Evaluation Masterclass:
Secrets to Success

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Philip Lear – International Account Director

Agenda

Commerce Decisions
A QINETIQ company

Introduction to Commerce Decisions

Procurement Challenges – Complexity

Structured Criteria Development

Real Value for Money (RVfM)

Will cost

Testing

Summary

COMMERCIAL IN CONFIDENCE

Commerce Decisions
A QinetiQ company

"Commerce Decisions is making a difference by helping people around the world benefit from the right procurement decisions being made on important projects"

ABOUT US

Established 2001

Acquired by QinetiQ 2008

150 years combined evaluation experience

LOCATIONS

UK

Australia

Canada

CREDENTIALS

BSI ISO 9001

BSI ISO 27001

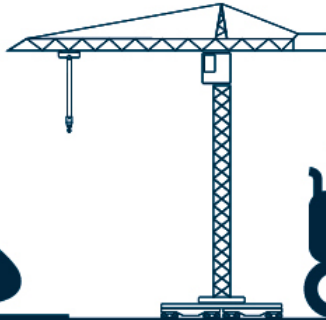Cyber Essentials Plus

GCloud

PRINCE2

CIPS

OVER $400 BILLION
WORTH OF PROJECTS
EVALUATED

95 MILLION
PAGES OF A4 ELECTRONICALLY SUBMITTED PER YEAR INTO AWARD®
= 11,875
TREES SAVED

13.6K PROJECTS

13,131,170
ANSWERED QUESTIONS

Figures are correct as at 1 April 2018

206k
INDIVIDUAL USERS

AVERAGE TIME SAVED
40%

96%
CUSTOMER RETENTION

Building the Solution

Engage	Plan	Prepare	Execute

Market engagement	Dataroom	SCD	Weighting workshop	RVfM	Supplier engagement	Interaction	Evaluation	Reporting

QINETIQ

Expert Services

Real Value for Money

Cost scenarios

Supplier registration

Prepar

Project closure and archiving

Engag

Evaluation of cost

Supplier selection documentation

Debriefing bidders

Procurement strategy

Market Engagement

Weighting

Invitation documentation

Results analysis

Plan

Execut

Structured Criteria Development

Reporting

Stakeholder analysis

Evaluation process

Evaluator briefings

QA of evaluation

Win themes/ discovery workshops

QINETIQ

Project types

Collaborative projects

Multi-lot projects

FM Projects

Capital build projects

Multi-region projects

IT/Telecoms projects

Infrastructure projects

Framework agreements

Major outsourcing

Politically sensitive projects

Options appraisal

High Value

High Risk

High Complexity

Engagement examples

Ministry of Defence

- Tailored AWARD® licence packages

- Expert services and technology support

- Audit, scrutiny and reporting

Project

Crossrail

- Annual AWARD® licences (multi-project)

- Full-time equivalent support

- Fully managed service

Programme

Department for Work and Pensions

- Multi year enterprise licence commitment

- Annual AWARD® training

- ExpertAssist helpdesk support

Organisation

QINETIQ

International case studies

Canadian Service Combatant

- Structured Criteria Development and Real Value for Money
- Full time equivalent
- Thought Leadership, cost, value

Value for Money

SANGCOM

- SCD and RVfM project licence
- International competition standards
- Managed service deployment

Transparency

MMRA

- Programme package with assisted rollout and adoption
- Evaluation focus
- Large disparate teams

Robust decisions

AWARD® solution case studies

NHS Commercial Solutions

"We use AWARD® for all of our significant procurements and to support the NHS World Class Commissioning initiative. Its inherent flexibility has allowed us to tailor it to our specific needs."

Flexibility

TfL

"AWARD® saves TfL a significant amount of effort and cost."

