Managing Bids, Tenders and Proposals

Introducing the Bid.Win.Deliver Framework

James Noel Smith

Universal-Publishers
Irvine - Boca Raton

Managing Bids, Tenders and Proposals
Introducing the Bid.Win.Deliver Framework

Universal Publishers
www.universal-publishers.com
Irvine - Boca Raton
2017
978-1-62734-103-5 (pbk.)
978-1-62734-104-2 (ebk.)
978-1-62734-183-7 (hbk.)

Publisher's Cataloging-in-Publication Data

Names: Smith, James Noel.
Title: Managing bids, tenders and proposals : introducing the Bid.Win.Deliver framework / James Noel Smith.
Description: Irvine, CA : Universal Publishers, 2017.
Identifiers: LCCN 2017942333 | ISBN 978-1-62734-103-5 (pbk.) | ISBN 978-1-62734-183-7 (hardcover) | ISBN 978-1-62734-104-2 (PDF)
Subjects: LCSH: Bid management. | Tender management. | Proposal Management. | BISAC: Heading / Subheading.
Classification: LCC HF5718.5 .S65 2017 (print) | LCC HF5718.5 (ebook) | DDC 658.15--dc23.

Preface

"I think I'd like to be a bid manager when I grow up."

Nobody.

When I see headlines about a major project that is late, over-budget or under-performing I always wonder how this came about. After all, no-one ever sets out to miss critical deadlines, overspend budget or not deliver. It may be only big projects that make the headlines, but suppliers, vendors, manufacturers and service providers too often miss profits by finding out too late just what is needed to deliver what they sold to a customer. "Too late" of course generally means after the ink on the contract has dried.

Bid management asks the questions necessary to avoid poor commercial outcomes before any contract is signed. Bid management ensures that suppliers of products, services or solutions pursue the right sales opportunities and submit compelling and competitive bids, tenders and proposals. Best practice bid management can raise win rates and improve profits and is a source of competitive advantage.

I created the Bid.Win.Deliver Framework so that any supplier or professional can follow best practice in bid management. Based on my own experiences with many different organizations and my own industry surveys, the Bid.Win.Deliver Framework sets out how any supplier can make every bid, tender or proposal lead to profitable new business. *Managing Bids, Tenders and Proposals* describes and explains the fundamentals of bid management that underpin the Bid.Win.Deliver Framework.

Bid management has been a rewarding career for me. Despite the hard work and pressing deadlines, there is a great sense of achievement when a bid response is successful. Bid managers work with nearly every part of their organization and find their skills tested every day. After delivering many successful bids, tenders and proposals (and a few of unsuccessful ones too), I am still learning because every customer, every opportunity and every solution is different.

I have learned from, observed and gained insights from too many colleagues and clients to acknowledge individually. I must though thank my wife Ann for her patience as I typed away over weekends and evenings too many to count, as well as for proof-reading the entire manuscript and her invaluable comments and suggestions.

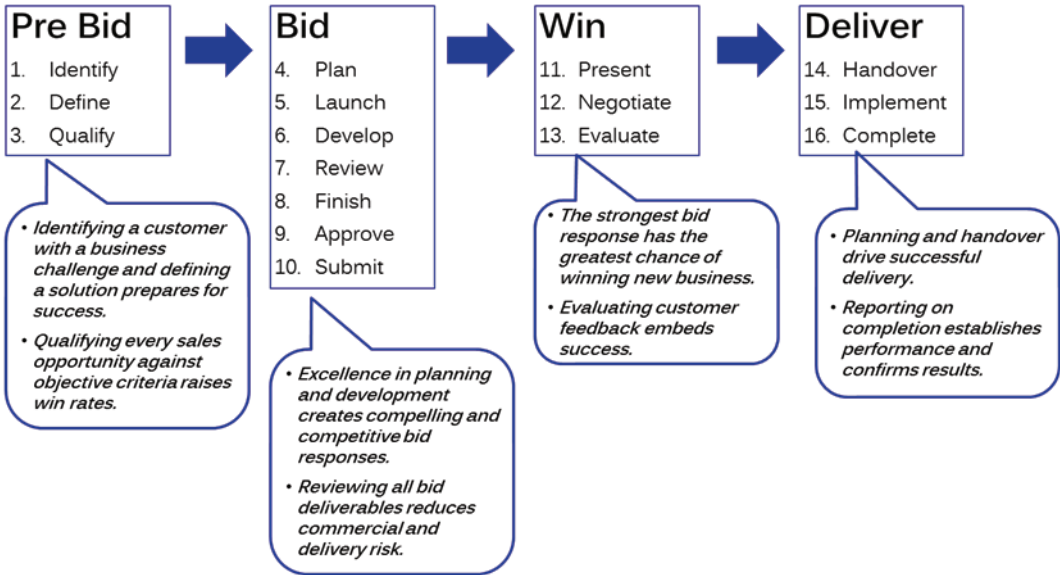
My ambition for *Managing Bids, Tenders and Proposals* and the Bid.Win.Deliver Framework is to help suppliers, vendors and their bid teams to win more successful business by working more effectively. Let me know how you go.

