

# **3 in the Green; Past Performance, Technical and Cost**

Management Approach Differentiation During Source Selection

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## Abstract

A significant portion of core work in the Federal sector is accomplished with a contracted workforce. Selection of contractors is largely based on three factors: Technical, Price and Past performance. In a significant majority of cases, all Offerors receive an outstanding or very good Technical evaluation and an excellent Past Performance rating. The end result is that the only discriminator is price. This incentivizes contractors to compete on price, which in effect equates to minimizing management structure and effort.

A point of frustration to Government managers is how their contracted workforce is managed. From their vantage point, the worker level is great, but the low-bid or non-existent management emphasis by the contractor means they are frequently either witness to an increasingly frustrated and disgruntled workforce for want of proper care and feeding, or find themselves taking on the management responsibilities themselves that they don't have the time and resources for, and had intended to outsource. This article addresses how to tactically confront and solve the issue of differentiating between offerors based on management approach.

## The Problem

The number one asset government managers have to solve ridiculously thorny enterprise architecture and network design problems is the experience and knowledge embodied in contracted personnel. These individuals are talented and good at what they do. The benefit to their organization from the trust and cooperation that exists in their critical work cells hinges on a work environment that facilitates these key players being at ease and unencumbered enough to apply their considerable talents to numerous challenging issues. Ah! If only it was that easy.

Contractors infuse government management with bright, eager, and talented personnel. They work on technically challenging issues in an inspiring peer group. This group should soar! Instead, their energy is sapped by niggling oversight and idiosyncratic management from their corporate chain that chews them up emotionally and keeps them "one ear to the ground" while they work, fearful of career disruption and erosion of benefits. Why does this tragic failure exist? I believe the three parts of this failure are:

1. Failure to identify the importance of contractor management and articulate it to offerors in the Request for Proposals (RFP).
2. Failure to structure an evaluation that places the appropriate emphasis on and allows for differentiation on management approach.
3. Failure to distinguish between offerors during evaluation.

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### The Cause

#### Contractor's Role

When contractors compete for technical work, a primary focus is and should be the ability to perform that work. A critical supporting element though, is a management structure and approach that facilitates the conditions under which the working level technical execution will flourish. Contractors in their attempt to dissect, respond to proposals, and win awards, adjust their focus to coincide with evaluation criteria set forth in each Request For Proposal.

#### Government's Roles

Government agencies operating without complete freedom to structure evaluation criteria work within their guidelines and regulations. Current statute and regulation requires the use of both price and past performance as evaluation factors. Typically, the requiring activity relies upon the expertise of their supporting contracting group to guide them in the proposal rating criteria and evaluation process. Here is a typical source selection criteria established in this manner.

The assessment will address the following factors, listed in descending order of importance:

Factor 1 - Past Performance

Factor 2 - Security level of Personnel

Factor 3 - Technical Solution

Factor 4 - Cost/Price

Factor 3 Technical sub factors:

- a. Demonstrated understanding of the requirements stated in the Statement of Work in presentation.
- b. Proposed staffing (experience, education, skills) is appropriate to job function and proposed labor category/title. (Resumes of key personnel document experience and/or education in: ...*Disciplines needed for specific effort listed...*).
- c. Cost Realism. Labor categories and proposed staffing levels are appropriate, sufficient to accomplish the required work. Identifies appropriate opportunities and/or strategies for cost containment, cost reduction, and cost avoidance.
- d. Management structure. Management team and other overhead personnel are proposed at the minimum level of effort necessary and sufficient to ensure that cost schedule, and performance targets are met.

What is readily apparent to even the most casual observer is that there is a disconnect between the Government Program Manager, who places a high value on the management approach of the contractor, and where this item falls in the evaluation criteria. First, it is not identified as a factor at all; it is a subfactor, the least important subfactor of the third ranked

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factor. Second, it is stated in terms of Lowest Priced Technically Acceptable (LPTA)...proposed at the minimum level...necessary.

Some hard questions need to be asked that will likely drive to a different set of factors and order. First, consider past performance. It is widely acknowledged that there are systemic issues with the Government utilization of Past Performance as an evaluation tool. It is a valid and useful factor to consider, however, it has been shown to rarely be a factor that can be used to discriminate between offerors. Government personnel only minimally, if at all, document Past Performance, and even rarer is documentation of poor or even less than straight-A performance. In practice, Past Performance is more of a go/no-go factor. Therefore, where it is placed in the order of importance stack is of little relevance.

Price/cost must be considered, and it is normal to see it placed last in a best value source selection. One of the main tenets of best value source selection is that the lowest price is not always the best value. What may be at work in the sourcing of services requirements for this example agency is that the past performance and security level of personnel for those firms that respond to solicitations are largely non-discriminators in that all respondents generally pass muster in these areas. Unless the technical area is a discriminator, that leaves price. When the evaluation team concludes that offeror A is the winner over the other offerors, who are arrayed across a 5-10% price differential (an essentially negligible spread), by default based on price (as discussed above), this should shine a spotlight on the need to reestablish an organizational ability to discriminate on that which has the most impact on the effectiveness of the organization to accomplish mission; effective management of technical capability.

#### **The Solution**

Some have attempted to solve this problem by using heavily experienced and savvy evaluators to overcome systemic weaknesses in the form, structure, and flow of proposal evaluation. This approach does not get at the root cause, and is neither scalable nor replicable. A better approach is to establish form, structure, and flow that enable a wider spectrum of evaluators to provide a true ranking of proposals that supports best value decisions while incorporating more refined assessment of all critical factors, including management approach.

Having earlier identified the three problem causes, here is a summary of the solution:

1. Identify contractor management as a separate factor or a subfactor under technical in RFPs and make it clear to offerors that they must spell out a detailed management approach specific to the effort at hand.
2. Structure the evaluation so that management approach is not buried in the technical evaluation. Provide rating criteria and clear guidance to evaluators on the critical

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elements of management approach that makes it clear to the evaluation team how to differentiate.

3. Distinguish between offerors during evaluation. The source selection official should be able to scan the output of the evaluation team and rapidly conclude if a factor (like management approach) was not truly evaluated.

The ideal is to systematically select the source that best meets agency requirements, including effective management of technical capability. There are many facets of this process; the focal point of this discussion is the correct choice and application of source selection evaluation factors.

From previous discussion, we know that past performance and price/cost must be considered, but are either rarely true discriminators or as in the case of price, are correctly categorized as “included because required, however ranked as least important with the caveat that the relative importance will be elevated as other factors become equal.” Other factors that are important but unlikely to be more than go/no-gos based on knowledge of potential respondents should also be included and placed lower in relative terms of importance. An example is security level of personnel. So thus far the order in descending order of relative importance is:

1. Technical
2. Security level of personnel
3. Past performance
4. Cost/Price

Further refinement of the Technical factor that keeps evaluation emphasis in consonance with the need to discriminate between offerors in areas that will have a significant impact on task execution might look like this:

1. Technical
  - a. Management Approach
  - b. Program Organization and Staffing
  - c. Project Plan
  - d. Quality Assurance Plan
  - e. Methodologies and Tools
2. Security level of personnel
3. Past performance
4. Cost/Price
  - a. Cost realism
  - b. Absolute cost