

“RECOLLECTIONS OF A *PROGRAM* *MANAGER*”

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The World’s Most Interesting PM



I Can't Attend. Ask Too Tall To Fill In For Me

Today's Discussion Topics

- Rules Of Engagement (ROEs)
- Three Common Company Approaches to “How Much EVM Is Enough?”
- Two Common Company Approaches to “Who Should Own EVM?”
- Three Types of Program Reviews
- Case Study #1). Estimates At Completion
- Case Study #2). Is DCMA “Friend or Foe?”
- Case Study #3). The Best Contract Type for EVM
- EVM: “The Future Ain’t What It Used To Be”

Rules of Engagement (ROEs)

- **Don't Hold Your Questions**
 - Ask any question any time
 - Share an opinion anytime
 - If I ask a question, I'll provide the answer
- **“Roberts’ Rules of Order” Are Suspended**
 - Call an audible anytime. I'll adjust
 - If you're finished listening before I'm finished speaking, please leave quietly & don't eat all the pastries

Three Typical Company Approaches To “How Much EVM Is Enough?”

Three Company Approaches To EVM

- **Recalcitrant**: (most expensive, most embarrassing)
 - Two types of companies in this category. First, companies that are not certified and slow the process to initial certification. Second, companies that are certified but appear to wish to be de-certified
- **Merely Compliant**: (expensive)
 - Requires a delicate balancing act. ‘Status quo’ is a myth!
- **Efficient Expert**: (least expensive, most reputation enhancing)
 - Professionals strive to be their best & continue to improve.
 - When performing the same task, amateurs expend more energy to be poor performers than professionals expend to be exceptional performers.

How Much EVM Is Enough?

Until EVM becomes easy!

Two Typical Company Approaches To EVM “Ownership”

Who Should “Own” EVM?

- **Company # 1:**

- The CFO “owned” EVM because it was “a finance function.” CFO laid off all EVM (indirect) employees. DCMA issued a Level III CAR. CFO fired. Program SVP assumed ownership of EVM, made all EVM employees a contract direct charge.

- **Company # 2:**

- The new CFO replaced the CFO fired for EVM issues. The new CFO told his team to “make the PM successful.” The Program Leader and the new CFO were “on the same page.”

See: “[Who Owns EVM: Programs or Finance](#)” at H&A ‘blog’

