



External Discussion

To Bid or Not to Bid
MICC Industry Council

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Situational awareness plays an integral role in a firm's decision to bid or not to bid a particular effort

High Probability Bid

- ▶ Who – We know the client and have worked for them in the past.
- ▶ What – We can perform the work as prime contractor.
- ▶ Where – We have physical presence at location.
- ▶ When – We have staff on payroll now or we can actively recruit to fill position in timely manner. There is appropriate time to respond.
- ▶ Why – This is strategic for the business.
- ▶ How – We are willing to accept the risk (financial or operations!) based on contract type, PoP dates, and other factors.

Low Probability Bid

- ▶ Who – We have never worked for the client or there were issues the last time.
- ▶ What – We can not perform the majority of the work as prime.
- ▶ Where – We have no physical presence at location.
- ▶ When – We do not have staff or can not actively recruit in timely manner. Turn-around time is short.
- ▶ Why – There is no strategic value for the business.
- ▶ How – We are NOT willing to accept the risk (financial or operational) based on contract type, PoP dates, and other factors.

The following items or decisions are “owned” by the Government, but play a role in a firm’s decision to bid or not to bid

- ▶ Definition of the requirement
- ▶ Time allotted to respond to solicitation
- ▶ Contract Type or Set-Aside Status
- ▶ Basis of Award (“Best Value”; LPTA; other) and clarity, fairness of identified Evaluation Factors
- ▶ Quality of workload data
- ▶ Performance Metrics
- ▶ Quality of overall solicitation, conduct of Industry Day, Q & A
- ▶ Situational awareness/Perception there is a front-runner

Cost as a Dependent Variable

Return on Investment calculations are part of the decision-making process

- ▶ Example: IDIQ Contract with Fixed-Price Task Orders
- ▶ Business spends \$1M in Bid and Proposal costs over a one-year period to monitor, position, strategize, and internalize the effort
- ▶ If target profit on FFP task orders is 10 percent then on \$1M task you earn \$100K
- ▶ Therefore, at the IDIQ level, a business must have sales greater than \$10M to recoup just B&P
- ▶ If ceiling on IDIQ is \$10M then the answer may be no-bid (*Must win 100%; only "break-even" ROI*)
- ▶ If ceiling on IDIQ is \$500M then answer may be to bid
- ▶ If projected number of awards on \$500M IDIQ is 50, then answer may be no-bid
- ▶ If projected number of awards on \$500M IDIQ is 20, then answer may be bid

Incumbent vs. New Work

- ▶ If we are incumbents we have stronger propensity to bid the work.
- ▶ If we are NOT the incumbents see slide 2 regarding situational awareness

The Final Decision

- ▶ Most businesses have a risk matrix or bid-decision matrix
 - Identifies decision making authority at lowest level
 - Identifies “sins of the past”
 - Identifies areas of concern

- ▶ Other Factors
 - Capacity: Do we have staff available to write the proposal?
 - Level of participation from the market
 - Union – What is the perception of the local union