

7 questions to answer when making bid/no-bid decisions

By Bob Lohfeld

Did you ever wonder why some companies have higher win rates than others?

You might think at first that these companies have smarter people who are better trained at proposal writing, better proposal development processes, and maybe newer tools to help them write winning proposals.

While all of these reasons may be valid, there are often more subtle reasons that have less to do with people, process, and technology and more to do with executive decision-making and the health of their new business pipeline. Let me explain why this is the case.

Picking losers over winners

Making good bid decisions is the quickest way to raise your company's win rate. It is far quicker than hiring better people, improving poor proposal processes, or investing in capture and proposal technology. In fact, making better bid decisions brings about an immediate improvement in win rate and, as an added bonus, lowers your annual cost of proposal development.

Contrary to popular belief, the key to making good bid decisions is not picking the deals in your pipeline that you are going to win, but instead, it is discarding the deals that you are going to lose.

If you rank order deals in your new business pipeline from highest to lowest win probability and ignore for a moment the value of the deals, you would certainly bid deals at the top of your list first, ahead of all the deals at the bottom.

If you bid only the deals at the high end of your list, you will enjoy a high overall win rate. As you move down your list bidding more deals, your overall win rate will decline.

Bid decision dilemmas

It should be obvious that to raise your company win rate, you must stop bidding deals that you have little or no chance of winning.

Then why, if this is so obvious, is it so hard for executives to no-bid these deals? Basically, there are two reasons.

First, the need to win more revenue trumps the need to make good bid decisions. In most instances, the desire to win is so dominant that decision-makers will ignore obvious no-bid indicators such as the client doesn't know our company, we know nothing about the work other than what is in the RFP, we don't have a technical solution, and we don't know who we are competing against. All these are clear indicators that winning this deal is a long shot, yet deals like this are bid every day. As one executive summed it up, "If we don't bid, we can't win."

What he didn't say was, "If we bid all the long shots, we are going to spend a lot more money and lose a lot."

The second reason is that most executives don't have a good alternative if they choose to no-bid. If they don't bid, then their proposal resources will have to sit idly by waiting for the next RFP to come in the door and with their anemic new business pipeline, they could be waiting a long time. Most executives rationalize that it is better to bid something, no matter how low the win probability, than to bid nothing at all.

This can become a vicious cycle for companies because they get so caught up in bidding long shots that they don't have time to stop and fix the systemic problems that got them in this situation in the first place.

Making informed bid decisions

Knowing what losing bids look like can be very insightful when it comes to making your next bid decision. To help identify the losers, I encourage companies to make a bid scorecard for deals they have bid. The scorecard will not tell you whether or not to bid, but it should tell you when the deal is really right for you and when you are reaching for a deal that is a long shot.

Here's how you can build your own scorecard.

Your scorecard should list the top seven factors that you believe are leading indicators of whether or not you will win a bid. You can have more than seven, but to get started, let's keep it simple and use just seven. If you don't know what these factors should be, then use the list below to get started. You can always change them or add to them as you get more experience doing this.

1. Do we understand the customer's mission and the work to be performed?
2. Do we have a solution that will help the customer achieve its mission and contract objectives?
3. Do we have a relationship with this customer through meetings or prior contract performance?
4. Do we know whom we are competing against and can we beat them?
5. Do we have a teaming strategy and can we get the right subcontractors?
6. Do we know what price we need to bid to win and can we achieve it profitably?
7. Do we have a compelling win strategy?

Next, gather up data from approximately 20 bids that you did over some reasonable period of time. Don't go back more than 2 years because memories tend to get fuzzy when you try to answer the above questions on deals done a long time ago. Plus, your company's capabilities change over time so old history may not be a good predictor of future results.

For each bid, find the answers to the above questions and color code each answer based on how you would have scored them when you made the bid decision. I like to use four colors—blue, green, yellow, and red—to score each question. For example, in the first question about how well you understood the customer's mission and the work to be performed, score the answer *blue* if you deeply understood the mission, had met with the customer on multiple occasions, and were fully confident that you understood the requirement. If this was a pop-up bid and you had never met the customer or done work for that agency, then score the answer *red*.

Separate your bid scorecards into categories based on the type of procurement. For example, full and open bids, task order bids, set-aside bids, etc. Forget the bids where you were a subcontractor since winning those deals is more about the prime contractor than your role as the subcontractor.

Next, divide your bid scorecards in each category into groups based on bid outcome. You should have three groups—winners, losers, and bids where the outcome has not yet been decided.

I like to stick the bid scorecards up on the wall so you can see the color scores by procurement type and outcome grouping. You will likely see more *blues* and *greens* on the scorecards for the deals that you won and more *reds* and *yellows* for the deals that you lost. This should be particularly true for the single award, full and open bids. Don't let data from some of the GWAC bids confuse your findings. For example, deals like Seaport-e and 8(a) Stars have almost no losers, so they really belong in a separate category all to themselves.

From the scorecards, you should begin to see profiles emerge for the deals you lost as well as deals you won. The scorecards will likely reveal that there were some deals on the wall you should never have bid. What you want to see are the characteristics of deals that are losers and deals that are winners.

As you collect more data, you can build a mathematical model to predict your win probability. These kinds of models translate your color scores into numerical values and add weighting factors to each of the questions in your bid model. The process of making these models is called multivariate regression analysis, and the more data you collect, the more confidence you will have in your model predicting statistical outcomes.

Making bid decisions should become a quantitative exercise designed to maximize the likelihood of achieving your overall revenue objective. The value of deals in your bid portfolio and their win probability are keys to computing the likelihood of achieving this objective.

Not every new deal will match your past findings, but more insight into recent past experience can help executives make better-informed, objective bid decisions. The more you use this kind of analysis with color scores or quantitative models, the more comfortable your executives will become with making no-bid decisions and discarding deals you can't win.

Fixing pipeline health

It is easier to no-bid a deal if there is a better new business opportunity in your pipeline. If this is not the case, then you have a pipeline health problem that needs to be fixed. Your pipeline should be rich in opportunities to pursue, and your decision to pursue them should be limited by the in-house and consulting resources you can afford to devote to writing good proposals.

To help ensure you have alternatives to bid, divide your bid list into two categories—an A list and B list. The A list deals are the deals you intend to bid and are working hard to get positioned to win. Your B list deals are the ones you would like to bid, but don't have the resources to bid them unless one of the deals on the A list falls by the wayside.

Inevitably, some deals on the A list will not be bid because the procurement is delayed or cancelled or maybe you will decide that your probability of winning is too low. In this instance, you will want to move a deal up from your B list to your A list to replace the deal that you are not bidding.

If you don't have enough deals in your pipeline to do this and your pipeline looks more like a pipe drip, then more energy needs to go into market research and deal qualification. On the other hand, don't let the market research team overpopulate your new business pipeline with deals you can't explore.

Going overboard with new deals will turn your pipeline into a pipe dream.

Summing it up

One of the CEO's at a company we work closely with told me his win rate was up 20% this year. I asked him how he did it and expected him to say it was due to the outstanding capture and proposal services we provided, but he didn't say that.

He said simply, "I stopped chasing losers." It sounds easy to do, but often it is a hard lesson to learn.

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