Three Types of Company Program Reviews

3 Types of Program Reviews

The Canine Equestrian Extravaganza

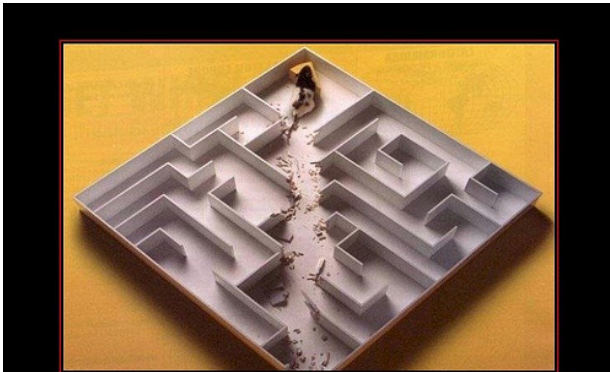
AKA: Dog & Pony Show

Staff Meeting



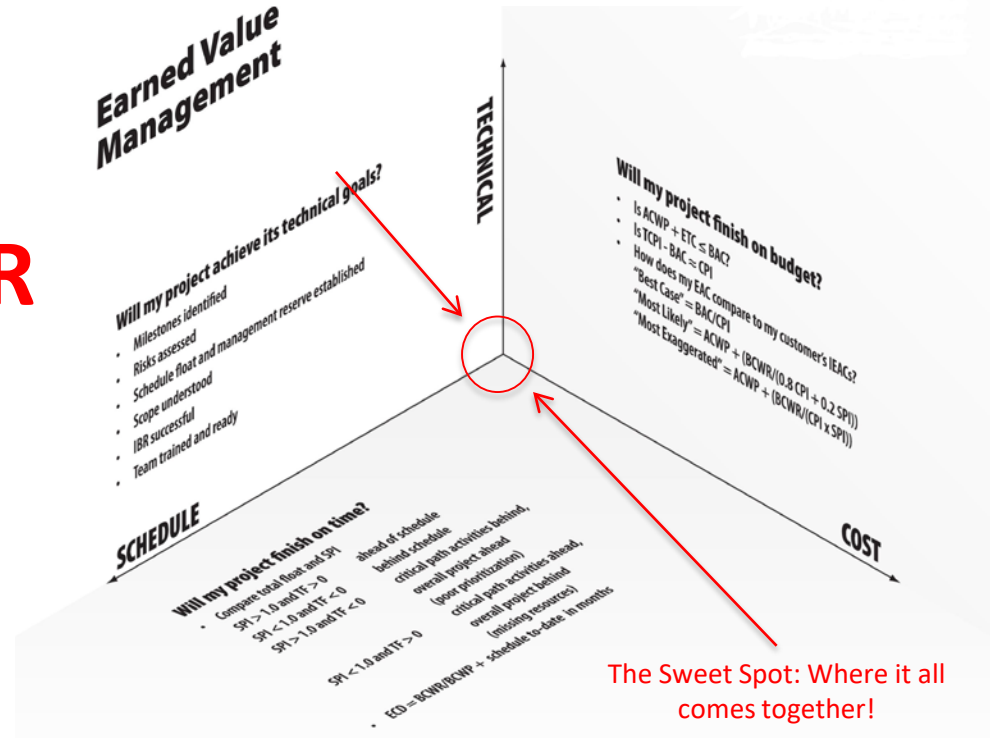
A Race To The Finish

Drive By



OR

“Live” EVM metrics,
no PowerPoint!



Case Study #1)

Estimates At Completion

The Psychology of EACs

“Games PMs Play”

- **Confirmation Bias**; the tendency to view only information that supports your pre-existing hypothesis. **COUNTERMEASURES**; iEACs, non-advocate review, intervention
- **Low “% Complete” Alibi**; “plenty of runway ahead,” plenty of time to recover. **COUNTERMEASURE**: BAC / CPI cum = Best Case iEAC, review risk register, update ECD (an IMS second opinion)
- **Wishful Thinking**: pick your favorites:
 - more & better staffing coming soon
 - BCWR will be “easier” than BCWP cum
 - the IBR findings will improve performance
 - we have a high % of LOE tasks
 - our schedule health metrics are improving
 - we will out-source to lower cost FFP subs

Typical Company Reaction to a GL # 27 L3 CAR

To: DCMA HQ, EVM Leader

From: Repentant Recidivist Contractor

Subj: Our Most Recent Plan To Correct GL # 27 Deficiencies

Senior Management of Repentant Recidivist Contractor has **re-emphasized** the importance of timely and credible EACs through mandatory classes where even those employees who slept through the class, or skipped the class, now produce **compliant** EACs. Honest. We mean it this time.

Senior Management

Repentant Recidivist Contractor

Stock Symbol: RRC

***“Tell me and I’ll forget.
Show me and I’ll remember.
Involve me and I will learn.”***

Tie training to your company’s processes & tools. “Mistake proof” your EAC processes.



Is A GL # 27 Level III CAR A Trick Question?

- **Other GLs That Influence EACS:** GLs 1, 2, 16, 21, 22, 23, 24, 25, 26 & 29
- **DOD EVMS IG;** pages 61 to 65
- **Your GL # 27 L3 CAP Should:**
 - Identify failure modes & new mistake-proof processes
 - Be tracked using an IMS and appropriate EV Techniques
 - Have clear RAA
 - Act as a communication's tool
 - Be perfectly clear
 - Have milestones to trigger celebrations

Your EAC May Be “Questionable” If:

- Your Declared EAC (most likely) is lower than all Empower[®] iEACs or “*EAC not realistic*” validity report
- Your Declared EAC = an iEAC
- The customer rejects your Declared EAC (again)
- Your EACs = a contract value (BAC, target cost, PTA, ceiling price) month-after-month
- ACWP cum is > your declared EAC
- Your Declared EAC does not = Format 1 “at completion” sum & Format 5 explanation not credible
- Your declared EAC bears no resemblance to the Company’s Comprehensive EAC (CEAC)

Case Study #2) Is DCMA “Friend or Foe”

DCMA is A “Tough Love” Friend

The Company's "New" EV Leader

After GL # 27 Level III CAR

- **New EVM Leader's First Actions:**

- The company's new EVM leader was briefed by her team. She was told that the L3 CAR "came out of left field." After carefully studying the L3 CAR, she began to outline a CAP for a scheduled meeting with her DCMA counterpart.

- **New EVM Leader's First Meeting With DCMA:**

- The meeting with her DCMA counterpart seemed to go well. The company's new EVM leader mentioned that the L3 CAR seemed to have "come out of left field." She then briefed the outline of the CAP. At the end of the meeting, the DCMA EVM leader replied: "I like your draft CAP. I'll send a few suggestions via email after I have more time to study your draft CAP. I would like to give you this folder. It contains 3 years of communications between my office and your company outlining our continuing & growing concerns with your EAC process."

