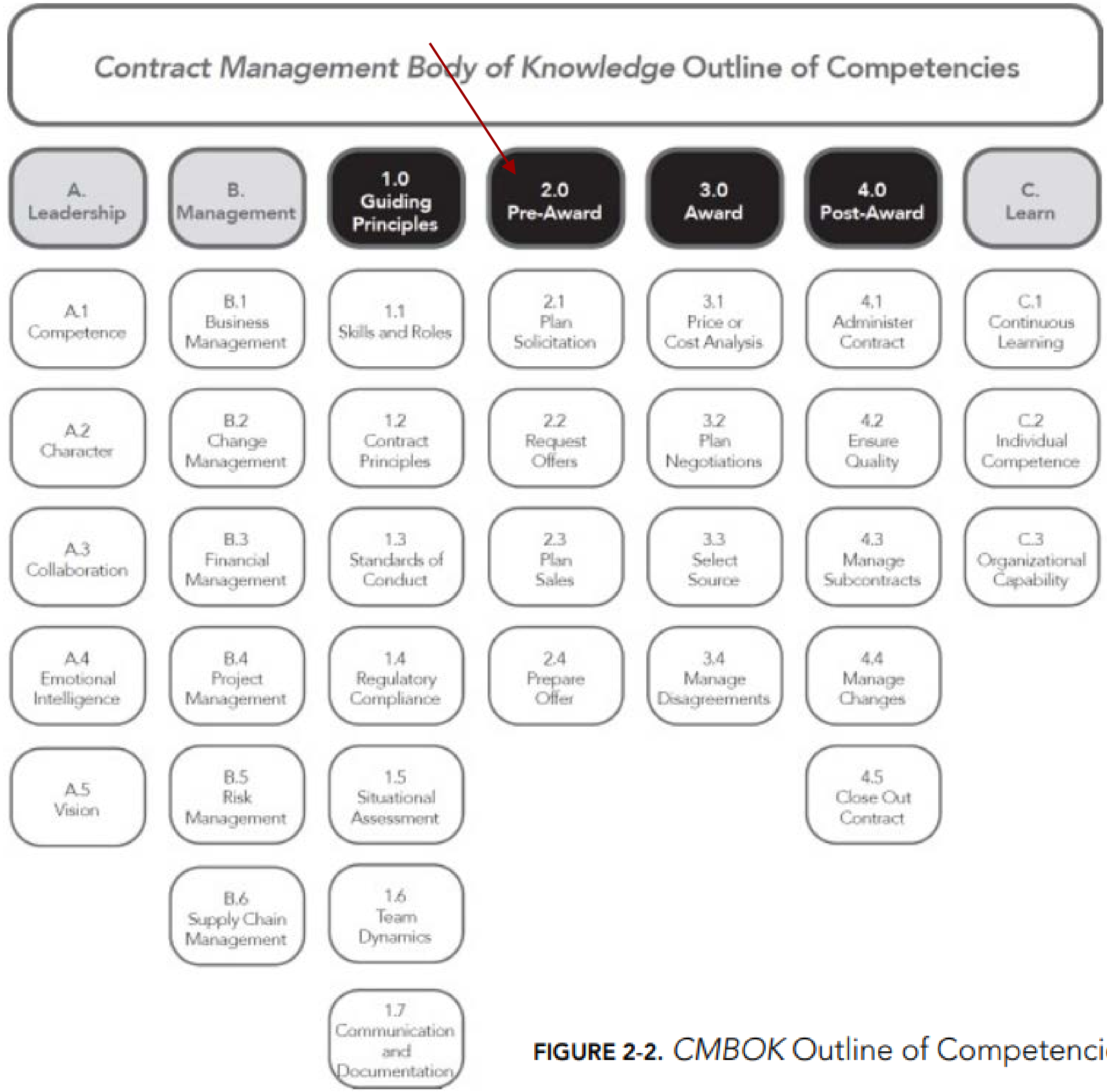
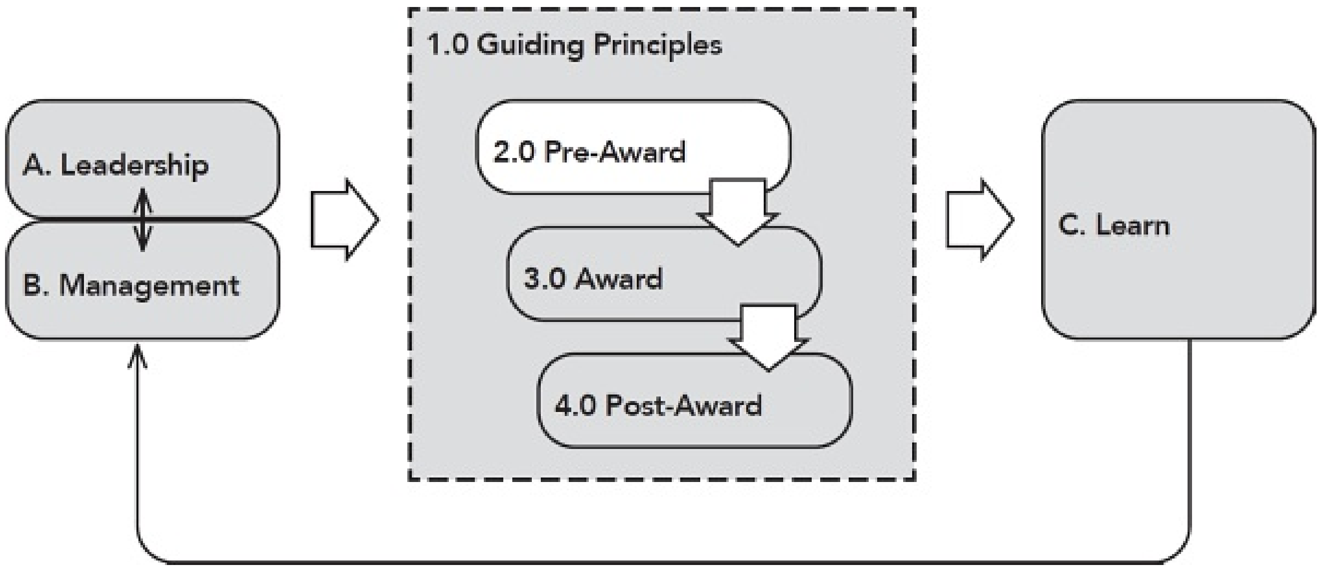


FIGURE 2-2. *CMBOK* Outline of Competencies

By: Alavipour, PhD, PMP, CMIT

CMBOK competency model

FIGURE 6-1. The *CMBOK* Competency System



PRE-AWARD

Introduction

Pre-Award is the first phase of the contract life cycle. The pre-award process involves the contract management functions of "contract planning" and includes the processes for buyers to produce solicitations and sellers to prepare offers.

There are two domains within the pre-award life cycle phase:

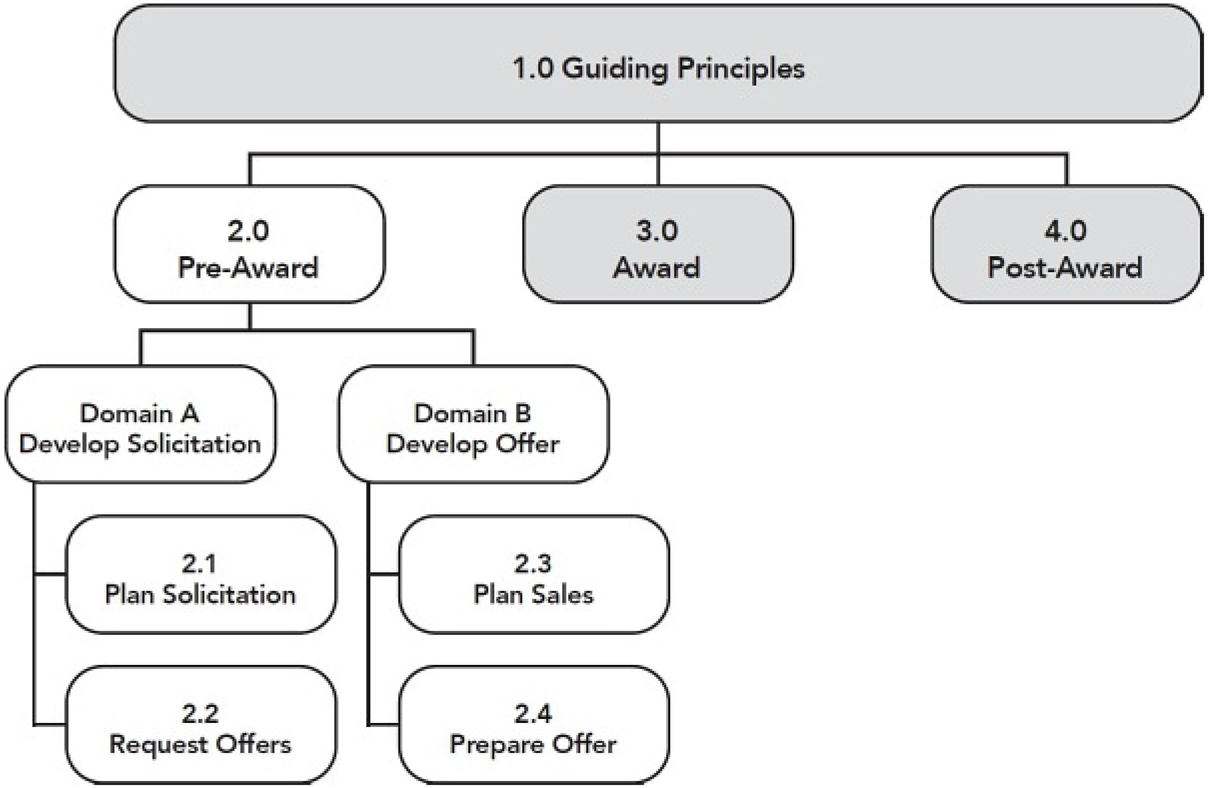
- *Develop Solicitation*—The buyer competencies for this domain are "plan solicitation" and "request offers."
- *Develop Offer*—The seller competencies for this domain are "plan sales" and "prepare offer."

Introduction

The processes in the pre-award life cycle phase interact with each other and continuously integrate with the Guiding Principles. In addition, the pre-award processes have a direct impact on the performance and results of the award and post-award life cycle phases.