Efficiency

BBC

"The visibility and control that AWARD® brings to BBC procurement is invaluable."
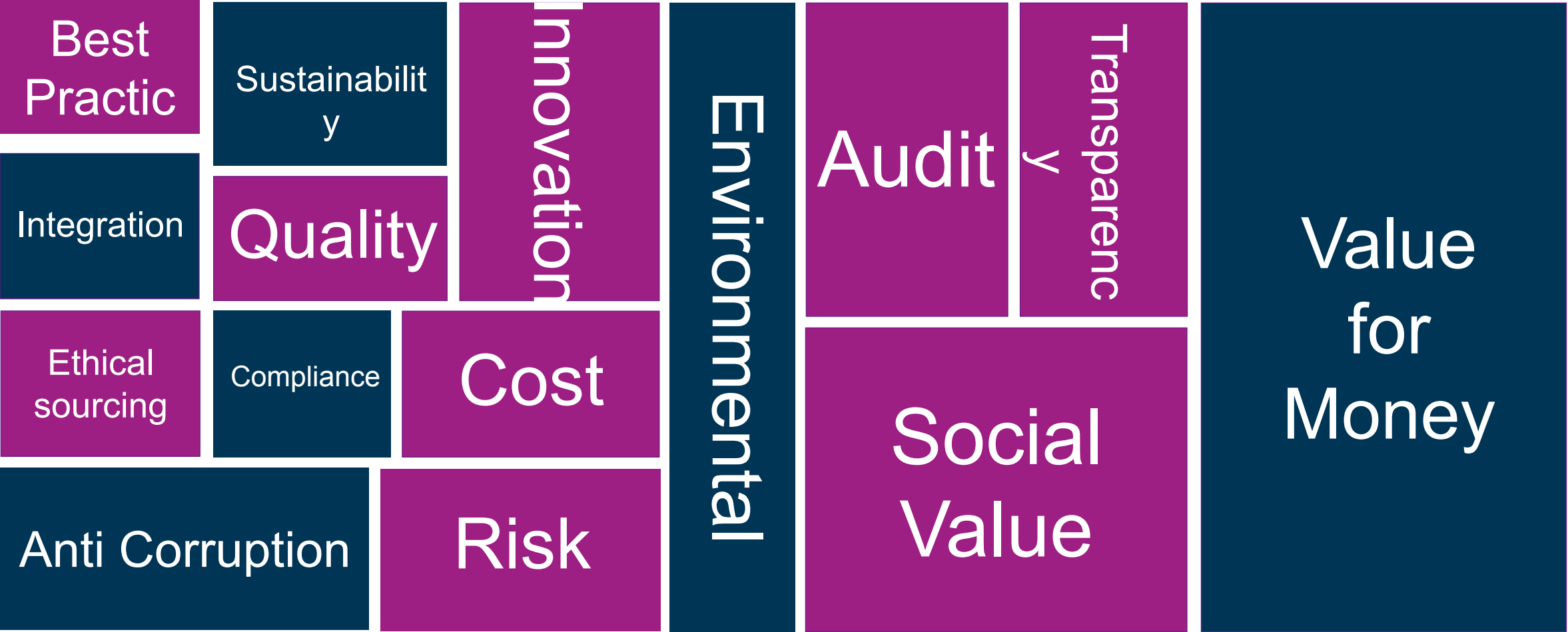
Process control

Canada – Future Fighter

Presenter

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Philip Lear

- Supplier selection expert for complex/strategic procurement projects.
- Experience of global procurement processes, eProcurement technology and evaluation best practice methodologies.
- Extensive knowledge of international infrastructure and defence organisations and how to make more effective, robust and evidence based procurement decisions.
- Transparency and Social Value Champion
- Offset Programme and Prosperity Model Design