See: "[EVM: Is DCMA a Contractor's Friend of Foe](#)" at H&A 'blog'

Case Study #3)

The Best Contract Type For EVM

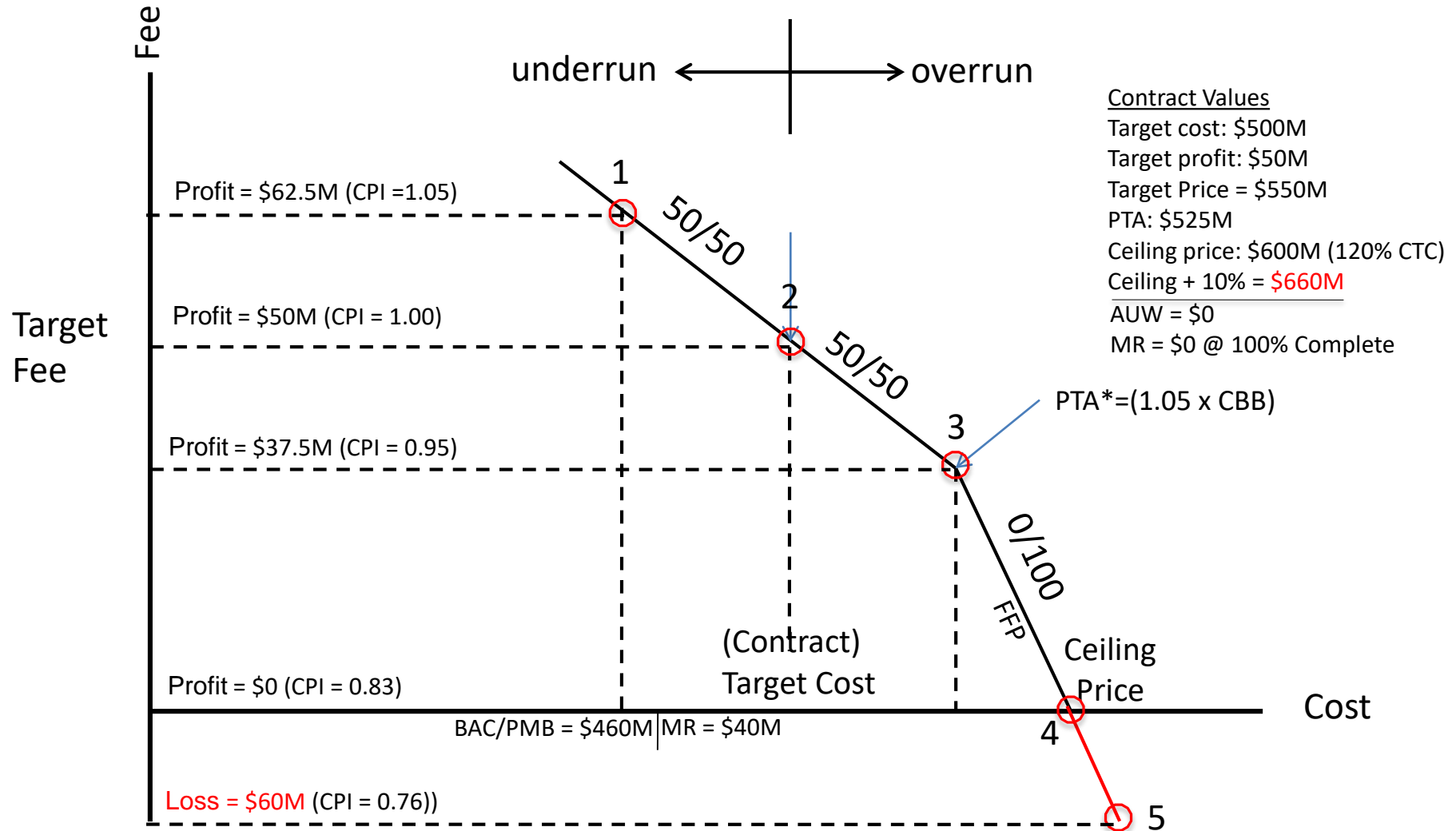
FPI-F

Why A FPI-F Contract Is Most Amenable To EVM?

- Both Contractor's and USG's "Money" At Risk
- Because Contractor and USG share cost risk; they "should" have an equal interest in EVM
- Visual Contract Geometry:
 - Suggestive of the Health of USG / Contractor Relationship. 50/50 share lines suggest USG & Contractor have the same view of risk
 - Creates the "incentive"
 - Contract risk determines slope of share lines (or they don't agree that CTC is the most likely final cost)
- Contract Target Cost + AUW = CBB = BAC + MR
 - (if AUW = 0, CTC = CBB)
- Motivates "Coin Operated" Contractors
- Point of Total Assumption (PTA) is an equation and its \$ value does not appear in the contract (contractor PTA math errors common*)