Overview of the Pre-award competencies

FIGURE 6-2. Overview of the Pre-Award Competencies

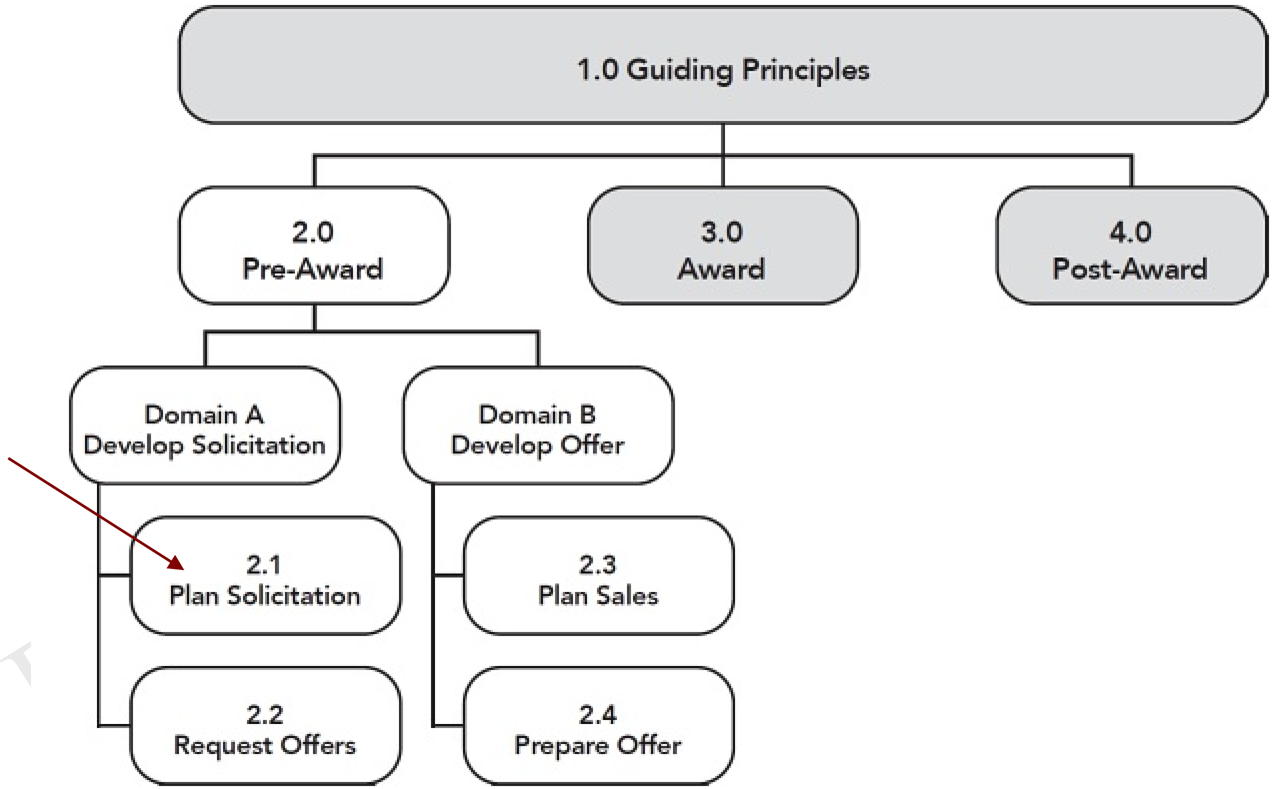


DOMAIN A: DEVELOP SOLICITATION

(PLAN SOLICITATION)

Plan solicitation

FIGURE 6-2. Overview of the Pre-Award Competencies



Plan solicitation

Plan Solicitation is the process by which efforts of all personnel responsible for acquiring goods or services are coordinated and integrated through a comprehensive plan for fulfilling the customer need in a timely manner at a reasonable price. It includes developing the overall strategy for managing the acquisition.

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Plan solicitation

- Solicitation planning is a **collaborative effort** that requires **input from** the entire solicitation team, including technical, program management, finance/budget, and legal personnel, and the customers they serve.

- The **objective** is to satisfy the customer in terms of cost, quality, and timeliness while minimizing administrative operating costs.

Solicitation Planning

The result of the solicitation planning process is a solicitation document structured to facilitate accurate and complete responses from prospective offerors.

Plan solicitation

1. **The solicitation plan**
2. Contract types
3. Contracting methods
4. Market research
5. Formulation of contract management strategy

The solicitation plan

- A **written plan** may <u>not be necessary</u> for simple, straightforward, low-dollar-value purchases.
- In the absence of a written plan, <u>contract managers</u> should **ensure that stakeholders** share a <u>common understanding</u> and <u>consensus</u> regarding the solicitation methodology.

FIGURE 6-3. Solicitation Plan Contents

- The contents of the solicitation plan are described as follows:

The solicitation plan - A description of the need to be satisfied

- The **description** should be concise, yet complete enough to explain:
  1. What the **need** is,
  2. How it **came to be needed** at the **current time**,
  3. Any **pertinent history** of related **prior acquisitions**, and
  4. **How** they **were acquired**.

The solicitation plan - An explanation of conditions or constraints

- These **conditions** or **constraints** might include:
  1. The **need** for compatibility with existing or future equipment or systems;
  2. Implementation constraints caused by space, personnel, or other limitations;
  3. Budget constraints, particularly as they relate to lease vs. purchase decisions; and
  4. Other known constraints that could influence cost, schedule, capability, or performance issues.

The solicitation plan – Cost targets

- This section should include discussions of the **following issues**, as appropriate:
    1. The make-or-buy decision,
    2. Estimated life cycle costs,
    3. **Design-to-cost**, **Should-cost analysis**, and
    4. Other cost issues determined to be of significance.

The solicitation plan – Cost targets

design-to-cost (DTC)

- A concept that establishes cost elements as management goals to achieve the best balance between life cycle cost, acceptable performance, and schedule. Under this concept, cost is a design constraint during the design and development phases and a management discipline throughout the acquisition and operation of the system or equipment.

DTC is now **those actions** that are undertaken to meet cost objectives through **explicit design activities.**

DTC concentrated on the **contractors' activities** associated with tracking/controlling costs and performing cost-performance analyses/tradeoffs.

Contractual implementation of DTC should go beyond simply **incentivizing** the **seller** to meet cost commitments—
it should also incentivize the seller to seek out **additional cost reduction opportunities**.

The solicitation plan – Cost targets

should cost

- An estimate of what an item or system should cost based upon an evaluation by independent reviewers of all applicable seller business methods (contrasting more efficient methods with present seller methods). This evaluation should include subcontractor procedures when subcontracting is part of the proposal. The result is utilized to develop realistic price objectives for contract negotiation purposes.

- An estimate of contract price that reflects reasonably achievable seller economy and efficiency. It is accomplished by a buyer team of procurement, contract administration, audit, and engineering representatives performing an in-depth cost analysis at the contractor's and subcontractor's plants. Its purpose is to develop a realistic price objective for negotiation purposes.

Specialized form of cost analysis?

The solicitation plan – Cost targets

- A specialized form of cost analysis. A should-cost review differs from traditional evaluation methods because it does not assume that a contractor's historical costs reflect efficient and economical operation. Instead, the review evaluates the economy and efficiency of the contractor's existing workforce, methods, materials, facilities, operating systems, and management.

The solicitation plan – Required capabilities

- This section should address such **issues** as

  speed, accuracy, reliability, ease of use, and other pertinent performance characteristics when acquiring goods.

- When acquiring services,

  1. Required performance standards or
  2. Knowledge requirements that are required to provide the services should be discussed.

- This section should also explain **how the goods or services** being acquired relate to and will **satisfy the need**.

The solicitation plan – Delivery or performance period requirements

- This section should provide
  1. Required delivery date(s) or the required period of performance,
  2. An **explanation** for why the dates or periods were **selected**.
  3. If an emergency or urgent condition exists that has influence on the delivery or performance requirements,
     - Explain that **relationship**,
     - Explain **incremental impact** that the emergency may have on cost considerations.

The solicitation plan – Cost/technical/schedule tradeoffs

- **Trade-offs** related to the previously defined plans for cost, technical performance, capability, and schedule requirements

- Explain the following:
  1. What trade-off issues are **likely to occur**,
  2. The **degree** to which a trade-off decision may **impact other plan components**, and
  3. **How trade-offs** may impact the overall solicitation plan.

The solicitation plan- Cost/technical/schedule risks

- A discussion of the **level of risk** associated with the technical, cost, schedule, and other pertinent aspects of the plan—

- This discussion should clearly define the following:
  1. The anticipated risks to both the buyer and seller;
  2. The strategies or actions planned or taken to

     Eliminate or mitigate risk to an acceptable level; and
  3. The **likely consequences** that might result from failure to achieve goals.

The solicitation plan – Plan of action

- The finalized solicitation plan should address such issues as:
  1. Proposed sources that can provide the required goods or services including (for government agencies, consideration of the various socioeconomic programs prescribed);
  2. The **degree** to which the acquisition will be subject to competition;
  3. The availability of commercial **products or services** that could meet the requirements, and the terms under which they are **typically sold**;
  4. The contract type(s) proposed for use;
  5. The source selection process, including an explanation of how the evaluation factors relate to the **achievement of the goals** of the acquisition;
  6. **How the contract** will be administered after issuance;
  7. **Milestones** or **target dates** for completion

Plan solicitation

1. **The solicitation plan**
2. **Contract types**
3. Contracting methods
4. Market research
5. Formulation of contract management strategy

Contract types

- Contract types (also, depending on their application, called **"pricing arrangements"** or **"delivery arrangements"**) refer to

  specific business arrangements used to structure the contract.