- Publications:
- "Becoming a Smart Buyer" - Australian Defence Magazine – March 2016 (Vol. 24 No.3).
- "Getting Procurement Right First Time" - Vanguard Canada Magazine - Aug/Sept 2015
- "Light at the end of the Tunnel" – ReNew Canada Magazine – Dec 2014
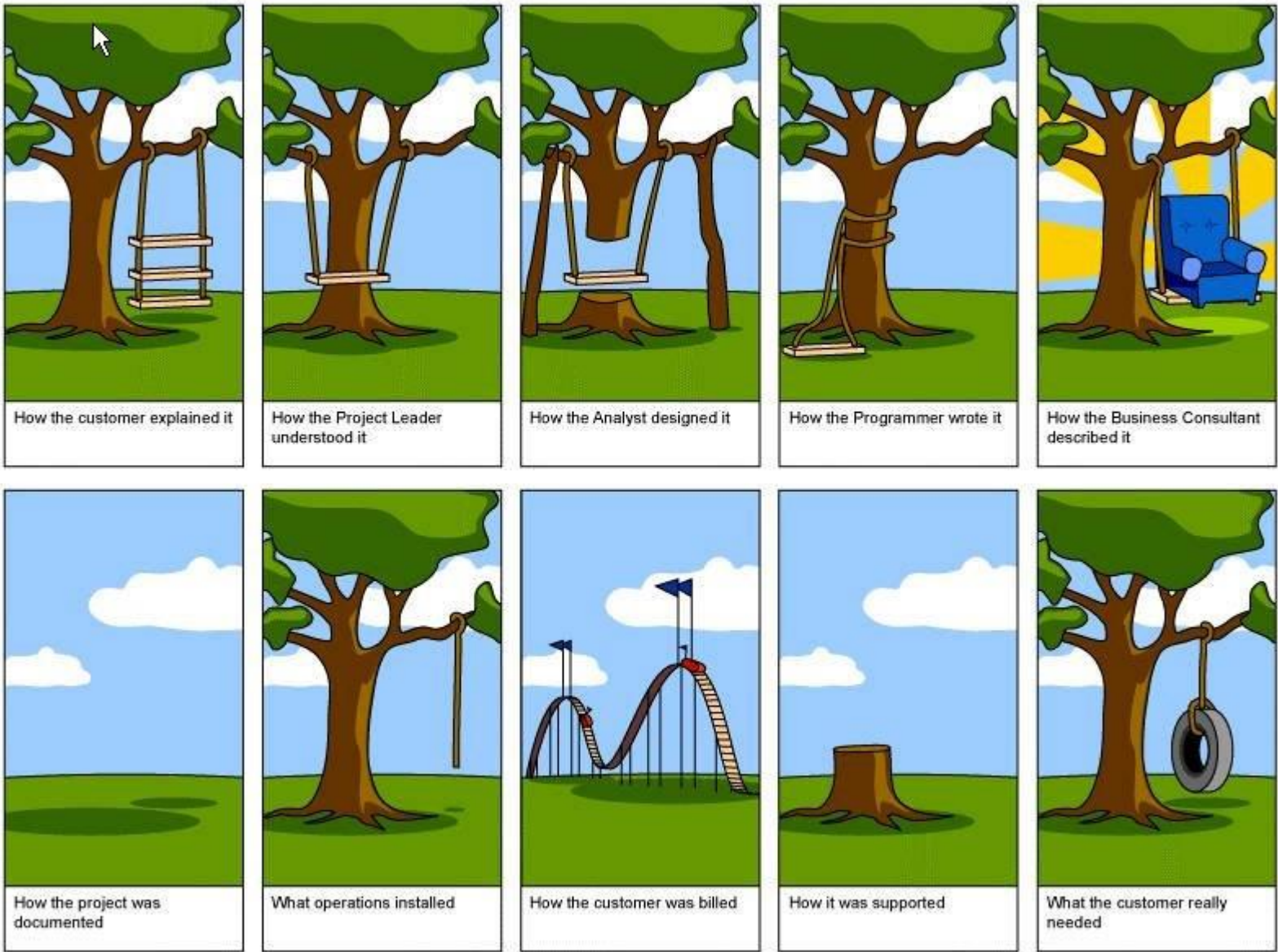
Procurement Challenges