James Noel Smith

www.bidwindeliver.com

Contents

Welcome to the Bid.Win.Deliver Framework



Bid.Win.Deliver establishes bid management as a professional discipline that delivers competitive advantage for the suppliers of products, services and solutions across all industries. Suppliers need strong bid management when pursuing important sales opportunities so that their bid teams:

- Work effectively and efficiently in tight timeframes
- Reduce commercial risk and delivery risk
- Create compelling and competitive bids, tenders and proposals.

Managing Bids, Tenders and Proposals explains the essential knowledge needed by bid teams when responding to requests-for-proposals (RFPs), requests-for-tenders (RFTs) or developing proactive proposals. *Managing Bids, Tenders and Proposals* is the foundation for winning new and profitable business.

The Bid.Win.Deliver Framework applies the principles behind Managing Bids, Tenders and Proposals and guides suppliers through the practical steps when developing bids, tenders and proposals. The Bid.Win.Deliver Framework works with all sales methodologies and proposal development strategies so that suppliers retain their investments in training and their preferred tools and templates.

Suppliers and professional staff in all industries will benefit from the whole-of-business approach of *Managing Bids, Tenders and Proposals* and the Bid.Win.Deliver Framework.

What is Bid Management?

Bid management integrates all the essential activities to be completed when developing a bid response for an RFP, an RFT or preparing a proactive proposal. Suppliers can improve their win rates and commercial outcomes by increasing their capability in bid management to always deliver compelling and competitive bid responses.

When a sales team identifies a new opportunity, bid management takes responsibility for ensuring the supplier promptly develops and submits a bid response that best positions the supplier for success. This includes understanding what the customer is seeking and proposing a solution that will deliver value at a competitive price. Bid responses must also reduce commercial and delivery risk so that suppliers can achieve strong commercial results.

Bid management is an integrative activity that leads, directs and coordinates a supplier's different teams who must collaborate as a bid team. Creating the bid documents, deciding the solution to be proposed and agreeing the commercial strategy are all complex and interdependent tasks. Bid management keeps these tasks synchronized so that suppliers can develop their best bid, tender or proposal, often in short timeframes.

A Guide for Readers

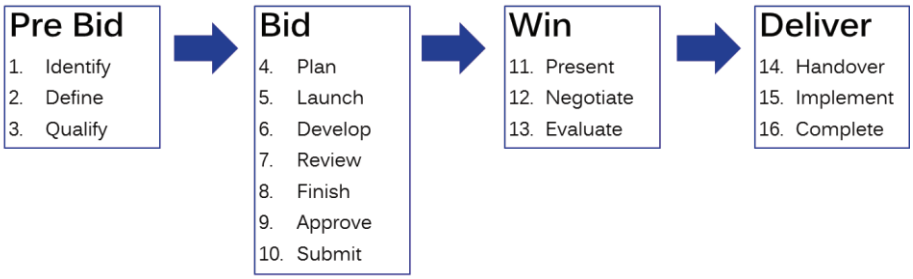
Managing Bids, Tenders and Proposals takes the viewpoint of a supplier of products and services that needs to respond to a sales opportunity with a bid, tender or proposal. Parts I, II and III explore essential topics with chapters that explain what bid teams need to know. Part IV presents the Bid.Win.Deliver Framework and provides a complete specification for each its 16 procedural steps. Part V provides a glossary of terms used throughout *Managing Bids, Tenders and Proposals* and defines their meaning and importance.

