The key to evaluation success

Peter Marshall, Professional Services Director
Commerce Decisions Limited

Contents

With complex projects, evaluation of the bidding suppliers is crucial. The desired outcome is a completed project, to specification and on time. So, in choosing the best supplier, it is essential to evaluate the bidders' ability to meet the project requirements. This means not only developing the project requirements, but also establishing the project criteria, which are harder to define, but make for a more objective, more scientific – and better – evaluation.

Evaluation is important when making any purchase. With consumer items, there may be several aspects to consider but they are generally all possible to measure or assess: speed, weight, dimensions, design features, and so on. With purchases that are not 'off-the-shelf', the evaluation is not so simple.

Choosing which builder to contract for a house extension, for instance, would involve looking at the architectural plans, and assessing whether the builder is able to build the extension to that specification, and on time. Any builder interested in bidding for the job would presumably claim to be able to deliver a building to the required specification.

What is not so easy to evaluate is whether he could also meet other, less tangible criteria, such as tidiness, trustworthiness, and whether he has a sufficiently experienced team of labourers and good contacts with the relevant tradesmen.

Of course, even more complex projects – for instance, building a new hospital or an aircraft carrier – are harder still to evaluate. In addition to the physical specification, there will be a multitude of aspects to consider, which will probably include development, integration, manufacturing, delivery, deployment and support. Yet more intangible are other factors that can affect the outcome of a complex project, such as the ability of people to work together effectively, and the relationship between the contractor and the purchaser.

What's in the ITT

Constructing the requirements of the project is relatively straightforward, albeit extremely time-consuming. There will be thousands of specific, detailed requirements, concerning such things as the user interface, detailed functionality and interfaces.

In many cases, because the requirements document is comprehensive and its preparation involves a great deal of work, companies do not include more probing questions in the ITT, or offer guidance as to what some of the requirements will entail. Moreover, the requirements are usually listed without much indication of how they are to be evaluated.

Many of the questions about the requirements will have simple Yes/No answers, and any bidder keen to win the project will be able to convince themselves that they can truthfully answer 'Yes' to all but the most objective of questions.

As a result, an evaluation based on closed questions on the project requirements is not as scientific or as objective as it should be. When the bids have been received, the purchaser might realise that it had not asked all the relevant questions, so may not have complete confidence in the findings. Consequently, it may be defensive about the evaluation and the ultimate result, and will provide minimal feedback to the unsuccessful bidders. This may comply with the letter of the law, but probably not with its intent, and will be no help in the event of a serious challenge to the evaluation decision. It may even increase the likelihood of challenge, as the bidders may not be satisfied that the decision was a fair one.

An insufficient evaluation may not matter. The successful contractor may be able to complete the project as specified. If he does not complete the project to specification or on time, there will probably be some financial penalty. However, as far as the purchaser is concerned, not paying (or paying less) for something that does not meet the requirement is not a desirable outcome. The best outcome is to get the desired end-result and to pay for it.

Requirements vs. criteria

This is why a thorough and scientific evaluation is so important – it is the key to being as certain as possible, in advance, that the bidder who wins the contract will be the one most able to deliver all aspects of the project. This is why it is important to make the distinction between the requirements of the project and the criteria.

Requirements are necessary, but reveal nothing about the capability of the supplier, other than what he says he can do. What is needed on complex projects is a means of evaluating whether the supplier is able to deliver the right end-result, on time and to cost.

"An evaluation based on the project requirements is not as objective as it should be."

Consider the complexity of an IT system needed by the fire service. The project here involves building a command and control system covering a number of fire stations throughout a large area, with integrated software such that the fire service can take emergency calls and direct the relevant number of fire engines from the most appropriate fire station to the correct address as quickly as possible.

One requirement is the ability of the system to respond within a few seconds. Open questions would ask what similar systems the bidders have worked on, what issues arose, and how they dealt with them. Whether or not the bidders have experience of similar systems, it is necessary to find out whether they understand all the issues involved – the technology needed for the proposed systems architecture, the implications of the requirement, etc.

It is also crucial to determine more subjective factors, such as whether a bidder is likely to be able to recruit the right staff – which means investigating whether it has a good reputation, whether it pays enough to attract good people, and so on.

Time needs to be set aside to prepare these criteria. Questions need to be devised to probe the understanding of the bidders, their skills, their knowledge and experience. It is useful to split the criteria into two: solution criteria, which concern the solution being proposed by the bidder, and delivery criteria, involving the capability of the bidder to deliver the solution. This is not as simple as setting closed questions, but the answers will be far more informative and revealing, and will thus enable a much more accurate evaluation.