Best Practic

Integration

Ethical sourcing

Anti Corruption

Sustainability

Quality

Compliance

Innovation

Cost

Risk

Environmental

Audit

Transparency

Social Value

Value for Money

Complexity

Application

Context

Meaning

Raw Data

Complexity

Getting it wrong…

How the customer explained it

How the Project Leader understood it

How the Analyst designed it

How the Programmer wrote it

How the Business Consultant described it

How the project was documented

What operations installed

How the customer was billed

How it was supported

What the customer really needed

Common Sub-Optimal Outcomes

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- ☹ The top 2 or 3 bids are scored very closely, with little numerical difference in the overall MEAT calculation. There is a consequent lack of confidence in the result (& a higher risk of challenge)

- ☹ All bidders deemed non-compliant at the end of evaluation

- ☹ Incumbent providing an *acceptable* service for an *acceptable* price beaten by a high risk winning tender

- ☹ Preferred supplier clearly identifiable at end of tender evaluation, but, key senior stakeholder (e.g. SRO) unhappy, viewing outcome as intolerable

- ☹ Winning bidder obviously 'gamed' the competition

- ☹ Bidder's face-to-face presentation to delivery team was dire, despite scoring 0% of the 10% available score for presentation, they go on to win the competition

Understand Complexity

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Clarity of Vision for the Procurement

Being able to answer this succinctly
(preferably with collective agreement)
is a prerequisite for successful project delivery

Requirements and Criteria

- **Requirements** are a mix of
  - What we **need** (must have)
  - What we **want** (would like)

- **Award Criteria** are how we choose

WHEEL

STEERING WHEEL

BATTERY

ENGINE

TURBO EXHAUST

SHOCK ABSORBERS

AUTOMATIC

EMERGENCY BREAK ASSIST

Building confidence that we will get what we need
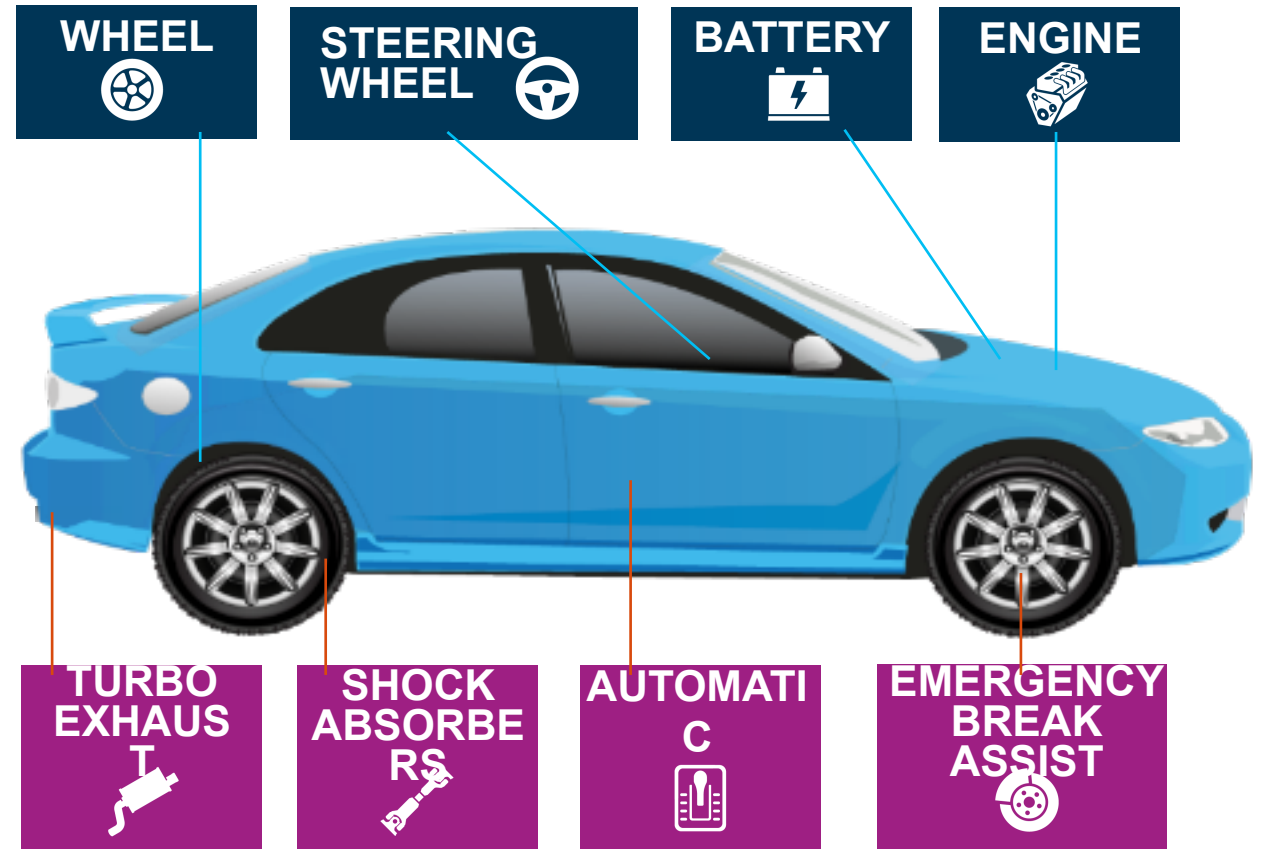
"Traditional" approach