Bid.Win.Deliver *Managing Bids, Tenders and Proposals*
Part I: Buying & Selling
– Profit, pricing, value and risk – The procurement process of customers – Sales opportunities and sales governance – Business challenges and solutions
Part II: Bidding & Winning
– Understanding an RFP or RFT – Bid responses and bid management – Commercial management

Part III: Delivering a Bid Response
– Compelling and competitive bid responses – Planning a bid response – Managing a bid response – Producing compelling bid documents
Part IV: Bid.Win.Deliver Framework Specification
The 16 procedural steps for developing compelling and competitive bid responses.
Part V: Bid.Win.Deliver Terminology
A glossary of all terms used in *Managing Bids, Tenders and Proposals* and the Bid.Win.Deliver Framework.

What is the Bid.Win.Deliver Framework?

The Bid.Win.Deliver Framework is a unique approach for responding to sales opportunities. In 16 procedural steps, the Bid.Win.Deliver Framework guides suppliers and their staff through the development process from identifying a sales opportunity to developing a compelling and competitive bid response.



Any supplier in any industry that submits bids, proposals and tenders will benefit from adopting the Bid.Win.Deliver Framework. The framework provides a clear roadmap for implementing best-practice bid management at any organization that supplies products or services in B2B and B2G markets.

The Bid.Win.Deliver Framework equips any professional with the skills to lead and manage a bid response. For experienced bid managers, the Bid.Win.Deliver Framework provides a common reference for discussion, reflection and professional development.

Adopting the Bid.Win.Deliver Framework

The Bid.Win.Deliver Framework has been developed from many years of experience in delivering bids, tenders and proposals across industries and for suppliers large and small. The Bid.Win.Deliver Framework distils the essential

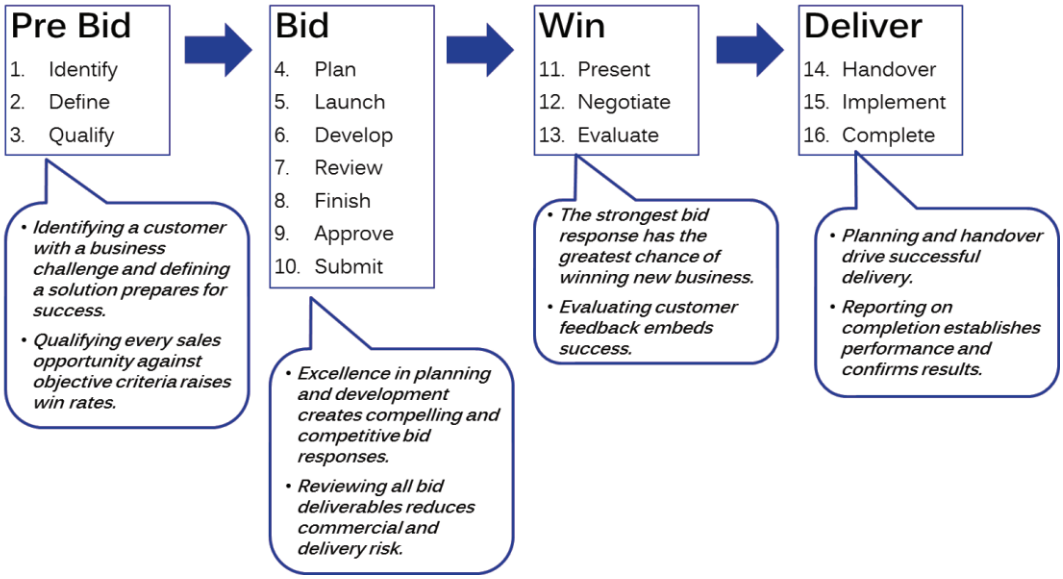
steps in bid management from when a sales opportunity is first identified to developing and submitting a successful bid response.

The 16 steps of the Bid.Win.Deliver Framework span the complete lifecycle of a successful sales opportunity from the Pre-Bid and Bid Phases to the Win and Deliver phases. This is to encourage suppliers to take a whole-of-business approach and engage all their teams to support their bid teams in winning new business.

Most successful suppliers will already have sales processes that include some elements of the Bid.Win.Deliver Framework. These organizations can use the Bid.Win.Deliver Framework to audit their processes and identify gaps and decision points where more integration is needed. Other suppliers with less developed processes can adopt the Bid.Win.Deliver Framework as necessary for their sales and business environment.