  Contract types *also determine* ***how*** *<u>cost</u> and/or <u>performance risk</u> is allocated between the parties.*

Contract types

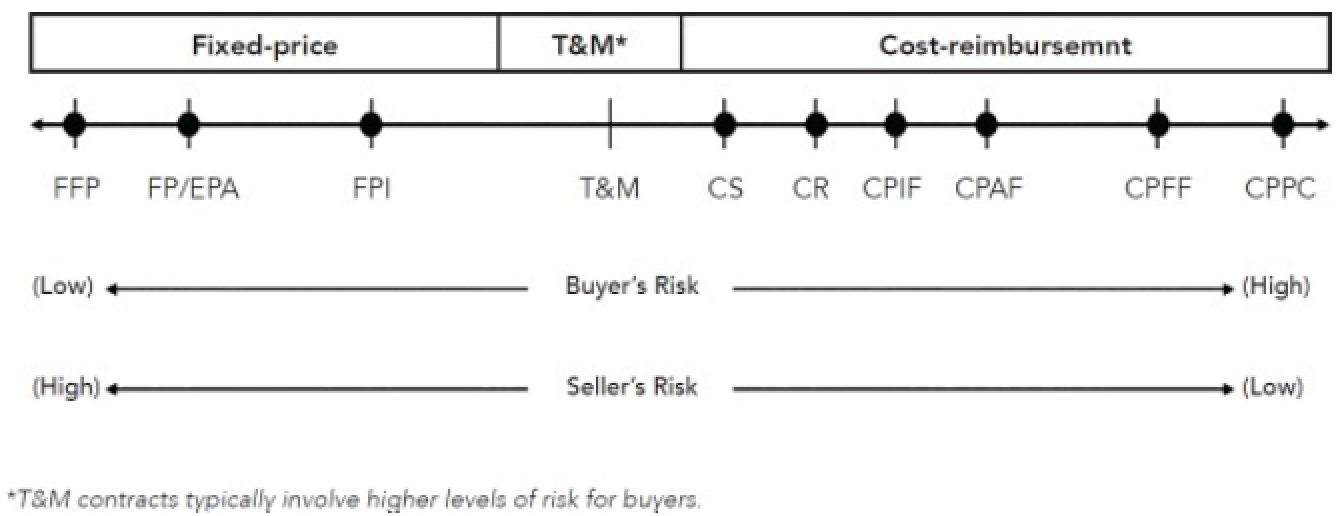
- This section describes the following contract types:

1. Fixed-price contracts
2. Cost-reimbursement contracts
3. Incentive contracts
4. Other contract types
   - Indefinite delivery contracts
   - Indefinite delivery/indefinite quantity contracts
   - Labor – hour contracts
   - Letter contracts
   - Basic agreement
   - Basic ordering agreements

Contract types

- FIGURE 6-4 illustrates the **risk relationship** of the various contract types for both the buyer and seller.
- It is interesting to note that the contract type with the <u>most risk for one party</u> is the contract type that has the <u>least risk for the other party.</u>

FIGURE 6-4. Range of Contract Types and Risk (Garrett 2009)



Contract types

FIGURE 6-5. Contract Types/Risk-Sharing Tools

Type	Essential Elements and Advantages	Attributes	Suitability
Firm-Fixed Price (FFP)	Reasonably definite design or performance specifications available. Fair and reasonable price can be established at outset. Conditions for use include the following: • Adequate competition • Prior purchase experience of the same, or similar, goods or services under competitive conditions. • Valid cost or pricing data. • Realistic estimates of proposed cost. • Possible uncertainties in performance can be identified and priced.	Price not subject to adjustment regardless of seller performance costs. Places 100 percent of financial risk on seller.	Commercial and noncommercial products and services for which reasonable prices can be established.

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Contract types

Fixed Price with Economic Price Adjustment (FP/EPA)	Unstable market or labor conditions during performance period and contingencies that would otherwise be included in contract price can be identified and made the subject of a separate price adjustment clause. Contingencies must be specifically defined in contract. Provides for upward adjustment (with ceiling) in contract price. May provide for downward adjustment of price if escalated element has potential of falling below contract limits. Three general types of EPAs are based on 1) established prices, 2) actual costs of labor or material, and 3) cost indexes of labor or material.	Price can be adjusted on action of an industrywide contingency beyond the seller's control. Reduces seller's fixed-price risk. If contingency manifests, contract administration burden increases. Used with negotiated procurements and, in limited applications, with formal advertising when determined to be feasible. Buyer must determine if FP/EPA is necessary either to protect seller and buyer against significant fluctuations in labor or material costs, or to provide for contract price adjustment in case of changes in seller's established prices.	Commercial and noncommercial products and services for which reasonable prices can be established at time of award.

Contract types

Fixed Price Incentive (FPI)	Cost uncertainties exist, but there is potential for cost reduction or performance improvement by giving seller a degree of cost responsibility and a positive profit incentive. Profit is earned or lost based on relationship that contract's final negotiated cost bears to total target costs. Contract must contain target cost, target profit, ceiling price, and profit-sharing formula. Two forms of FPI: firm target (FPIF) and successive targets (FPIS).	Requires adequate seller accounting system. Buyer must determine that FPI is least costly and award of any other type would be impractical. Buyer and seller administrative effort is more extensive than under other fixed-price contract types. Billing prices must be established for interim payment.	Development and production of high-volume, multiyear contracts.

target cost

- Final agreed-upon cost that serves as a basis for computing cost savings in incentive-type contracts.
- The estimated cost of a contract as initially negotiated, adjusted for any change in contract requirements.

Contract types

Time and Materials (T&M)	Not possible when placing contract to estimate extent or duration of the work, or anticipated cost, with any degree of confidence. Calls for provision of direct labor hours at specified hourly rate and materials at cost (or some other basis specified in contract). The fixed hourly rates include wages, overhead, general and administrative expenses, and profit. Material cost can include, if appropriate, material handling costs. Ceiling price established at time of award.	Used only after determination that no other type will serve purpose. Does not encourage effective cost control. Requires almost constant surveillance by buyer to ensure effective seller management. Ceiling price is required in contract.	Engineering and design services in conjunction with the production of suppliers, engineering design and manufacture, repair, maintenance, and overhaul work to be performed on an as-needed basis.

Contract types

Cost Sharing (CS)	Used when buyer and seller agree to share costs in a research or development project having potential mutual benefits. Because of commercial benefits accruing to the seller, no fee is paid. Seller agrees to absorb a portion of the costs of performance in expectation of compensating benefits to seller's form of organization.	Care must be taken in negotiating the cost-share rate so that the cost ratio is proportional to the potential benefit (that is, the party receiving the greatest potential benefit bears the greatest share of the costs). Appropriate buyer surveillance needed during performance to ensure effective methods and efficient cost controls are used.	Research and development that has potential benefits to both the buyer and the seller.

Contract types

Cost (CR)	Appropriate for research and development work, particularly with nonprofit educational institutions or other nonprofit organizations, and for facilities contracts. Allowable costs of contract performance are reimbursed, but no fee is paid.	Application limited due to no fee and by the fact that the buyer is not willing to reimburse seller fully if there is a commercial benefit for the seller. Only nonprofit institutions and organizations are willing (usually) to perform research for which there is no fee (or other tangible benefits). Appropriate buyer surveillance needed during performance to ensure effective methods and efficient cost controls are used.	Research and development; facilities.

Contract types

Cost-Plus-Incentive-Fee (CPIF)	Development has a high profitability that is feasible and positive profit incentives for seller management can be negotiated. Performance incentives must be clearly spelled out and objectively measurable. Fee range should be negotiated to give the seller an incentive over various ranges of cost performance. Fee is adjusted by a formula negotiated into the contract in accordance with the relationship that total cost bears to target cost. Contract must contain target cost, target fee, minimum and maximum fees, fee adjustment formula. Fee adjustment can be made during contract performance or at contract completion.	Difficult to negotiate range between the maximum and minimum fees so as to provide an incentive over entire range. Performance must be objectively measurable. Costly to administer; seller must have an adequate accounting system. Typically used only with negotiated contracts. Appropriate buyer surveillance needed during performance to ensure effective methods and efficient cost controls are used.	Major systems development and other development projects in which it is determined that CPIF is desirable and administratively practical.

target fee

The fee initially negotiated on the assumption that a contract would be performed for a cost equal to the estimated cost initially negotiated, adjusted for any change in contract requirements.

Contract types

Cost-Plus-Award-Fee (CPAF)	Contract completion is feasible, incentives are desired, but performance is not susceptible to finite measurement. Provides for subjective evaluation of seller performance. Seller is evaluated at stated time(s) during performance period. Contract must contain clear and unambiguous evaluation criteria to determine award fee. Award fee is earned for excellence in performance, quality, timeliness, ingenuity, and cost-effectiveness and can be earned in whole or in part. Two separate fee pools can be established in contract: base fee and award fee.	Buyer's determination of amount of award fee earned by the seller is not subject to disputes clause. Should not be used if the amount of money, period of performance, or expected benefits are insufficient to warrant additional administrative efforts. Very costly to administer. Seller must have an adequate accounting system.	Services that can only be subjectively measured, and contract for which work would have been accomplished under another contract type if performance objectives could have been expressed as definite milestones, targets, and goals that could have been measured.

Contract types

award fee contract

Contracts that provide for a fee consisting of a base amount fixed at inception of the contract (if applicable and at the discretion of the contracting officer) and an award amount that the seller may earn in whole or in part during performance and that is sufficient to provide motivation for excellence in the areas of cost, schedule, and technical performance. Award fee contracts may be fixed-price or cost-reimbursement.

base fee

Used in award-fee contracting, a base fee is a base amount fixed at inception of the contract (if applicable and at the discretion of the contracting officer). Base fee is a fixed amount that the seller earns for satisfactory contract performance awarded in addition to the award fee amount that the seller may earn in whole or in part during performance and that is sufficient to provide motivation for excellence in the areas of cost, schedule, and technical performance.

Contract types

Cost-Plus-Fixed-Fee (CPFF)	The buyer assumes the risks inherent in the contract but benefits if the actual cost is lower than the expected cost. The buyer loses if the work cannot be completed within the expected cost of performance. Contractor realizes a higher rate of return (i.e., fee divided by total cost) as total cost decreases.	Contractor's costs responsibility is minimized, buyer's cost responsibility is maximized. The contractor is reimbursed for allowable, allocable costs. Contractor's profit is fixed. Price of the contract (total amount paid to the contractor) is not fixed.	Research studies with highly uncertain and speculative labor hours, labor mix, and/or material requirements (and other things) necessary to perform the contract. Use when relating fee to performance (e.g., actual costs) would be unworkable or of marginal utility.

Contract types

Cost-Plus-Percentage-of-Cost (CPPC)	The buyer assumes the risks inherent in the contract when it is difficult to determine how much the seller needs to spend on goods ahead of time.	No incentive for the seller to keep costs low. Useful when it is difficult to determine the cost of items or estimate a project's cost in advance. Place some of the risk of overhead expenses on the buyer rather than the seller.	When doing custom work or a type of work that is subject to frequent changes. Not authorized in government.

Contract types

- Incentives generally fall into the following **four categories**:
  1. Cost incentives,
  2. Performance or quality incentives,
  3. Delivery incentives, and
  4. Multiple incentives.

