

# **ACQUIRING MAJOR SYSTEMS CONTRACTS**

*Bidding Methods  
and  
Winning Strategies*

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**Marshall H. Kaplan**

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## Bidding Methods and Winning Strategies

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# Preface

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The definition of “bidding” as used here is the process by which aerospace, military, and many equipment and services contractors acquire each of their multimillion-dollar contracts from the U.S. government or other customers. American industry is now spending in excess of \$6 billion annually on getting new business and staying in business. Much of it is wasted because of poor marketing, inappropriate management decisions, and weak proposals.

The art and science of developing the bid for these big contracts has evolved throughout the years since World War II. The first federal laws pertaining to the procurement of large systems were passed in 1948 under Title 10 of the U.S. Code, affecting military acquisitions. Title 41 of the U.S. Code affects acquisitions by most civilian agencies of the government.

It is understandable that early bidding efforts were crude attempts at writing proposals based on engineering writing principles. This approach, unfortunately, is still common in industry. In the years since 1948, the government has continuously increased the structure of the acquisition and source selection process. As a result of 35 years of various informal refinements, a new federal acquisition regulation (FAR) became law in 1984. The FARs on “source selection” appear in Part 15, Subpart 15.6 of the U.S. Code. These new regulations force government agencies to use competitive bidding almost exclusively. Today every aerospace, military, and high-tech contractor must use sophisticated bidding methods in order to be competitive.

The learning process is difficult, because most people learn through the actual bid process (i.e., on-the-job training). Few public organizations offer any formal education on the subject. Universities and other insti-

tutions of higher education have just begun to offer courses in this area. In fact, only a few people are qualified and available to teach this material. Those that are qualified are finding themselves in demand by an increasing number of industrial firms. The FARs will continue to make federal procurements highly competitive and complex processes for the foreseeable future. It is simply a matter of time until large numbers of universities introduce both undergraduate courses and continuing education seminars on the acquisition of large government contracts. Presently, only short courses and workshops are offered in industrial settings and within many aerospace and military contractor organizations.

To become an expert at the “bid,” you must possess a great deal of three qualities, the three Ts: timing, talent, and tenacity. Timing has to do with getting the right experience at the right time (i.e., luck). Talent is that ingredient which you will need to learn and take advantage of timing. Tenacity is the most important of the three. This is a reflection of your commitment to producing a superior bid and the characteristic that keeps you coming back again and again after each rejection, disappointment, and criticism.

Given enough good and bad experiences, you are bound to gain insight into the bid process. I have spent the last 20 years doing just that, as an academic researcher and industrial proposal consultant. My experience has included many a rejection and loss, and an occasional win. I have concluded that there must be a better way, and this book presents that way.

Every large company has its own methods, but few are applied properly, many are ignored altogether, and most lack something in achieving the desired results. At the management level the problem of poor bid production lies with the lack of planning, leadership, and commitment. At the worker level, it is commonly known that most people who work on proposals, both big and small, do not like this kind of activity. The large majority of them have had engineering training, which is generally associated with poor writing skills and little or no background in marketing and bid strategies. Many of these people think that proposal writing is demeaning, unnecessary, and a waste of valuable time. Some are arrogant, thinking the customer should simply award them the contract on the basis of qualifications and past experience.

Only a few companies can claim a real commitment to excellence when it comes to the art and science of bidding. These are the largest and most successful ones, and not just by coincidence.

This is not the first book to deal with this subject matter. However, it is the most up-to-date and comprehensive treatment of the end-to-end process of bidding on large, sophisticated contracts. Furthermore, it is presented in a manner that illustrates fundamental principles, practical applications, and real examples. This book is intended to serve two masters. It is a text for training the novice who has no background in mar-

keting or government bidding. It is also a how-to guide and reference for those of you who regularly work on large, complex, and competitive bids.

Every large government contractor must bid to survive. Bidding is the way they survive, and this business is surely a true-to-life example of survival of the fittest.

I have attempted to demonstrate the good habits that allow effective and efficient development of all elements of a bid: marketing, company commitment, proposal production, follow-up, and performance after winning. Even more important, I have identified the bad habits and never-do-this items which lead to an expensive loss. All this information is intended for use as a guide in assisting you to develop and refine your personal approach to bidding. Used properly, this knowledge should eliminate much of the waste and hardship associated with losing bids.

I would like to thank many of my colleagues in the aerospace and military industry, who do survive superbly. They have learned to bid successfully by taking advantage of timing, pursuing with tenacity, and applying the talents at hand. Many thanks go also to Cathy Kalasky for carefully editing the manuscript.

*State College, Pennsylvania*  
*March, 1988*

MARSHALL H. KAPLAN

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# 1

## Introduction

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An effective way to introduce our complex and challenging subject is through the use of an illustration based on actual experience. The one I will employ here should be familiar to many readers. Our story begins about a year ago when I was called in to help one of America's largest military-aerospace contractors. Let's refer to this company as Ajax Aerospace (AA) for convenience and to avoid embarrassment.