Whether you are seeking to improve your organization's win rates or commercial outcomes, adopting *Managing Bids, Tenders and Proposals* and the Bid.Win.Deliver Framework will be an invaluable foundation for greater success. Individual professionals can study *Managing Bids, Tenders and Proposals* and adopt the Bid.Win.Deliver Framework to achieve more in their current roles and advance their careers.

Exploring the Bid.Win.Deliver Framework



The Bid.Win.Deliver Framework guides supplier organizations through the challenges in developing a successful bid response. From identifying a customer with a business challenge to winning new business and achieving strong commercial outcomes, Bid.Win.Deliver Framework navigates the actions necessary to reduce commercial and delivery risk.

The Bid.Win.Deliver Framework comprises 16 procedural steps sequenced across four phases, with each phase reflecting how customers conduct procurement programmes and how suppliers manage sales opportunities.

Each step in the Bid.Win.Deliver Framework is explained in Part IV: *Bid.Win.Deliver Framework Specification*, along with a full discussion of the actions and decisions to be taken during the development of a bid response.

Pre-Bid Phase: Identifying Sales Opportunities

Pre Bid

Step 1: Identify
- Find a new sales opportunity by understanding a customer's business challenges.

Step 2: Define
- Specify a solution for the customer's business challenge.

Step 3: Qualify
- Determine if the sales opportunity can be a commercial success.

Suppliers need a strong pipeline of sales opportunities and their sales teams are constantly seeking to identify customers with business challenges that can become new sales opportunities.

A sales opportunity exists where a customer needs to purchase products or services that can form a solution to a business challenge. Business challenges span every customer objective from building new infrastructure

and technology platforms to procuring materials, components and support services for regular business operations.

The Pre-Bid phase in the Bid.Win.Deliver Framework captures this fluid process in three simple steps. Sales teams identify sales opportunities using their preferred sales methodology or approach and enter the key details in the sales management system adopted by their organization. Defining a solution statement clarifies the solution to be developed and proposed to the customer. Formally qualifying sales opportunities assesses their commercial potential and keeps bid teams working on the sales opportunities with the greatest prospects of commercial success.

Bid Phase: Compelling and Competitive Bid Responses

Bid

Step 4: Plan
- Establish how to respond to the sales opportunity.

Step 5: Launch
- Engage the whole supplier organization in developing the bid response.

Step 6: Develop
- Create the bid documents, contract delivery plan and business case.

Step 7: Review
- Seek feedback to make the bid response more compelling and competitive.

Step 8: Finish
- Finalize the bid documents, contract delivery plan and business case.

Step 9: Approve
- Obtain the necessary approvals from senior management.

Step 10: Submit
- Deliver the complete bid response to the customer.

Bid responses must be compelling and competitive so that the customer engages with the supplier and ultimately awards them a contract for the delivery of their proposed solution. For suppliers, bid responses must reduce commercial risk and delivery risk and have a clear plan for achieving the forecast profit.

A bid response includes more than the bid documents to be submitted to the customer. A business case will demonstrate how the proposed pricing and expected implementation costs will return an acceptable profit that meets or exceeds the supplier's hurdle margin requirement. A contract delivery plan will give the business case a detailed view of the costs and risks for implementing the proposed solution. The bid documents, contract delivery plan and business case are collectively termed as the bid deliverables.

The Bid.Win.Deliver Framework structures the Bid phase in simple and logical steps for developing these bid deliverables. This includes the reviews and approvals mandated by the supplier's own standards and policies.

The Bid.Win.Deliver Framework guides suppliers through this critical time with simple and clear steps. The framework shows any professional how to lead their organization through this development process and how to manage the complex task dependencies involved in developing a comprehensive bid response.

Win Phase: Closing the Deal

Win

Step 11. Present

- Show the customer that the bid response will deliver the greatest value.

Step 12. Negotiate

- Resolve all remaining issues so the customer can award the contract.

Step 13. Evaluate

- Win or lose, assess the bid response and the outcome.

Submitting a completed bid response is only one milestone towards winning new and profitable business. Suppliers who adopt the Bid.Win.Deliver Framework can expect to be short-listed because their bid responses will be competitive and compelling. Qualification of sales opportunities during the Pre-Bid Phase means that bid teams have more time to develop bid responses where there is a better chance of success.