Contract types – Other contract types

- **<u>Indefinite Delivery Contracts</u>**
  - ✓ There are three types of indefinite delivery contracts:
    1. Definite quantity,
    2. Requirements, and
    3. Indefinite quantity.

When to use?

Contract types – Other contract types

- The **appropriate type** of indefinite-delivery contract may be used to acquire goods and/or services when exact times and/or exact quantities of future deliveries are **not known** at the time of contract award.

(FAR 16.5)

Contract types – Other contract types

- **<u>Definite-Quantity</u>**
  - Contracts **Definite-quantity contracts** are generally used to purchase a <u>definite quantity</u> of goods or services,

    with an <u>indefinite schedule</u> for deliveries or performance.

Contract types – Other contract types

- **Requirements Contracts**
  - Requirements contracts are generally used to purchase all required quantities of specified goods or services needed by a buying organization for a specified period of time

    when the **exact quantities required** are unknown at the time of award. (FAR 16.5)

Contract types – Other contract types

- **Indefinite Delivery/Indefinite Quantity Contracts**
  - **Indefinite delivery/indefinite quantity (IDIQ) contracts** provide for the purchase of an indefinite quantity of goods or services at various times over a fixed period of performance.
  - Indefinite quantity provisions sometimes include a guaranteed minimum quantity and normally include a maximum quantity.

Contract types – Other contract types

Labor-Hour Contracts

- Labor-hour contracts are **variations** of the T&M contract, **differing only** in that materials are not supplied by the contractor. (FAR 16.602)

Contract types – Other contract types

Letter Contracts

- Letter contracts are normally brief, written, preliminary contractual instruments that **authorize a contractor** to **begin** performance immediately.
- Letter contracts are used to **initiate performance** when performance is required, but there is **insufficient time** to negotiate a more formal, complete contract. (FAR 16.603)

Contract types – Other contract types

Basic Agreements

- Basic agreements are **written instruments** of understanding, negotiated between a buyer and a seller,

  that **contain terms and conditions** that will apply to future contracts between the parties **during the term of the agreement**.
- A basic agreement contemplates separate future contracts that will incorporate, by reference or attachment, the appropriate terms and conditions negotiated in the basic agreement.
- A basic agreement **itself is not a contract**. (FAR 16.702)

Contract types – Other contract types

Basic Ordering Agreements

- Basic ordering agreements are **similar to basic agreements** but **may also include** terms and conditions
  - **intended to describe** the types of goods and services that may be **ordered in the future**,
    - to define pricing methods that will apply, or
    - to define ordering or delivery procedures.
- A basic ordering agreement **itself is not a contract** but **each order placed** under this type of contract is a **contract**. (FAR 16.703)

Plan solicitation

1. **The solicitation plan**
2. **Contract types**
3. **Contracting methods**
4. Market research
5. Formulation of contract management strategy

Contracting methods

- This section describes the following items:

1. **Sealed bidding**
2. Negotiation
3. Simplified acquisition
4. Contracting tools

Contracting methods – Sealed bidding

- **Sealed bidding** is an acquisition method in which the buyer issues an invitation for bids (IFB).

- The IFB is publicized by distributing it to **prospective bidders** from a bidders list maintained by the buyer.

- Typically, the IFB is posted in a publicly accessible place.

Contracting methods – Sealed bidding

- The FAR states that **contracting officers** must use sealed bidding **when**:
  1. Time permits the solicitation, submission, and evaluation of sealed bids;
  2. The award will be made on the basis of price and price-related factors;
  3. It is not necessary to conduct **discussions** with the responding offerors about **their bids**; and
  4. There is a reasonable expectation of **receiving more** than **one sealed bid**.

(FAR 6.401(a))

Contracting methods – Sealed bidding

Two-Step Sealed Bidding

- Two-step sealed bidding combines two competitive methods and is sometimes **used to obtain** the benefits of sealed bidding **when adequate** specifications, requirements, or descriptions are **not available**.

Contracting methods – Sealed bidding

Two-Step Sealed Bidding

1. The **first step** consists of the solicitation for technical proposals, which are evaluated on **technical merits only**.
   - The solicitation tool normally used for two-step sealed bidding is the request for technical proposals (RFTP).
   - RFTPs are used to prequalify bidders relative to their technical capacity to perform.
2. The **second step** involves the submission of sealed price bids by only those bidders **who submitted acceptable technical proposals** in the first step.

(FAR 14.5)

Contracting methods

- This section describes the following items:

1. **Sealed bidding**
2. **Negotiation**
3. Simplified acquisition
4. Contracting tools

Contracting methods – Negotiation

- Negotiation is a **contracting method** that can be used to **solicit proposals**
  1. Either <u>competitively</u> or <u>noncompetitively</u> and
  2. <u>May</u> include <u>discussions</u> or <u>negotiations</u>.

- Negotiation is a **flexible process** in which the buyer issues a solicitation called a <u>“request for proposal” (RFP)</u> that includes
  1. A statement of work,
  2. Evaluation criteria, and
  3. Relevant terms and conditions,

  among other information.

- The **offerors responding** to an RFP **submit proposals** by the <u>date and time specified</u> in the RFP.

Contracting methods – Negotiation

- **After receiving** proposals from offerors, the **buyer evaluates** the proposals in accordance with the **evaluation criteria** stated in the RFP.

- **After evaluation**, the **buyer may award** a contract based on the initial proposal submission (award without discussions), provided that the RFP stated that award without discussions might occur.
  - If the buyer needs more information from sellers before making an award decision,

    then the parties **enter into a negotiation** that typically affords offerors an opportunity to revise their offers

    before final evaluation and contract award.

Contracting methods

- This section describes the following items:

1. **Sealed bidding**
2. **Negotiation**
3. **Simplified acquisition**
4. Contracting tools

Contracting methods – Simplified acquisition

- According to the FAR, a valid unsolicited proposal must:
  1. Be innovative and unique;
  2. Be independently originated and developed by the offeror;
  3. Be prepared without governmental supervision, endorsement, direction, or direct involvement;
  4. Include sufficient detail to permit a determination;
  5. Not be an advance proposal for a known agency requirement that can be acquired by competitive methods; and
  6. **Not address** a previously published agency requirement.

(FAR 15.6)

When to use?

Contracting methods – Simplified acquisition

- Simplified acquisition is a **less rigorous method** for entering into relatively low-dollar-threshold contracts.
- Simplified acquisition is used to reduce administrative costs and remove any unnecessary burdens on potential suppliers.
- Simplified acquisition is also used to provide socioeconomically favored groups an opportunity to do business with the buyer in a less-structured way.
- Typically, there is a maximum dollar threshold to use simplified acquisitions.
- These dollar thresholds may vary between organizations.
- The federal government's simplified acquisition threshold is stated at FAR 2.101.
- Simplified acquisition usually occurs without the elaborate and formal solicitation techniques required by **sealed bidding and negotiation.**

Contracting methods – Simplified acquisition

- In simplified acquisition, the **buyer** issues a request for quotations (RFQ).
- The **response** to an RFQ is a quotation.

Contracting methods – Simplified acquisition

Request for Quotations (RFQ)

- RFQs are solicitation documents **used when**
  1. A **specification or statement of work** already exists and
  2. Buyer **needs to get information** from potential sellers about price and delivery.

How RFP and RFQ are different?

Contracting methods – Simplified acquisition

- It is important to note that the RFQ differs from the RFP in that

  the resulting quotation is **not an offer** and,

  consequently, the **buyer cannot accept a quote** to form a binding contract.

- When the **buyer issues** an order in response to a supplier's quotation,

  it does not establish a contract.

  - The **order is an offer** by the buyer to the seller to buy certain goods or services upon specified terms and conditions.
  - A **contract** is **established when**

    the **supplier accepts the offer**,

    either by signing the order or through performance.

    (Christou, 2005, 104)

Contracting methods – Simplified acquisition

- FIGURE 6-6 presents a matrix to help distinguish the characteristics of an IFB, RFP, and RFQ.

FIGURE 6-6. IFB, RFP, and RFQ Usage Matrix

	IFB	RFP	RFQ
Is the price the determining factor?	Yes	Maybe	Maybe
Will oral presentations be considered?	No	Maybe	Maybe
Is there a responsibility test?	Yes	Yes	Yes
Is there a responsiveness test?	Yes	Yes	Yes
Will there be an opportunity to submit a revised proposal/bid?	No	Maybe	Maybe
May I submit questions while the solicitation is active?	Yes	Yes	Yes
Will communication be allowed	No	Maybe	Maybe
Does my proposal/bid require a signature of an official that has the authority to bind the seller?	Yes	Yes	No
Does my proposal/bid require a signature of an official that has the authority to bind the buyer?	Yes	Yes	No

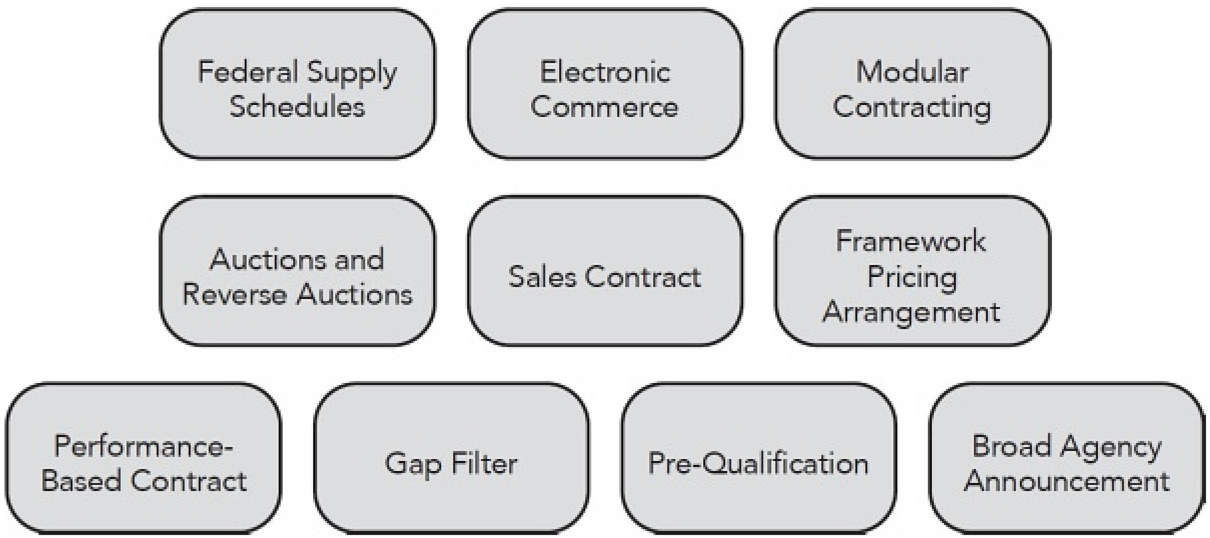
Contracting methods

- This section describes the following items:

1. **Sealed bidding**
2. **Negotiation**
3. **Simplified acquisition**
4. **Contracting tools**

Contracting methods – Contracting tools

FIGURE 6-7. Contracting Tools



They are not compatible with our law!