Choosing the criteria

A helpful approach to choosing the right criteria is to ask stakeholders what they are most concerned about in the successful delivery of the project. These will probably be issues such as whether the project will be completed on time, or whether disruption will be kept to a minimum.

Once these major concerns are identified, the next step is to prepare a list of the conditions that must be satisfied to deal with them. A logical way to do this is to draw a diagram (a causal loop) with the conditions and sub- conditions. For instance, take the criterion that the project must be completed on time.

One of the conditions for timely completion is that the resources are available as required, which in turn requires the supplier – among other things – to have good people available to work on the project when needed, which means that the supplier must either have existing relevant staff available, or be able to recruit appropriate staff quickly. When all the conditions and sub-conditions are defined, many will be found to overlap, and so can be eliminated.

This methodology will identify the major criteria that must be satisfied, and thus the basis for evaluation. It is important to set out the reasons for each criterion, with any background information that will help the bidders prepare their bids.

The ITT can then be based on these comparatively few criteria (perhaps 50), rather than on thousands of requirements. This will lead to a much more open ITT, and bidders will correspondingly be able to prepare better bids. (The list of requirements will need to be included as well, but not used as a basis for the evaluation.) Consideration can be given as to how the evaluation will be done – how the various elements will be weighted, for example – and this can be published in the ITT, increasing the transparency and openness of the evaluation process. There are software packages available to assign the weighting levels and interpret the results.

"Questions in the ITT should probe the understanding of the bidders."

An ITT produced in this way makes it easier for the bidders to give better bids: the objective of the purchaser is clearer, and it is clear what information is required to achieve a good score. There are also fewer criteria to respond to than in a long list of requirements. However, producing a good bid will be more time-consuming, because the bidders will have to think more about their proposal – they will have to write more bespoke material, and relate it closely to the needs of the customer. Whereas the traditional, requirement-led ITT consists mostly of a list of closed Yes/No questions that are relatively quick to complete, a criteria-based ITT requires the bidders to supply quite detailed answers to probing questions specific to the project.

Conclusion

In summary, the key to a successful choice of supplier is to evaluate the right information – the project criteria.

Taking time to develop a focused set of criteria will enable a thorough and objective evaluation.

The purchaser can therefore be confident in the process, which is open and transparent, and therefore confident in giving feedback to all the bidders, successful and unsuccessful.

The purchaser can also be confident that it has made the right decision, which is auditable and defendable. Best of all, the right choice of supplier means the best chance of a successful project delivery.

About Peter Marshall

Peter Marshall manages QinetiQ Commerce Decisions' consultancy and training services and has worked with QinetiQ Commerce Decisions' clients to deploy best-practice business processes on procurement projects with a value in excess of £44 billion.

His areas of expertise include: development of the procurement strategy, contracting strategy, evaluation strategy and evaluation plans; requirements management; development of evaluation criteria and other parts of the evaluation model; negotiation and bidder engagement. Peter's experience spans the procurement of military hardware, facilities management services, civil construction, IT integration, IT outsourcing and logistics and support services.

About Commerce Decisions

Commerce Decisions has been supporting strategic, high-risk procurements globally since 2001, and is at the forefront of best practice procurement. With a unique focus on complex evaluation, we have unrivalled experience in supplier evaluation and are a trusted provider of procurement services to the public and private sectors.

We deliver a robust and defensible procurement process to our clients, proven time and time again across many sectors including construction, transport, education, health, defence and facilities management procurements – to date, we have supported over 13,000 strategic projects, collectively worth over $400billion. This enviable experience and in-depth knowledge has enabled us to develop proven methodologies, supporting clients to deliver the best possible outcome on strategic and complex procurement projects.

Headquartered in Oxfordshire, UK, and with offices in Canberra, Australia, and Ottawa, Canada, Commerce Decisions provides software and services to support the procurement and post contract review processes for both buyers and suppliers. For buyers we improve the efficiency and effectiveness of the evaluation process to make the best buying decision based on all the relevant criteria, underpinned by our AWARD® software. For bidders we improve the quality and timeliness of proposals to best meet the needs of the potential buyer and thereby give them the best chance of securing the contract, underpinned by our ADVANCE™ software.

About QinetiQ

QinetiQ is a leading international provider of technology-based services and solutions to the defence, security and related markets. We develop and deliver services and solutions for government organisations, predominantly in the UK and US, including defence departments, intelligence services and security agencies.

In addition, we provide technology insertion and consultancy services to commercial and industrial customers around the world.