The Bid.Win.Deliver Framework highlights three key events in the Win phase when the sales team are trying to close the deal. Anticipating and preparing for a high-impact presentation means the sales team will make a strong impression with the customer's bid assessment panel.

Negotiating a contract usually requires amending key details of the proposed solution and its pricing. The Bid.Win.Deliver Framework requires bid teams to remain engaged and support the sales team. The framework also requires that the business case is updated and reviewed to confirm that the forecast profit still meets or exceeds the supplier's hurdle margin requirement and that commercial and delivery risk are minimised.

Finally, whether or not a bid response is successful, suppliers assess how they developed the bid response and consider feedback from the customer. The bid team must consider these points and prepare a Lessons Learned document for future bid responses.

Deliver Phase: Achieving the Goals

Deliver

Step 14: Handover

- Transfer responsibility to the delivery team for implementation.

Step 15: Implement

- Commence contract delivery to the customer.

Step 16: Complete

- Confirm contract delivery is completed.

Working on a bid team is a temporary assignment and bid team members move on to other work after the bid response is won and the contract signed. Successful suppliers maintain continuity after a successful bid response by holding a handover session to their delivery team. Although implementation and delivery is different for every solution, suppliers always need to report and understand their delivery performance and commercial outcomes.

The Bid.Win.Deliver Framework spans the compete lifecycle from Pre-Bid to Deliver so that suppliers build on their success and embed their experience for future bids, tenders and proposals.

Part I: Buying & Selling

1 Profit, Pricing, Value and Risk

***All organizations that** sell products and services are seeking profitable new business to fund investment, re-pay debt and provide returns for their owners, shareholders and investors. Understanding the fundamentals of profit, pricing, value and risk is essential so that bids, tenders and proposals lead to profitable new business.*

Suppliers develop bids, tenders and proposals in response to new sales opportunities with customers who might buy their products and services. Successful, bids, tenders and proposals must be compelling and competitive for customers but also lead to profitable new business for the suppliers. For profitable new business, suppliers must adopt a competitive pricing strategy that will deliver an acceptable profit, reflect the value that the customer will gain but not incur unacceptable risk.

1.1 Profit, Margin and Mark-Up

The profit made from selling a product or service is the residual amount remaining after the costs have been deducted from the sales price. This is expressed in a simple equation:

$$\$Profit = \$Price - \$Cost$$

Figure 1 shows this relationship between price, cost and profit.

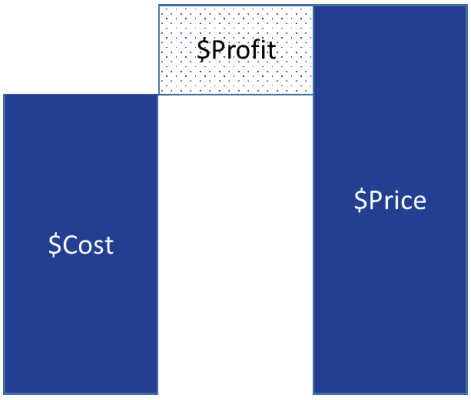


Figure 1 A sales price comprises cost and profit

Profit and margin are interchangeable as concepts. Profit is a monetary amount and expressed in a currency such as dollars, euros or pounds. Margin is profit expressed as a percentage of the sales price and calculated with this formula:

$$Margin\% = \frac{\$Price - \$Cost}{\$Price} \times 100$$

Mark-up is also expressed as a percentage that represents profit but is calculated differently to margin. Mark-up is a scaling amount added to a cost. Table 1 shows three different products priced at $100 but with different costs and so have different percentage values for margin and mark-up.

PRODUCT	PRICE	COST	PROFIT	MARGIN	MARK-UP
PRODUCT 1	$100	$80	$20	20%	25%
PRODUCT 2	$100	$50	$50	50%	100%
PRODUCT 3	$100	$20	$80	80%	400%

Table 1 Margin and mark-up are different ways of expressing profit

Margin is the preferred term for expressing a profit as a percentage. All margin values will lie between 0% and 100% and are readily comparable. Mark-up percentages can involve much larger values and are less easy to compare.