Plan solicitation

1. **The solicitation plan**
2. **Contract types**
3. **Contracting methods**
4. **Market research**
5. Formulation of contract management strategy

Market research

- Market research consists of both internal and external components.

Market research – Internal market research

- The **contract manager** should
  1. Get to know the customers and end-users of the goods and services and
  2. **Learn** what is important to them and why,
  3. So that **these priorities** can be incorporated into solicitation planning documents.

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Market research – External market research

- **External market** research is typically conducted after a requirement is defined, or at least conceptualized.

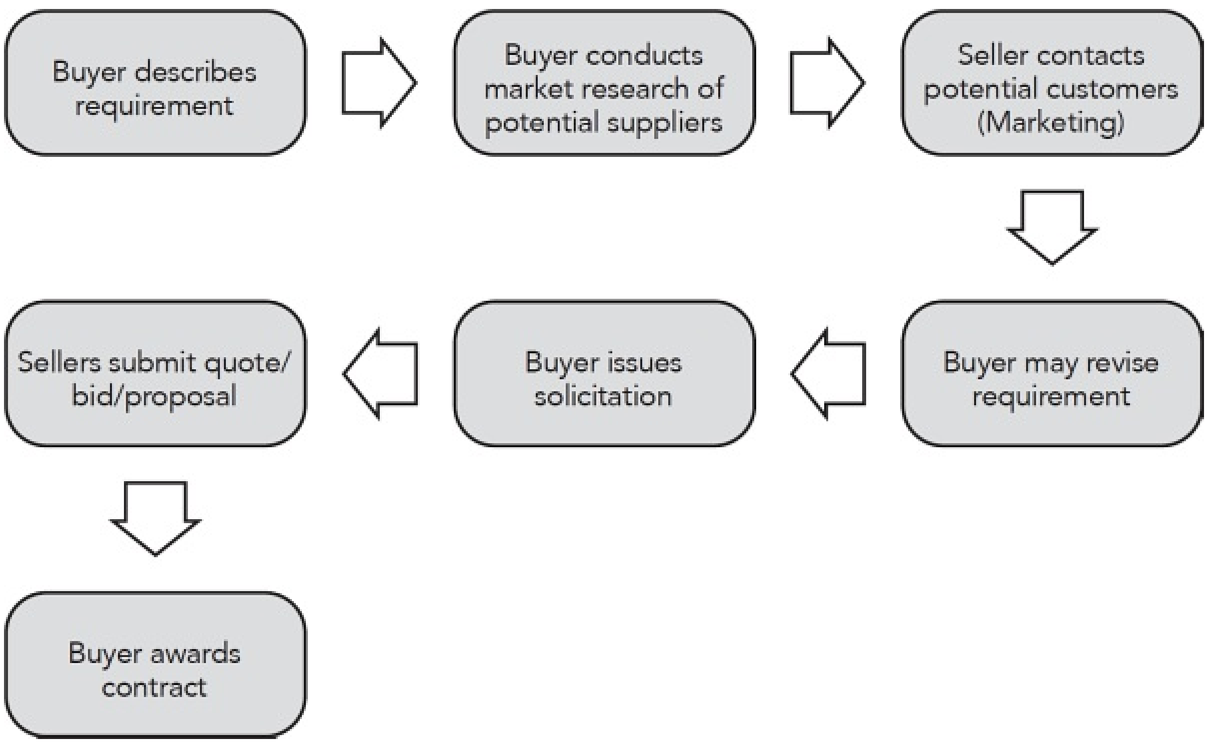
Market research – External market research

- Just as the **contract manager** can use internal market research to better understand and anticipate the **actual and potential needs** of the **buyer**, external market research should be used to better understand the actual and potential capabilities of **sellers**.

Market research – External market research

- FIGURE 6-8 illustrates a typical market research cycle.

FIGURE 6-8. Market Research Cycle



Plan solicitation

1. The solicitation plan
2. Contract types
3. Contracting methods
4. Market research
5. Formulation of contract management strategy

Formulation of contract management strategy

- Formulating the contract management strategy to **satisfy** the customer requirement is arguably the **single most important task** in the contract life cycle.

Formulation of contract management strategy

- Regardless of the complexity of the acquisition, the solicitation package typically includes the following information:

1. **Statement of work**
2. Contract type and method
3. Terms and conditions
4. Evaluation procedures
5. Instructions for preparing and submitting proposals

Formulation of contract management strategy – Statement of work (SOW)

- The **SOW** is likely the single most important document in the solicitation package.

- The SOW is the document that **describes**

  goods or services required in **sufficient detail** to

  provide potential offerors with a **complete understanding** of the requirement.

Formulation of contract management strategy – Statement of work (SOW)

- Generally, there are **three basic types** of SOWs:
  1. Design
  2. Performance
  3. Functional

- The **differences** among them relate to the **degree** to which the requirement is defined and explained, from specific to general.

Formulation of contract management strategy – Statement of work (SOW)

- **Design SOWs.**
  - A design SOW is most **often used** when the **buyer** requires a specific manufactured good.
  - Design SOWs are extremely detailed and usually define all required materials, production processes, and specifications,

    such as size, shape, color, tolerances, etc.
  - Design SOWs also frequently provide **specific requirements** related to quality, inspection, packaging, and related needs.

Formulation of contract management strategy – Statement of work (SOW)

- **Design SOWs.**
  - The **degree of precision** inherent in design SOWs also presents **challenges** for the contract manager.
  - Design SOWs may **restrict** the competitive process by imposing **too many specifications**,

    resulting in **no-bid decisions** from sellers that might otherwise be willing to provide the product.
  - Design SOWs may also result in **higher costs**,

    since the **seller may have to use** materials and processes that are **different from those used** in the normal course of business.

Formulation of contract management strategy – Statement of work (SOW)

Design SOWs.

- As a result of these drawbacks, using a design SOW is **commonly discouraged whenever a less restrictive type** of SOW can be reasonably expected to provide the results required.

Formulation of contract management strategy – Statement of work (SOW)

Performance SOWs.

- Performance SOWs are less restrictive than design SOWs.
- Performance SOWs define requirements in terms that relate to minimum acceptable standards or ranges of **acceptable performance**.
- A performance SOW may require a particular approach or a particular type of product,

  but it **leaves most of** the "how" decisions to the **seller**.
- Performance SOWs are normally considered to enhance competition because they enable a **seller to use their creativity** and their **company's strengths** to satisfy the requirement.

Formulation of contract management strategy – Statement of work (SOW)

- **Functional SOWs.**
  - The functional SOW is the least restrictive of the **three basic SOW types**.
  - Functional SOWs describe requirements in terms of the end purpose, expected result, or final objective, rather than

    in terms of **how the work effort** is to be performed.
  - Though the functional SOW may include required quality standards or minimum essential characteristics,

    it focuses **primarily** on the **"what" aspects** of the requirement.
  - Functional SOWs provide the seller with the maximum degree of flexibility and innovation to determine **how best to satisfy** the buying organization's needs.
  - It is for this reason that functional SOWs are the preferred type of SOW in most **government and commercial** contract management organizations.

Formulation of contract management strategy – Statement of work (SOW)

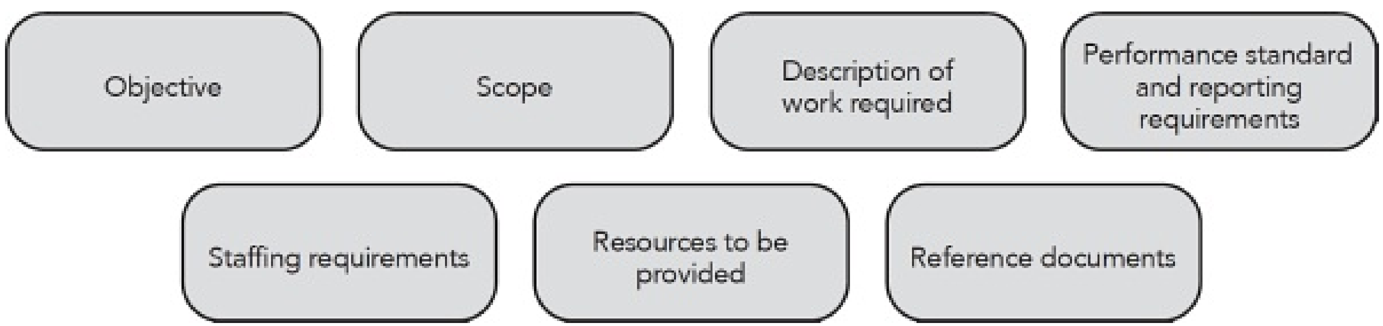
- In practice, SOWs **rarely fall neatly into one** of these three types. Most SOWs reflect **characteristics of at least two**,

  if **not all three SOW** types in order to adequately describe the requirement.

Formulation of contract management strategy – Statement of work (SOW)

- Typical SOW Contents Regardless of which type or types are used, SOWs normally contain at least some of the elements detailed in FIGURE 6-9.

FIGURE 6-9. Typical Statement of Work Contents



Formulation of contract management strategy – Statement of work (SOW)

- Another somewhat popular alternative is the **"statement of objectives" (SOO).**

- The SOO provides basic top-level objectives of an acquisition and is included in the request for proposal in lieu of a **government-written SOW**.

- The SOO allows potential offerors the **flexibility** to develop cost-effective solutions and the opportunity to propose innovative alternatives.

Formulation of contract management strategy

- Regardless of the complexity of the acquisition, the solicitation package typically includes the following information:

1. **Statement of work**
2. **Contract type and method**
3. Terms and conditions
4. Evaluation procedures
5. Instructions for preparing and submitting proposals

Formulation of contract management strategy – Contract type and method

- The **solicitation package** should also define the contract type and method that the acquisition will use.