*If PTA is > Ceiling Price, Check Your Math

Generic FPI-F Contract



*PTA = Target cost + (ceiling price – target price)/ USG Share %

PTA = Target cost + (ceiling price – target price)/2 = 500 + (600 – 550) / 2 = 500 + (600 – 550)/2 = 500 + 25 = 525

Generic FPI-F “Math”

Point #	Name	Final Cost	VAR @ TC/CBB	Profit	ROC%	ROS%	CPI
1	5% < TC	\$475	\$25	\$62.5	13.2%	11.6%	1.05
2	At TC	\$500	\$0	\$50.0	10.0%	9.1%	1.00
3	At PTA	\$525	-\$25	\$37.5	7.1%	6.7%	0.95
4	At Ceiling	\$600	-\$100	\$0.0	0.0%	0.0%	0.83
5	10% > Ceiling	\$660	-\$160	-\$60.0	-10.0%	-10.0%	0.76



A CPI of 0.95 places you at PTA. What should your internal CPI threshold be?

I set MR = \$0 @ 100% complete for CPI calculation

Format 1 & The FPI-F Contract

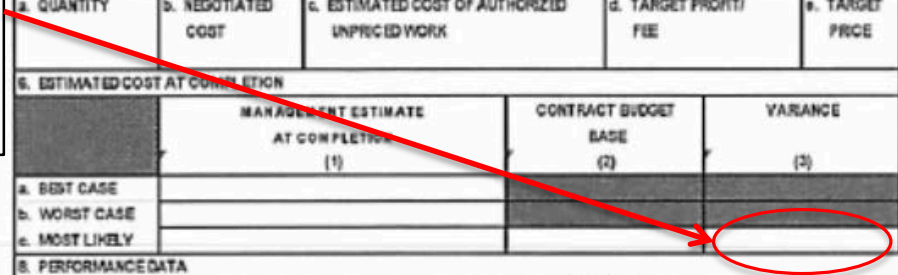
CLASSIFICATION (When Filled In)

**INTEGRATED PROGRAM MANAGEMENT REPORT
FORMAT 1 - WORK BREAKDOWN STRUCTURE**

The public reporting burden for this collection of information is estimated to average 3 hours per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed to complete the collection of information, reviewing the collection of information, including suggestions for reducing the burden, to Department of Defense, Washington Headquarters Services, Directorate for Information Operations and Reports (DOD/ODM), (0704-0188), (08/2011) provision of law no persons shall be subject to any penalty for failing to comply with a collection of information if it does not display a currently valid OMB control number. PLEASE DO NOT RETURN YOUR FORM TO THE ISSUING OFFICE WITHOUT FILLING IN ALL THE REQUIRED INFORMATION.

1. CONTRACTOR		2. CONTRACT		3. PROGRAM						
a. NAME		a. NAME		a. NAME						
b. LOCATION (Address and ZIP Code)		b. NUMBER		b. PHASE						
		c. TYPE	d. SHARE RATIO	c. EVMS ACCEPTANCE NO YES (Y)						
5. CONTRACT DATA										
a. QUANTITY	b. NEGOTIATED COST	c. ESTIMATED COST OF AUTHORIZED UNPRICED WORK	d. TARGET PROFIT/ FEE	e. TARGET PRICE	f. ESTIMATED PRICE	g. CONTRACT CBLING				
6. ESTIMATED COST AT COMPLETION				7. AUTHORIZED CONTRACTOR REPRESENTATIVE						
	MANAGEMENT ESTIMATE AT COMPLETION (1)		CONTRACT BUDGET BASE (2)	VARIANCE (3)						
a. BEST CASE										
b. WORST CASE										
c. MOST LIKELY										
8. PERFORMANCE DATA										
ITEM (1)	CURRENT PERIOD					CUMULATIVE TO DATE				
	BUDGETED COST		ACTUAL COST	VARIANCE		BUDGETED COST		ACTUAL COST	VARIANCE	
	WORK SCHEDULED (2)	WORK PERFORMED (3)	WORK PERFORMED (4)	SCHEDULE (5)	COST (6)	WORK SCHEDULED (7)	WORK PERFORMED (8)	WORK PERFORMED (9)	SCHEDULE (10)	

For our example FPI-F contract, multiply the VAR @ CBB by 0.5 to determine an increase or decrease in target profit.



For 'cost plus' contracts an unfavorable VAR @ CBB is an OTB early warning

“The Future Ain’t What It Used To Be”

EVM’s “Future State”

EVM's 'Future State' Pop Quiz

What will the contractor be required to submit? From the options below, select the choice that best describes your opinion of EVM's "future state."

- a). The contractor will submit only Format 7.
- b). The contractor will submit only Format 6.
- c). The contractor will submit Formats 5, 6 & 7.
- d). There will be no change in IPMR reporting requirements.

The End

BCWR = 0

BCWP cum = BAC