### □ A TRUE STORY

After several weeks of telephone discussions, Ajax decided we should have a face-to-face meeting in order to finalize the terms of my consulting contract to assist in their biggest bid ever. As a proposal consultant, I was to assist AA in planning, scheduling, and executing a billion-dollar bid to the U.S. Army on a program we can call the self-propelled bazooka (SPB). My soon-to-be client understood that the formal request for proposal (RFP) would be released within two weeks. I therefore expected to see at least a draft proposal and preliminary system design upon arriving at their facilities.

### The First Meeting

Proposal consultants usually have to find their own way to the contractor's plant and are rarely treated in any special way. This was one of those rare occasions when I received special treatment. As I taxied my private

plane up to the terminal building, two well-dressed gentlemen in one of those expensive German sedans approached me. The thought occurred: "Are they trying to impress me, too, or are they in serious trouble and think I can work miracles?" An executive welcoming committee is indeed unusual.

One gentleman introduced himself as the Ajax director of marketing, responsible for the bid on this Army contract, and the other as the designated program manager. Both looked worried.

After a few brief amenities, we departed for the office and the scene of activities for development of a large and sophisticated proposal. A small group of key proposal participants was waiting to greet us in the executive conference room.

I got right to the point. "I've been looking forward to this first meeting to assess the ways in which I might help Ajax in developing the large and complex proposal needed to win the SPB program. Let me begin by asking to see a copy of your draft proposal."

Why ask for this first? Their response would give me insight into their organization and planning abilities. In this case they responded by indicating that there was no draft proposal.

I countered by asking for their in-house or customer-generated draft request for proposal (DRFP). After all, the formal request would be out in two weeks, indicating that a great deal of background work should have been completed. However, no DRFP was to be found.

Finally, I asked about draft outlines and a set of guide scenarios for the authors to use in generating their first drafts of text and graphics. Again, none were to be found.

I had to conclude that this proposal team lacked the basic tools and understanding of the level and extent of planning and work involved in large proposal development. They had no sense of the trauma and anxiety associated with the task ahead of them.

As it turned out, not only did they not have a top-level proposal outline, but there wasn't even a draft system specification or any other part of a draft RFP to be found. At this point I started asking some very direct questions about their level of commitment, dedication, and understanding of the job ahead.

*Question:* "Why don't you have at least a draft RFP package?"

*Answer:* "The Army never sent us one."

*Question:* "How well do you know the Army arsenal responsible for this program?"

*Answer:* "Our marketing man has visited the arsenal a couple of times in the last three months."

*Question:* "Does the customer like you?"

*Answer:* "Based on our few visits and discussions, we have made a good early impression."

*Question:* "Why are you bidding on this contract?"

*Answer:* "Our management has directed us to go after it."

*Question:* "What are your chances for a win?"

*Answer:* "Good, because there are only three bidders, and of the other two, the Army is disappointed with one and the other can't handle a large systems program such as this one."

*Question:* "Do you have an in-house proposal manager with experience in this type and size of bid?"

*Answer:* "We do have a fellow who directs all such activities. His experience since coming here five years ago has included work on three large bids. These had values of up to \$30 million. We feel that he has done very well, winning one of them."

After some probing on this last answer I found that the one win occurred on a bid in which there were only two bidders, and the competitor was noncompliant. I continued to question.

*Question:* "Do you have a plan for the development of a proposal?"

*Answer:* "When the RFP arrives, our proposal specialist will analyze it and set up a schedule based on the due date. If the proposal cycle is 60 days long, we'll have a complete draft on or about the forty-sixth day. This leaves three days for in-depth reviews, three days for any changes, and eight days for editing, layout, and printing."

*Question:* "Have you estimated your costs, and do you know the correct price to bid for a win?"

*Answer:* "No. We don't have a system specification or work breakdown structure. However, we do know that the congressional budget line-item amount is \$1.2 billion."

## The Analysis

Let me summarize the situation as I saw it. I had arrived at the scene of a pending and sure disaster. Not only did these fellows have no chance of winning this contract if they maintained their present course, but they would surely cause an everlasting embarrassment to their company in the eyes of the customer. Here are some of the reasons:

1. At this time, it was just two weeks before the formal request for proposal (RFP) would be released. The development of a large and complex proposal usually takes months of planning and work before the RFP arrives.

2. Ajax Aerospace had not worked with this Army arsenal before, but their competitors had been for several years and knew what to expect in the RFP. They may have, in fact, helped to write it. In this case my client was about to compete against the incumbent on this type of system, so we can assume that they had a great deal of input to the RFP.

3. The Ajax proposal team hadn't a clue as to the magnitude and complexity of this kind of proposal, nor did they have a system design, nor a proposal organization to develop this bid. They hadn't even prepared a proposal area in which the work would be done.

4. No costing exercise had been done or planned up to this point. The process of converging on a set of realistic company costs and a pricing strategy requires iteration after iteration of internal costing negotiations at all levels of the organization.

To reiterate, Ajax had not done its homework, management had committed only lip service, little engineering design work had been completed, planning was nil, no costing had yet been done, and no proposal preparation had yet taken place. This is a perfect case of how not to do a big bid.