- Evaluate against a large number of **requirements**

- Evaluation of compliance

- Decision made on compliance and price – i.e. cheapest compliant

Structured Criteria Development

- Smaller number of high-level criteria

- Criteria examine things that ensure the requirements will be met

- Decision made on confidence that the bidder will be able to deliver the requirements, balanced against price

Requirements and criteria are different

Structured Criteria Development

Structured Criteria Development

The purpose of the project in terms of improved capability, savings and/or indirect improvements.

The factors that will ensure the goals and benefits are realised. Project risks and key enabling supplier capabilities will be identified here.

The issues that need to be explored to obtain assurance that the dependencies will be effectively addressed.

Goals / Benefits

Dependencies

Criteria

Background

Aims

Weight

Scoring scheme

Evidence required

Assessor guidance

Discover

Analyse

Design

Questions asked

1. **Why** do we need … ?

2. **What** needs to be in place to get … ?

   - or What does … consist of?

3. **How** can we assure we get … ?

4. **When** do we need … by?

SCD
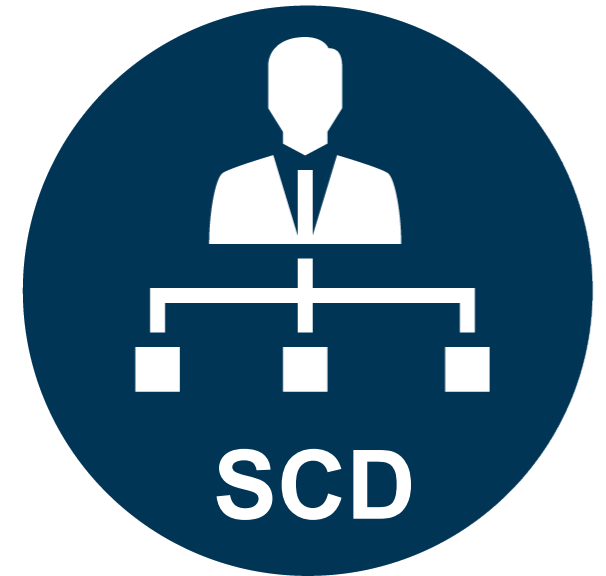
A Possible Approach[1] – *An Excellence Narrative*