1.2 Approaches to Pricing

Customers always seek the greatest value when buying products or services. Whether there is a fixed budget or not, customers will buy from the supplier who offers the most benefits for the best price. Suppliers take many different approaches to pricing and pricing strategies are a complex subject.

In highly competitive markets with many suppliers selling similar products and services, suppliers set their prices according to the current market conditions. When a customer has complex requirements or is seeking products or services with specialized or custom specifications, there will be fewer suppliers and less competition. Comparing prices for value will be harder and these customers often request suppliers to submit bids, tenders or proposals for evaluation.

Suppliers who develop bids, tenders or proposals need to choose their pricing strategies carefully when responding to these sales opportunities. Common approaches to pricing in bids, tenders and proposals are:

- Cost-plus pricing
- Time & materials (T&M) pricing
- Fixed pricing
- Capped T&M pricing

1.2.1 Cost-Plus Pricing

Cost-plus pricing is a common approach to pricing but has several shortcomings. It can lead to lost sales through over-pricing or lost profits through under-pricing.

The equation for profit can be rearranged to calculate the required sales price when costs are known and a given profit margin is required:

$$\$Price = \frac{\$Cost}{1 - Margin\%}$$

Margin is the percentage profit expressed as a decimal fraction. For example, if the required margin is 20%, the equation is:

$$\$Price = \frac{\$Costs}{1 - 0.2}$$

Cost-plus pricing calculates a sales price without reference to the value that the customer perceives in the product or service or the current market prices.

1.2.2 Time & Materials Pricing

Pricing based on "time & materials" is known as T&M pricing. With T&M pricing the customer and supplier agree standard rates for labor, or time, and the materials needed to deliver a product or service. The customer agrees to pay the supplier's invoices based on the work done and materials supplied. The supplier will charge the customer higher prices than they pay their staff or their suppliers. The final cost is unknown to both the customer and supplier until delivery of the product or service is complete.

Figure 2 shows a scenario under T&M pricing where there is a known minimum cost and a range of additional potential costs. The final actual costs will determine the total price paid by the customer and the profit made by the supplier.

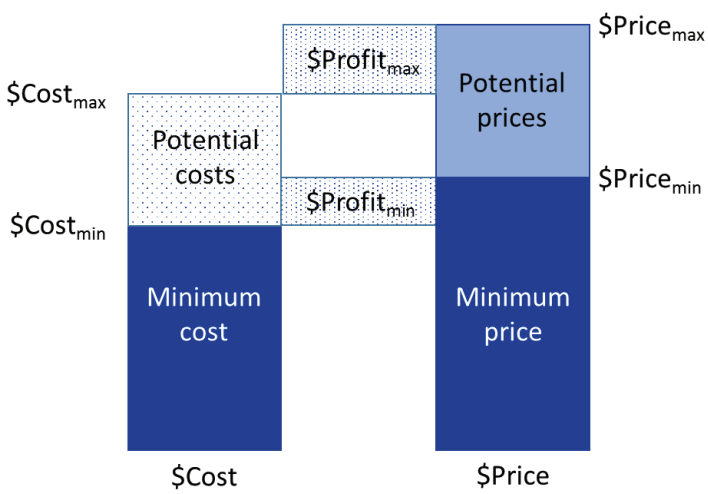


Figure 2 Time & materials pricing has limited potential for profit

In this scenario the customer will pay a price between $\$Price_{min}$ and $\$Price_{max}$ but will not know the full price until the supplier completes delivery. The supplier does

not know the costs they will incur, but they do know they will make a profit between $\$Profit_{min}$ and $\$Profit_{max}$.

The scenario depicted in Figure 2 is unsatisfactory for both the customer and the supplier. The customer bears all the risk and uncertainty of the final price to be paid. The profit that the supplier can make is limited to the standard rates agreed with the customer. There is no incentive for the supplier to better manage their costs.

1.2.3 Fixed-Price Bidding

Fixed-price bidding is preferred with bids, tenders and proposals where the products and services to be delivered are customized or developed for specific customer requirements.

Fixed-price bidding provides a more satisfactory outcome for both customers and suppliers. Figure 3 shows the same scenario depicted in Figure 2 with a minimum cost and a range of additional potential costs. However, in Figure 3 the supplier offers the customer a fixed price. This fixed price is based on the supplier's forecast of the costs and allows for an acceptable forecast profit. This cost forecast should be conservative and include all reasonable sources of cost.