An explanation of commonly used contract types and methods was presented earlier in this section.

Formulation of contract management strategy – Contract type and method

- As they relate to the **solicitation package**,

  the contract types and methods used should **complement** the **degree of complexity and risk** associated with the overall SOW.

- The use of **certain contract types and methods** for specific types of acquisitions is sometimes required by law, regulation, or corporate policy.

Formulation of contract management strategy – Contract type and method

- In other cases, the contract type and method used is a **discretionary decision** made by the contract manager.

- When appropriate, the contract manager must sometimes blend more than one contract type into a solicitation,

  such as including both firm-fixed-price and time-and-material line items in a **single solicitation**.

Formulation of contract management strategy

- Regardless of the complexity of the acquisition, the solicitation package typically includes the following information:

1. **Statement of work**
2. **Contract type and method**
3. **Terms and conditions**
4. Evaluation procedures
5. Instructions for preparing and submitting proposals

Formulation of contract management strategy – Terms and conditions

- After the SOW has been developed and
  the contract type and method have been determined,
  the terms and conditions are selected.

Formulation of contract management strategy

- Regardless of the complexity of the acquisition, the solicitation package typically includes the following information:

1. **Statement of work**
2. **Contract type and method**
3. **Terms and conditions**
4. **Evaluation procedures**
5. Instructions for preparing and submitting proposals

Formulation of contract management strategy – Evaluation procedures

- The solicitation package should clearly indicate the **general procedures** the **buyers** will use to evaluate proposals and the decisions they will make as the basis for an award.
- Though price is always included as an evaluation factor,

  other factors —such as technical excellence, management capability, past performance, and other relevant factors—can and should be included as appropriate.

Formulation of contract management strategy

- Regardless of the complexity of the acquisition, the solicitation package typically includes the following information:

1. **Statement of work**
2. **Contract type and method**
3. **Terms and conditions**
4. **Evaluation procedures**
5. **Instructions for preparing and submitting proposals**

Formulation of contract management strategy – Instructions for preparing and submitting proposals

- The instructions provided to **potential offerors** for preparing and submitting proposals are the **final piece** of the solicitation package.

- The **instructions** can be very specific or very general, depending on the needs of the **buying organization**.

Formulation of contract management strategy – Instructions for preparing and submitting proposals

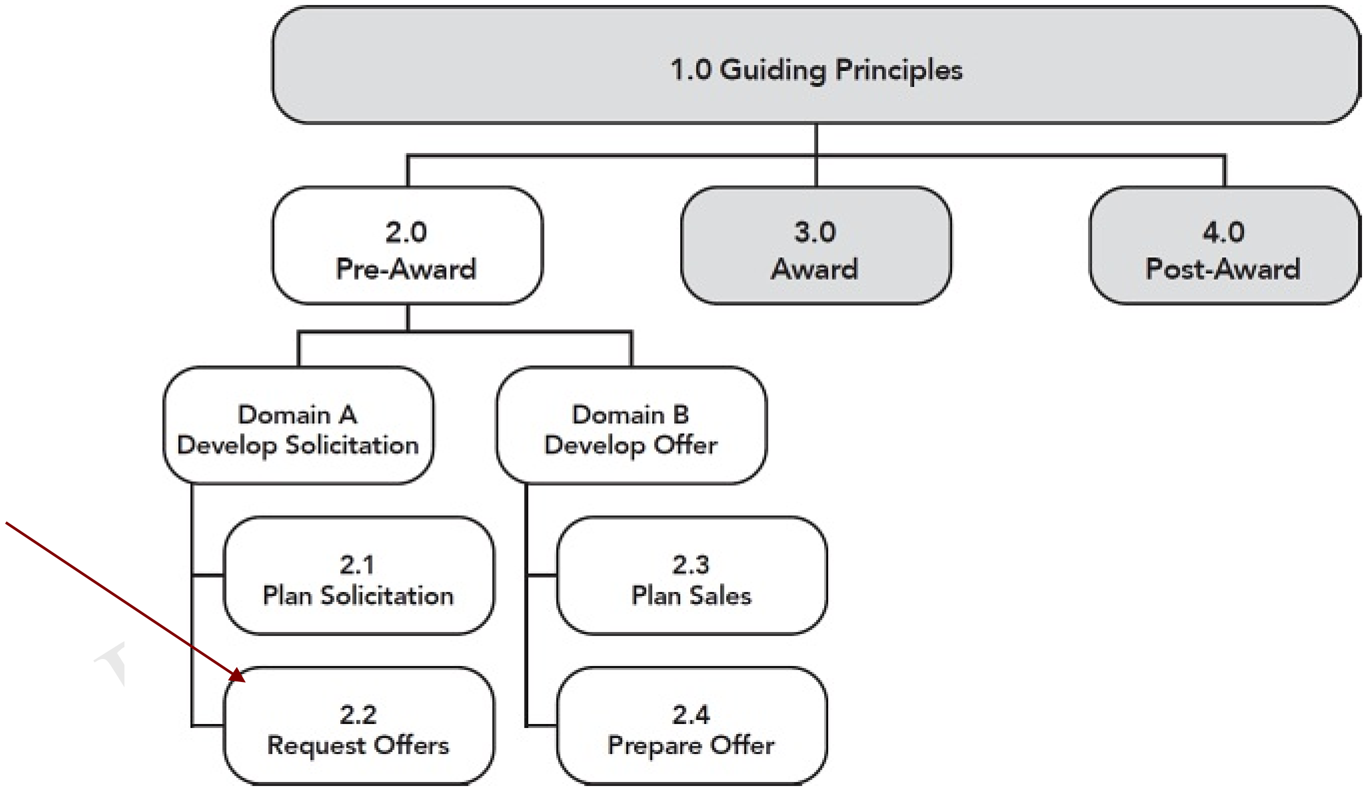
- Instructions usually contain:
  1. **Information** regarding page format and page number limitations,
  2. The **order** in which topics should be presented,
  3. **Content** required to be addressed,
  4. Whether **separate** technical and price proposals are required,
  5. Whether the **award** will be made with or without discussions,
  6. Whether **verbal presentations** will be required,
  7. The **number of copies** that should be submitted,
  8. The **media** on which proposals may be submitted,
  9. The **place** to which proposals should be submitted,
  10. The **due date and time**, and **Similar types of information**.

DOMAIN A: DEVELOP SOLICITATION

(REQUEST OFFERS)

Request offers

FIGURE 6-2. Overview of the Pre-Award Competencies



Request offers

Request Offers is the process of implementing the plan by soliciting responses from sellers in order to fulfill a customer need. It produces a clear and concise solicitation that effectively communicates all the buyer's requirements and enables the sellers to provide comprehensive, responsive proposals.

Request offers

- There are two sections:

1. Validation techniques
2. Publicizing requirements

Validation techniques

- Once the **solicitation package** has been completed, there are **several techniques** the buyer can use to **validate**
  - Solicitation package’s completeness and
  - Accuracy before it is formally issued to the sellers.
    1. Independent Technical Review
    2. Obtaining Marketplace Comments
    3. Presolicitation Notices and Conferences

Publicizing requirements

1. **Government agencies**

   - Government contract management organizations are **normally required** to post solicitation packages exceeding a certain dollar threshold for **full and open competition** on an official website, Contract Opportunities at SAM.gov.

2. **Commercial organizations**

   - Commercial contract management organizations may **advertise their requirements** in newspapers, trade journals, professional publications, and similar media.

DOMAIN B: DEVELOP OFFER

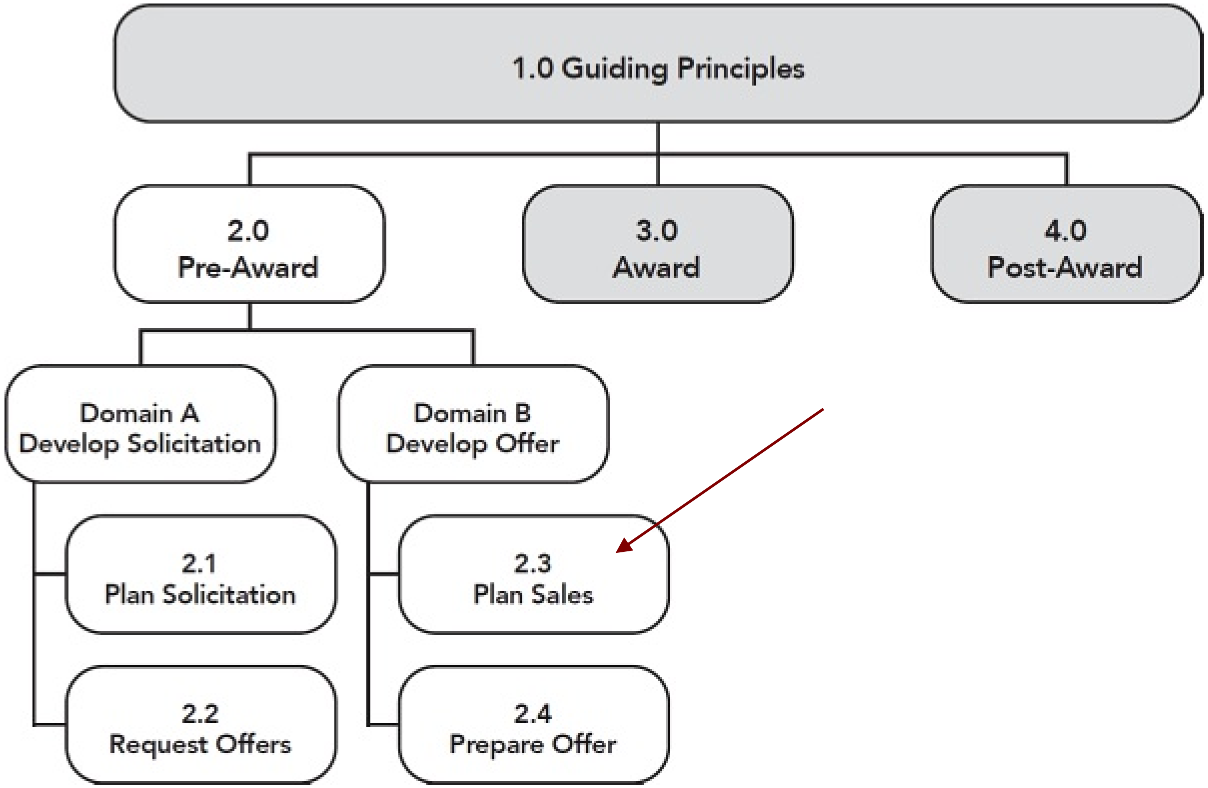
(PLAN SALES)

Develop offer

Develop Offer is primarily the domain of the seller. It contains the processes of applying business practices and developing strategies to pursue and obtain contract award. The value added by this domain is in providing the buyer with a responsive offer resulting in a contract award.