It happens all too often. It happens in large, sophisticated aerospace and military contractor organizations. It happens in those very departments that bid on billion-dollar, high-tech government contracts. It happened to Ajax and it will happen again. Your company could be next.

## The Challenge

About this time I was seriously considering returning to the airport and escaping before I got too involved. Why was I there? Did I really need this consulting contract that badly? Well, it definitely was a challenge worthy of the toughest and best proposal consultant, and I wanted to make a mark in the annals of proposaldom (or is it "proposal-dumb"?). I just couldn't resist the opportunity and challenge, so I continued to dig.

There would be some major conflicts encountered in the process of shaping up this crew, and I would need the management to back me all the way. I decided to start with shock treatment and see what kind of response resulted. This was done through a one-hour presentation on proposal planning and preparation. I was setting them up. They now realized that their work should have started six months earlier, that they should have had a draft RFP and proposal by the time I arrived, and that they should be working in a dedicated proposal area as a team.

Of course, they didn't have six months any more. They began to see the light of reality, and it was time to get down to business. I pointed out that since we did not have sufficient time to plan and carry out an efficient, effective proposal at minimum cost, we must improvise wherever possible

and use every potential advantage that we may have, including some luck. The schedule must be compressed through the use of simultaneous efforts in proposal preparation, engineering design work, management involvement, and costing exercises. In an ideal situation, many of the key efforts are done in a consecutive manner, with some simultaneity where required. Unfortunately, when you start late, many of the luxuries afforded by sufficient time are not available, and the end effect is an increase in bid and proposal costs to your company.

□ IN THE BEGINNING

During the early stages of the bid process there are three important things to keep in mind: planning, planning, and planning. The first level of planning produces the bid cycle overall schedule and milestone chart. I have constructed a generic one in Figure 1.1 for your use on all future large bids. This chart will allow you quickly to rough out a time schedule for the five phases of the bid process:

- Early activities
- Management deliberations
- Preproposal activities
- Proposal development
- Postproposal activities

The most important aspect of using such a planning tool is that it offers a step-by-step guide to beginning the bid. Use the tools properly and you

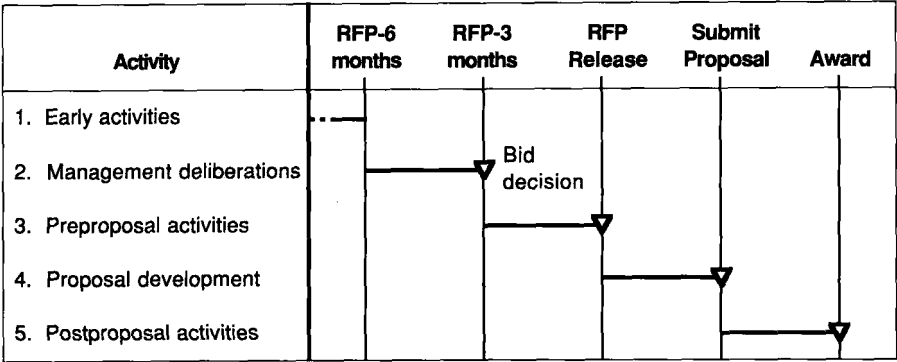


FIGURE 1.1 Bid Cycle Overall Schedule and Milestone Chart.

will develop a bid that is within budget and one that adheres to the schedule. It could even be a winning bid.

## □ THE ART OF BIDDING FOR THE BIG ONES

Why can't many big aerospace and military companies properly develop large complex bids and do it over and over again? Why am I so busy helping them? What is it about bidding on the big ones that is so difficult?

The art of bidding has to be learned and practiced, because success is often the result of experiencing the bid and failing, over and over. This book addresses the overall problem of bidding for large contracts for large customers such as the U.S. government. It does so through treatment of the five bid phases listed previously. Further, it addresses the pertinent questions that arise during the heat of a big bid. You will find a mix of strategy, methodology, and examples in the material that follows.

# 2

## Early Activities

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Let's assume for the moment that you have just become an Ajax Aerospace program manager and you have been charged with the mission of capturing a new program for the company. This is a unique opportunity for you to win and manage a successful program. If you are inexperienced, the first question that comes to mind might be: "How do I start the process of finding the right program?" Of course, the "right program" is one that satisfies the company's goals while allowing you to succeed in the organization. In an ideal situation, the new program manager would visit the Ajax marketing department and ask the appropriate person for upcoming bid opportunities that are consistent with company objectives. After all, it is their job to track all those new government activities for the company. The steps following this include preparing for the bid, writing a winning proposal, collecting the award, and running the program to completion.

### ☐ EMBARRASSING DEFEATS AND SWEET VICTORIES

Before you consider selling anything in the government or high-tech, one-of-a-kind marketplace, there are a few important points to keep in mind. The universal concept of doing business in the commercial marketplace is quite simple: "Find a need and fill it." In the government marketplace this philosophy simply does not apply. Here the customer specifies the need and contractors compete to fill it.

Once you accept the challenge of competing in this marketplace, you must also accept the specter of rejection, dejection, depression, and em-