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Realism is Key	*A Vision of Excellence*	*Red Line or Barely Acceptable Outcome*
Positive – Describe the outcome with definitive language		
Own Part – Describe the procurement outcome in a more important wider system or landscape		
Specifically – Describe, visualise or rehearse this outcome. Mentally test the outcome. Describe this rehearsal or testing activity		
Time – Explicitly describe a small number of key/critical milestones and how they relate		
Evidence – Identify and describe the evidence that will materially demonstrate or prove the outcome		
Resources – Identify and describe the internal and external resources underpinning the outcome		
So What? – What are the likely key consequences of this outcome?		

1. POSTERS Mnemonic - Adapted by Swannell. Based on O'Connor and Seymour (1993), *Introducing NLP* (Well Formed Outcomes)

The Box

What are the expected benefits

Risks
What are the known risks and owners and likely future risk

Constraints
Time, quality, money and other limitations

Statement of user need and requirements
What is the reason for the project

Related projects & dependencies

Assumptions
Availability of capability, resource or information
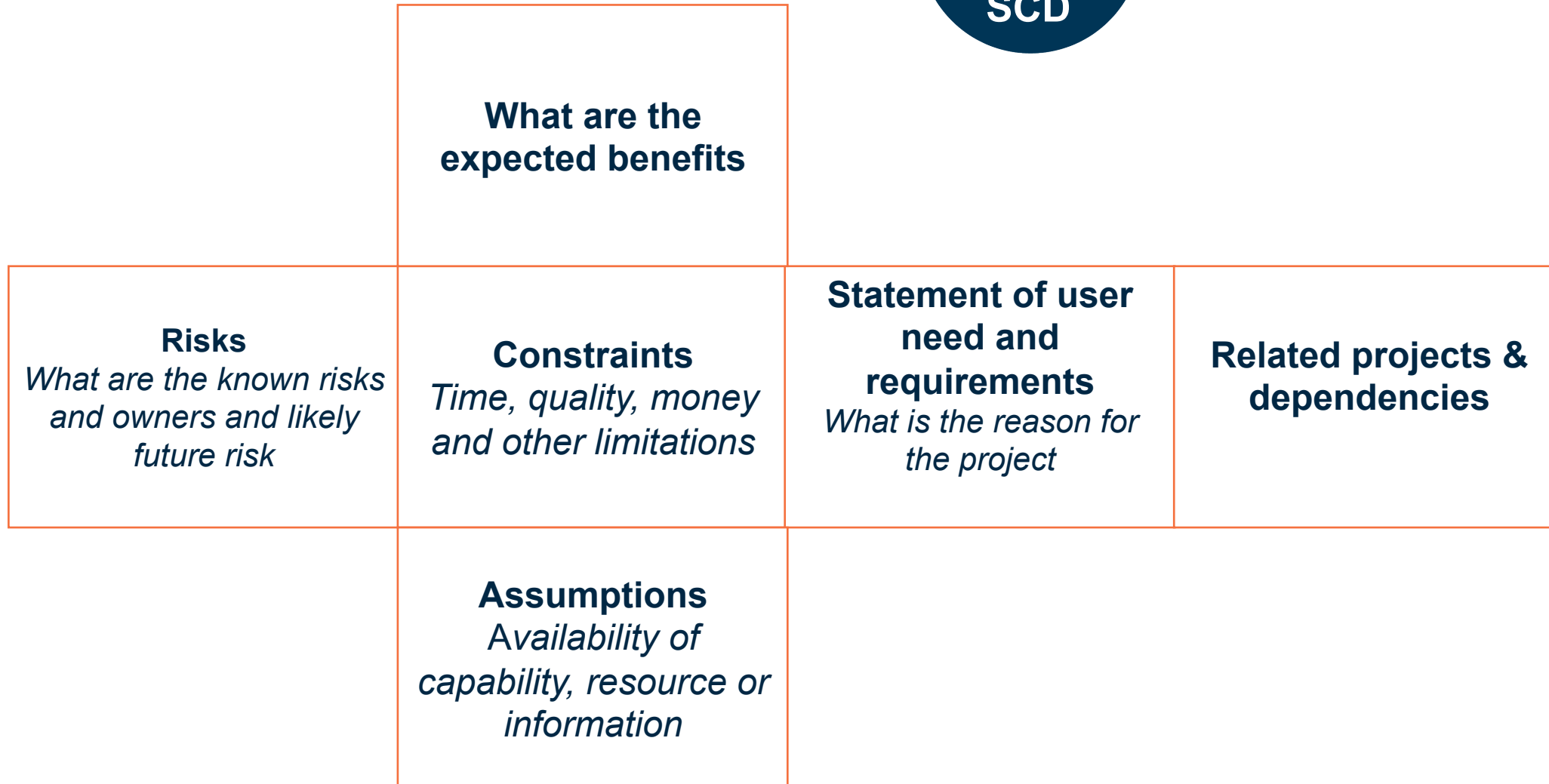
Award criteria weighting factors