Develop offer

FIGURE 6-2. Overview of the Pre-Award Competencies



Plan sales

1. **Pre-sales activities**
2. Marketing
3. Risk mitigation
4. Contract financing
5. Sales plan

Pre-sales activities

- For the buyer to develop a strong solicitation plan and the seller to develop a strong sales plan**,**

  meaningful communication with each other must occur.

Pre-sales activities

FIGURE 6-13. Federal Agency Sites with Vendor Communication Plans

Department of Agriculture www.dm.usda.gov	**Department of Interior** www.doi.gov	**General Services Administration** www.gsa.gov
Department of Commerce www.osec.doc.gov	**Department of Justice** www.justice.gov	**National Aeronautics and Space Administration** www.hq.nasa.gov
Department of Defense www.acq.osd.mil	**Department of Labor** www.dol.gov	**National Science Foundation** www.nsf.gov
Department of Education www.ed.gov	**Department of State** www.statebuy.state.gov	**Nuclear Regulatory Commission** www.nrc.gov
Department of Energy http://energy.gov	**Department of the Treasury** www.treasury.gov	**Office of Personnel Management** www.opm.gov
Department of Health and Human Services www.hhs.gov	**Department of Veterans Affairs** www.va.gov	**Small Business Administration** www.sba.gov
Department of Homeland Security www.dhs.gov	**Agency for International Development** www.usaid.gov	**Social Security Administration** www.ssa.gov
Department of Housing and Urban Development http://portal.hud.gov	**Environmental Protection Agency** www.epa.gov	**Defense Counterintelligence and Security Agency** www.dcsa.mil/

Plan sales

1. **Pre-sales activities**
2. **Marketing**
3. Risk mitigation
4. Contract financing
5. Sales plan

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Marketing

- Marketing emphasizes the **value of the customer** to the business, and has two guiding principles:
    1. All company policies and activities should be directed toward satisfying customer needs.
    2. Profitable sales volume is more important than maximum sales volume.

Marketing

- This section talks about:

1. **Marketing mix**
2. Data source for market research

Marketing: Marketing mix

- Every marketing program contains four key components:
  1. **Products and Services:**
     - Product strategies include
       - ✓ Concentrating on a narrow product line,
       - ✓ Developing a highly specialized product or service, or
       - ✓ Providing a product-service package containing unusually high-quality service.

Marketing: Marketing mix

- Every marketing program contains four key components:

  2. **Promotion:**

     - Promotion strategies focus on advertising and direct customer interaction.
     - **Good salesmanship** is essential for small businesses because of their limited advertising budgets.
     - Online marketing is a cheap, quick, and easy way to ensure that a business and its product(s) receive **high visibility**.

Marketing – Marketing mix

- Every marketing program contains four key components:

3. **Price:**

   - When it comes to maximizing total revenue, the right price is crucial.
   - Generally, **higher prices** mean lower volume and **vice versa**; however, **small businesses** can often command higher prices because of their **personalized service**.

Marketing – Marketing mix

- Every marketing program contains four key components:

4. **Distribution:**

   - Working through established distributors or manufacturers' agents is **generally easiest** for **small manufacturers**.
   - **Small retailers** should consider cost and traffic flow in **site selection**, especially since advertising and rent can be reciprocal.

Marketing

- This section talks about:

1. **Marketing mix**
2. **Data source for market research**

Marketing – Data source for market research

1. Official Government Sources of Market and Industry Data

- Economic Indicators
- Employment Statistics
- Income and Earnings

2. Additional Sources of Analysis

- Trading Economics,
- U.S. Department of Labor, and
- Bureau of Labor Statistics.

3. International Marketplace

- U.S. Commercial Service

Plan sales

1. **Pre-sales activities**
2. **Marketing**
3. **Risk mitigation**
4. Contract financing
5. Sales plan

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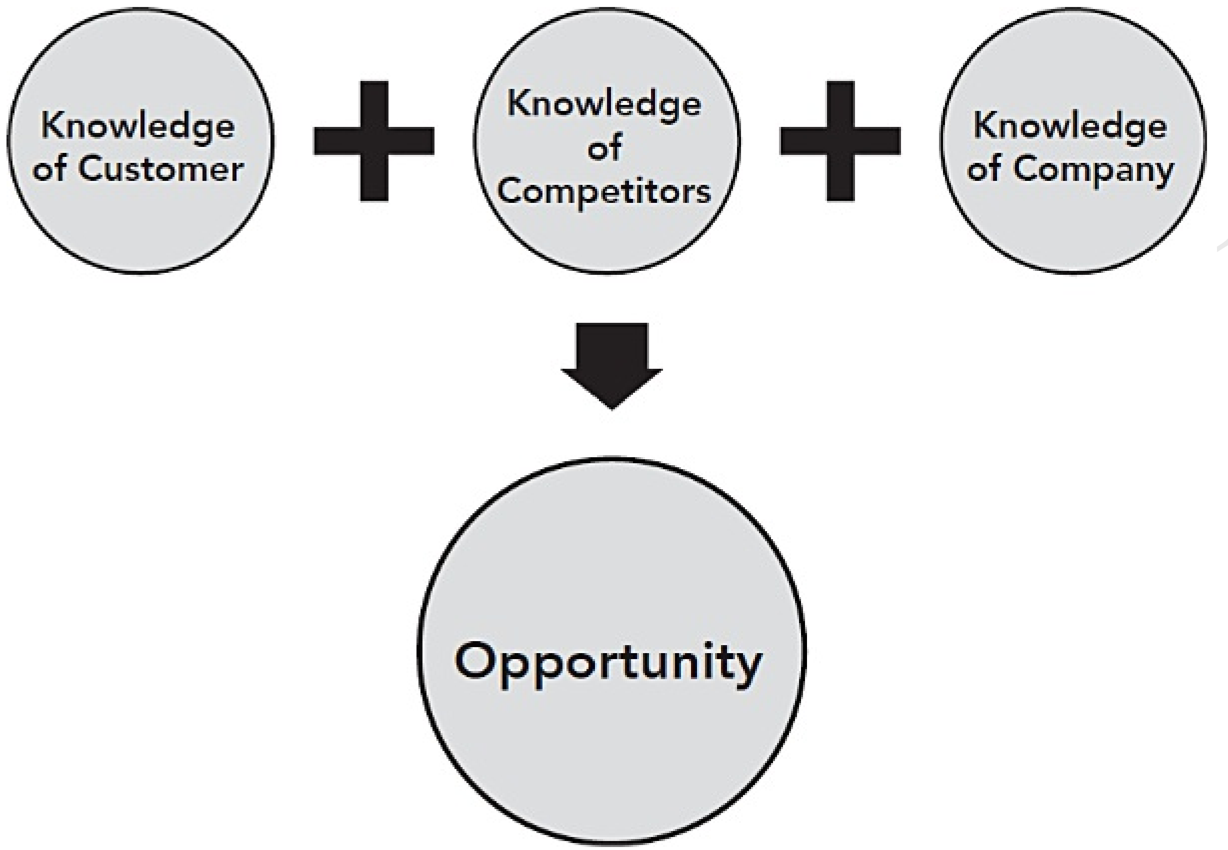
Risk mitigation

- (From the book, Solicitations, Bids, Proposals, and Source Selection: Building a Winning Contract, by Gregory Garrett and Gail A. Parrott)

Risk mitigation

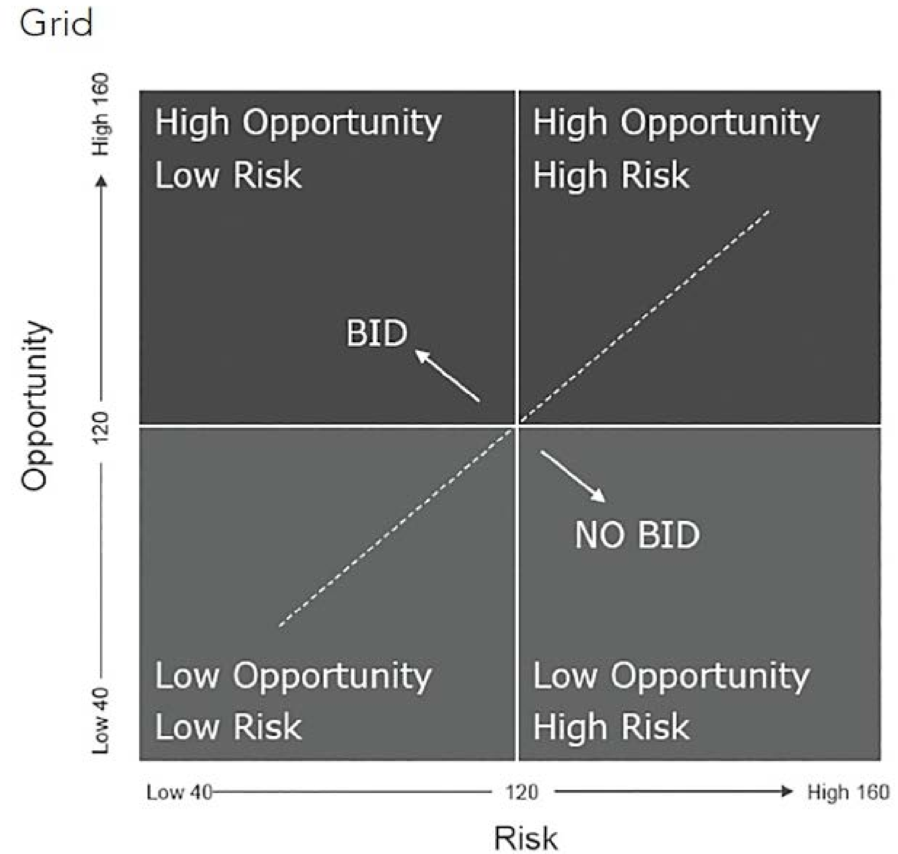
FIGURE 6-15. The Three Inputs of Knowledge



Risk mitigation – Opportunity-Risk assessment tools

- One tool to use is an opportunity-risk assessment grid to determine which opportunity to pursue (see FIGURE 6-16).