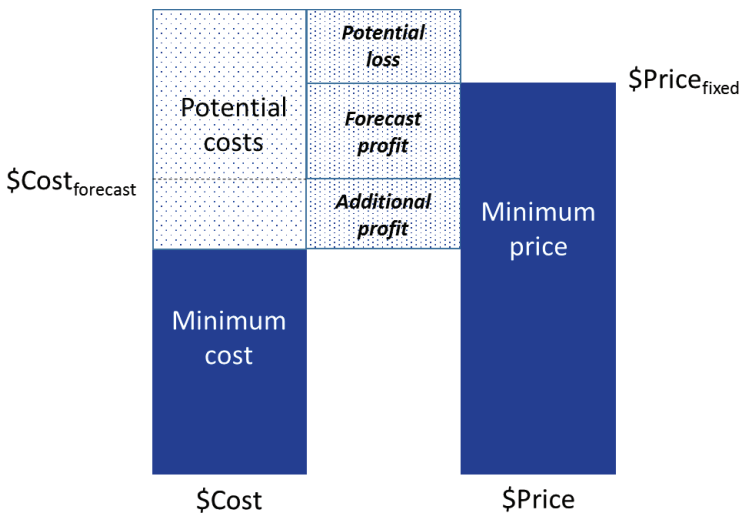


Figure 3 Fixed-pricing has greater scope for profit

Fixed-price bidding rewards the supplier for strong management of delivery costs and effectively mitigating risks. By keeping costs below the forecast, the supplier has the opportunity to earn additional profit.

The customer gains with fixed-price bidding by knowing that they will only pay a fixed price for the delivery of the products or services. If the supplier incurs additional costs due to poor delivery management or poor risk mitigation then

these costs are not passed on to the customer. The supplier will bear the costs and their forecast profit will be eroded and they may even incur a loss.

Successful fixed-price bidding relies on accurate cost forecasting and risk planning during the development of the bid, tender or proposal. Cost forecasts that are overly cautious will drive pricing too high and be uncompetitive. Cost forecasts that are incomplete or do not adequately address risk will leave the supplier exposed to unplanned costs and facing decreased profits.

Customers may request additional work and then suppliers are entitled to raise a contract variation to cover the cost of the additional work. Suppliers may identify additional work but will need the customer to agree that it was not in the original scope of the fixed-price bid before accepting a contract variation.

1.2.4 Capped T&M Pricing

Capped T&M pricing is a variation of T&M pricing that is increasingly common in contracts where an Agile methodology is adopted for delivery. Suppliers offer a maximum price to their customers but only charge for the actual labor used during delivery. Contracts delivered with an Agile methodology involve a series of stages or sprints. At the completion of a stage or sprint the customer can decide whether to continue with the supplier or terminate the contract.

Capped T&M pricing provides more certainty for the customer and limits their exposure to continuing payments when they are not satisfied with the supplier's delivery. Suppliers benefit under capped T&M pricing by not having to forecast costs for the delivery of complex products and services but can still use premium pricing for daily rates where their workforce is highly skilled and in strong demand.

1.3 Creating Value and Making a Profit

For organizations to be successful and achieve good profits they must both create value for customers and be efficient when delivering their products and services.

The value that a customer sees in products and services influences what price they will pay. A bid, tender or proposal must persuade the customer that their proposed solution provides the most benefits and most closely meets their requirements. Suppliers must develop bids, tenders and proposals that are compelling so that customers will value them more highly and accept higher pricing.

The efficiency with which an organization delivers its products and services will keep its costs down. A bid, tender or proposal must offer competitive pricing that matches or is lower than pricing from other suppliers with comparable solutions. When a supplier is efficient in managing its costs it can offer competitive pricing while still making an acceptable profit.

Value and efficiency drive better profits for suppliers and underpin compelling and competitive bids, tenders and proposals. This can be seen by re-visiting the profit equation.

$$\$Profit = \$Price - \$Cost$$

For a given $Cost, a higher $Price will drive a higher $Profit. Similarly, for a given $Price, a lower $Cost will also drive a higher $Profit.

