Proposed Solutions

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Chapter 3
Learning Objectives

- Second phase starts when the RFP becomes available and ends when an agreement is reached with a contractor
- Proposal marketing strategies
- Bid/no-bid decision
- Development of a winning proposal
Proposed Solutions

- In many situations an RFP does not involve soliciting competitive proposals from external contractors, and the second phase of the project life cycle may be completely bypassed.
Real-World Example

- Discuss the Vignette: The Florida Department of Transportation.
- The High-Speed Rail Office received 5 very different proposals to finance, build, and operate a high-speed rail system linking Orlando, Tampa, and Miami.
- Three steel-wheel and two magnetic levitation proposals
  - estimated cost from $740 million to $5 billion
  - average trip time from Miami to Orlando ranged from 49 minutes to 2 1/2 hours
  - projected number of riders varied from 6 million to 30 million
Pre-RFP/Proposal Marketing

- Should not wait until formal RFP solicitations are announced before starting to develop proposals
- Develop relationships with potential customers
- Maintain frequent contacts with past and current customers
Pre-RFP/Proposal Marketing (Cont.)

- Be familiar with a customer’s needs and requirements
- Consider this marketing or business development; no cost to the customer
- May prepare an unsolicited proposal
- Efforts are crucial to the foundation for winning a contract
Bid/No-Bid Decision

- Factors to consider:
  - competition
  - risk
  - mission
  - extension of capabilities
  - reputation
  - customer funds
  - proposal resources
  - project resources
Bid/No-Bid Decision (Cont.)

- Be realistic about probability of winning the contract
- A lot of non-winning proposals can hurt a contractor’s reputation
Developing a Winning Proposal

- A selling document – not a technical report
- Convince the customer that you are the best one to solve the problem
- Highlight the unique factors that differentiate you from competing contractors
- Emphasize the benefits to the customer
- Write in a simple, concise manner
- Address requirements as laid out in the RFP
- Be realistic in scope, cost, and schedule
Proposal Preparation

- Can be a straightforward task performed by one person or a resource-intensive effort requiring a team
- May designate a proposal manager
- Schedule must allow time for review and approval by management
- Can be a few pages or hundreds of pages
- Customers do not pay contractors to prepare proposals
Proposal Contents

- Proposals are organized into three sections:
  - Technical Section
    - understanding of the problem
    - proposed approach or solution
    - benefits to the customer
Proposal Contents (Cont.)

- Management Section
  - description of work tasks
  - deliverables
  - project schedule
  - project organization
  - related experience
  - equipment and facilities
Proposal Contents (Cont.)

- Cost Section
  - labor
  - materials
  - subcontractors and consultants
  - equipment and facilities rental
  - travel
  - documentation
  - overhead
  - escalation
  - contingency or management reserve
  - fee or profit
Pricing Considerations

- Be careful not to overprice or underprice the proposed project
- Consider:
  - reliability of the cost estimates
  - risk
  - value of the project to the contractor
  - customer’s budget
  - competition
Proposal Submission and Follow-Up

- Submit proposals on time
- Hand deliver expensive proposals or send 2 sets by different express mail services
- Continue to be proactive even after submission
Customer Evaluation of Proposals

- Some look at the prices and select only from the three lowest-priced proposals.
- Some screen out prices above budget or whose technical section doesn’t meet all the requirements.
- Some create a proposal review team that uses a scorecard.
- May submit a best and final offer (BAFO).
Criteria that might be used in evaluating:

Proposals (Cont.)

Customer Evaluation of
Types of Contracts

- A contract is:
- A vehicle for establishing customer-contractor communications and arriving at a mutual understanding and clear expectations
- An agreement between the contractor, who agrees to provide a product or service, and the customer, who agrees to pay
- Must clearly spell out the deliverables
- Two types of contracts: fixed price and cost reimbursement
Types of Contracts (Cont.)

Fixed-price contract

- Price remains fixed unless the customer and contractor agree
- Provides low risk for the customer
- Provides high risk for the contractor
- Is most appropriate for projects that are well defined and entail little risk
Types of Contracts (Cont.)

Cost-reimbursement contract
- Provides high risk for the customer
- Provides low risk for the contractor
- Is most appropriate for projects that involve risk
- Customer usually requires that the contractor regularly compare actual expenditures with the proposed budget and reforecast cost-at-completion
Contract Provisions

- Miscellaneous provisions that may be included in project contracts:
  - Misrepresentation of costs
  - Notice of cost overruns or schedule delays
  - Approval of subcontractor
  - Customer-furnished equipment or information
  - Patents
Contract Provisions (Cont.)

- Disclosure of proprietary information
- International considerations
- Termination
- Terms of payment
- Bonus/penalty payments
- Changes
Your Proposals

- Team name
- Team members and email addresses
- Project description
  - Problem to be solved by your project
  - Your solution to the problem
  - Expected needs of the project
  - Hardware, software and documentation deliverables
- Individual task decomposition