FIGURE 6-16. Sample Opportunity-Risk Assessment Grid



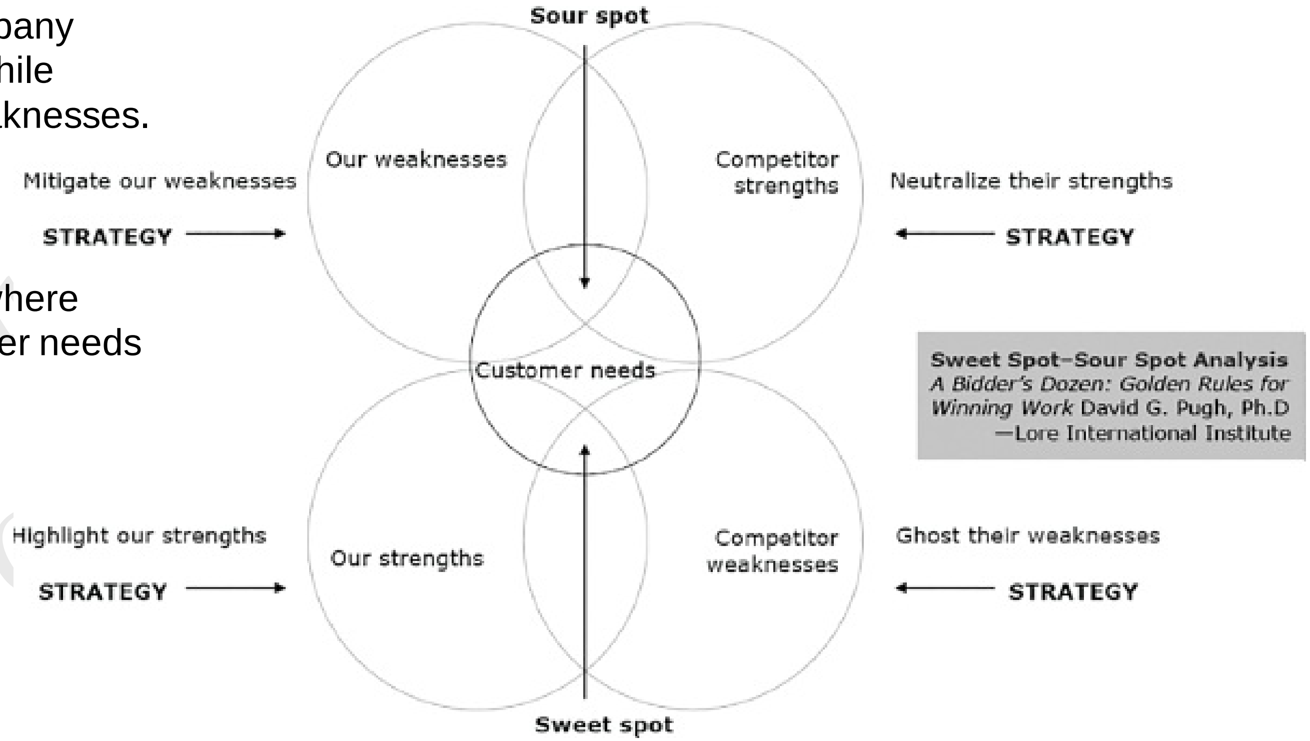
Risk mitigation – Opportunity-Risk assessment tools

- Another assessment tool is the “Sweet Spot–Sour Spot” model (see FIGURE 6-17), which depicts the **relationship of the company’s strengths and weaknesses** to the **buyer’s needs and the strengths and weaknesses of competitors**.

FIGURE 6-17. Sweet Spot–Sour Spot Analysis

The Sweet Spot is where company strengths meet buyer needs while coinciding with competitor weaknesses.

Conversely, the Sour Spot is where competitor strengths meet buyer needs while coinciding with company weaknesses.



Risk mitigation – Opportunity-Risk assessment tools

- Examples of risks to be considered are presented in FIGURE 6-18, and ways of mitigating or avoiding risk are presented in FIGURE 6-19.

Risk mitigation – Opportunity-Risk assessment tools

FIGURE 6-18. Sources of Risk

Technical Risks	Delivery Risks		Financial Risks
• Hardware design errors • Software design errors • Testing and modeling • Integration/interface • Safety • Requirement changes • Fault detection • Operating environment • Unproven technology • System complexity	• Material availability • Quality issues • Personnel availability • Personnel skills • Safety • Security • Environmental impact • Communication problems • Labor strikes • Requirement changes • Subcontractor stability	• Reliability • Maintainability • Operations and support equipment availability • Transportation • Training availability • Documentation accuracy • Zoning-regulatory approval • Degree of concurrency • Number of critical path items	• Changes in: • COGS • SG&A expenses • Interest rates • Exchange rates • Warranties • Indemnifications • Pricing errors • Customer financial stability • Supplier financial stability
			Contractual Risks
			• Terms and conditions • Supplier contracts

Read it yourself.

Risk mitigation – Opportunity-Risk assessment tools

FIGURE 6-19. Ways of Mitigating or Avoiding Risk (Schuyler, 1995)

Portfolio Risks	Operational Risks
Share risks by having partners	Hire contractors under turnkey contracts
Spread risks over time	Tailor risk-sharing contract clauses
Participate in many ventures	Use safety margins; overbuild and overspecify designs
Group complementary risks into portfolios	Have backup and redundant equipment
Seek lower-risk ventures	Increase training
Specialize and concentrate in a single, well-known area	Operate with redirect and bail-out options
Increase the company's capitalization	Conduct tests, pilot programs, and trails

Read it yourself.

Risk mitigation – Opportunity-Risk assessment tools

Commodity Prices	Analysis Risks (Reducing Evaluation Error)
Hedge or fix in the future markets	Use better techniques (i.e., decision analysis)
Use long- or short-term sales (price and volume) contracts	Seek additional information
Tailor contracts for risk-sharing	Monitor key and indicator variables
Interest rate and exchange rate	Validate models
Use swaps, floors, ceilings, collars, and other hedging instruments	Include evaluation practices along with project post-reviews
Restructure the balance sheet	Develop redundant models with alternative approaches and people
Denominate or index certain transactions in a foreign currency	Involve multiple disciplines, and communicate cross-discipline
Environmental Hazards	Provide better training and tools
Buy insurance	
Develop and test an incident response program	

Read it yourself.

Plan sales

1. **Pre-sales activities**
2. **Marketing**
3. **Risk mitigation**
4. **Contract financing**
5. Sales plan

Contract financing – Commercial contract financing

- Financing in **commercial contract** management includes:
  1. Obtaining loans and lines of credit from financial institutions,
  2. Obtaining advance funding of accounts receivable or funding of purchase orders from private firms, or
  3. Obtaining funds from venture capitalists.

What else?

Contract financing – Commercial contract financing

- It may also include negotiating favorable payment clauses, such as
  1. A sizable down payment,
  2. Frequent partial payments based on progress, or
  3. Milestone payments as the work progresses.

What else?

Contract financing – Commercial contract financing

- Commercial contract financing could also include such methods as:
    1. Commercial advance payments made before performance begins
    2. Commercial interim payments made **after work starts**
    3. Partial delivery payments made after **receiving and accepting predefined portions** of the total work to be performed

How good is to use advance payment?

Contract financing – Government contract financing

- **Advance payments** are advances of money by the government to a seller.
- They are not measured by performance
  but are **instead made** in anticipation of performance.
- Advance payments are the least preferred method of contract financing and generally should **not be authorized if** other types of financing are **reasonably available** to the seller in adequate amounts.

Contract financing – Government contract financing

- **Loans and credit** at excessive interest rates or with other exorbitant charges, and
  loans from other government agencies,
  are **not considered reasonably** available financing.

- If advance payments are approved, a special bank account may be required.

- **Interest** is usually **charged** on the advance payments, and
  any **interest earned** is refundable to the government. (FAR 32.4)

Plan sales

1. Pre-sales activities
2. Marketing
3. Risk mitigation
4. Contract financing
5. Sales plan

Sales plan

- Just as the **buyer** develops a solicitation plan, the **seller** should develop a sales plan.

- FIGURE 6-20 presents an example of a sales plan.
- FIGURE 6-21 presents an example of a project contract management plan to help integrate contract and project performance.

Sales plan

FIGURE 6-20. Example of a Sales Plan (by Dr. Mike Criss)

Sales Plan

- Client
  - Key client objectives and expectations
  - Wants vs. needs
  - Other
- Other Project Participants
  - List of other stakeholders
  - Key internal clients
- Key Commercial Objectives
  - Contract Basis and Summary of Key Commercial Terms
  - Contract type
  - FFP (lump sum)
  - G-Max (guaranteed maximum)
  - T&M
  - etc.
- Project Estimated Value
- Project Schedule
- Key Internal Project Risk Factors and Opportunities
- External Factors
- Invoicing and Cash Flow Management
- Closeout

Sales plan

FIGURE 6-21. Example of a Project Contract Management Plan (by Dr. Mike Criss)

Section	What to Include
1. Project Contract Management Plan	List all contracts within the project
a. Objectives	List of objectives for project or contract
b. Organization and Responsibilities	• Who are the players? • Where are they located? • Contact information
c. Contract Type	• Is it FFP (Lump Sum), Cost Reimbursable, Time and Material, IDIQ, or Mixed? • Unit Rate/Price • Rationale for basis
d. Project Contract Management Plan	For all contracts in the project: • Overall Scope • Criteria for Contract Scoping • Temporary Facilities and Construction Services
e. Individual Contract Plan	For individual contracts within the project: • Summary of Contracts (individual contract development schedules with milestone dates) • Individual Contracting Plans (follows general outline of this plan modified for fit purpose) • Contract Risk Assessment (can be expanded to individual contractors for high-risk contracts)

Sales plan

2. Contract Administration	• Who will administer the contract? • Where will it be administered? • Special considerations (property, plant clearances, security, audits, etc.) • Authorities • Closeout process
3. Claims Avoidance Program	• Process for avoiding and managing claims • Change management process
4. Systems	• What software and tools will be used to manage project contracts? • Document disposition • Reporting requirements
5. Special Client Requirements	Any relevant information
6. List of Attachments	Any relevant information

DOMAIN A: DEVELOP OFFER

(PREPARE OFFER)

موسسه مهندسی و مدیریت ساخت علوی پور (ACEMI)

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