So profits are proportional to price and inversely proportional to costs.

$$Profit \propto Price$$

and

$$Profit \propto \frac{1}{Costs}$$

Customers will pay more for something they value and so price can be represented by value. Costs are inversely proportional to efficiency so the profit equation becomes:

$$Profit \propto Value \times Efficiency$$

Profit is directly proportional to the value a supplier delivers to its customers and the efficiency with which it delivers its products and services.

This view provides insights to the strategies that suppliers can adopt in response to their capability in delivering value and being efficient. Figure 4 illustrates four scenarios for value and efficiency, together with appropriate responses.

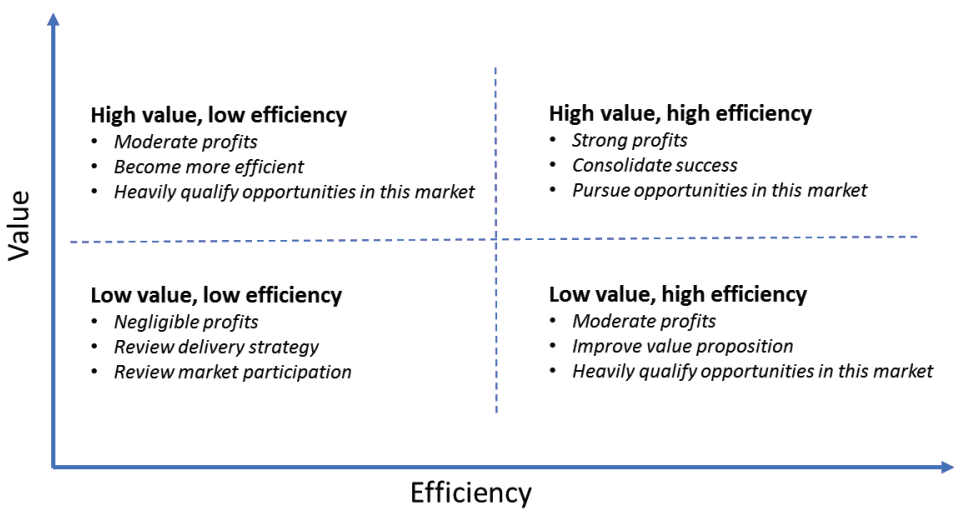


Figure 4 Value and efficiency drive the profits that a supplier can achieve

1.4 Reliability and Certainty as Value

Customers see value in suppliers who offer lower risk. Customers need confidence that the supplier can be relied on to deliver their proposed solution and that it will meet their needs. Customers further need certainty that the initial price and total ongoing costs they expect will not increase due to unexpected contract variations or charges.

Reliability and certainty contribute to the level of risk perceived by the customer. Reliability is important for the delivery of complex solutions and where critical milestones occur over months or even years. Certainty in pricing is important because unexpected contract variations can cause over-runs in the customer's budget.

Suppliers can potentially achieve higher prices and higher profits by offering lower risk through reliability in delivery and certainty in pricing. Understanding value, risk, reliability and certainty is as important as understanding pricing and profit.

1.5 Successful Fixed-Price Bidding

Suppliers developing a bid response must select the best pricing strategy to win the new business and make a profit. Cost-plus pricing does not link the value a supplier will deliver to a customer with the pricing they propose and the profit they are seeking. T&M pricing can limit the profit for a supplier while leaving the customer with risk and uncertainty about the final price they will pay.

Customers prefer fixed-price bidding and suppliers accept the risk this can carry for the potential of making a greater profit. Success with fixed-price bidding though requires suppliers to understand risk and profitability and to have commercial policies to define what they will and will not accept.

1.5.1 Balancing Commercial Risk and Delivery Risk

When a supplier agrees a contract to deliver a proposed solution they are accepting a level of commercial risk and delivery risk. Until the proposed solution is delivered, the supplier is assuming that delivery can be completed and will meet the customer's needs. The supplier will face commercial consequences if they do not deliver, or do not deliver within the agreed timeframe or to the agreed standard. These consequences can include increased delivery costs, penalty payments to the customer and even legal claims for damages. The impact of any of these adverse outcomes is that the profit made from the contract would be less than expected and the supplier may even incur a loss.

Suppliers need to avoid these adverse commercial outcomes by assessing and balancing commercial and delivery risk. If delivery risk is considered high, this must be balanced by the potential for making greater profits when successful.