SCD

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IMPACT	Vital	The Authority could not rectify this by other means and it would result in complete failure to meet objectives.
The extent to which the lack of this capability or solution would affect the overall objectives of the project. How likely is it that the Authority could rectify the deficiency by other means?	Very Important	The Authority would find it difficult or very expensive to rectify this by other means.
	Important	The Authority could rectify this, but it would cause inconvenience or additional expense.
	Neutral	The Authority could easily rectify this at minimal cost

DISTINCTIVE CAPABILITY	Rare	Only one or two bidders will be able to do this well
Within the expected group of bidders, the measure of difficulty that Authority anticipates that each would have in scoring 'Excellent Confidence'.	Scarce	Few bidders will be able to do this well
	Common	Most bidders will be able to do this well
	Universal	Any bidder will be able to do this well

CERTAINTY	Full information	Complete clarity would allow a totally informed response
A measure of the level of information available to bidders to enable them to formulate a response.	Good Information	Most of the information required is available, can be inferred or can safely be assumed.
	Partial Information	Responses will need to rely in part on intelligent assumptions as there are significant gaps in the available information.
	Vague	Very little information is available, so responses are expected to be speculative, imprecise and lacking in detail.

IMMEDIACY	Immediate	The capability, solution or resource must be available from the date the contract is signed
The extent to which the question relates to current or future demands on bidders (from the date of contract award).	Short Term	The capability, solution or resource must be guaranteed to be available 'soon' after contract award
	Medium Term	The capability, solution or resource must be guaranteed within a reasonable time after contract award
	Long Term	The is little or no urgency in the availability of capability, solution or resource relative to the date of contract award

Testing Validity of the Questions

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	Neutral	Important	Very Important	Vital
Rare	Question why it's Needed!	Evaluate for Compliance/ Capability	Good Question for Evaluation	'Killer Question' for Evaluation
Scarce	Specify in the Contract	Evaluate for Compliance/ Capability	Good Question for Evaluation	Good Question for Evaluation
Common	Specify in the Contract	Specify in the Contract	Evaluate for Compliance/ Capability	Evaluate for Compliance/ Capability
Universal	Manage	Specify in the Contract	Check for Compliance and specify in contract	Check for Compliance and specify in contract

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Reviewing the Outcomes

☺ There is clearer differentiation between scores of the bidders. This provides greater confidence in the result (and reduces risk of challenge)

☺ Fewer bidders deemed non-compliant at the end of evaluation

☺ Preferred supplier clearly identifiable at end of tender evaluation, and key senior stakeholder (e.g. SRO) happy, viewing outcome as a good result

☺ Bidder's face-to-face presentation to delivery team was dire, as this part of the evaluation was dealt with appropriately, they fail to win the competition

Real Value for Money

How do we Judge the Winner? EASY!

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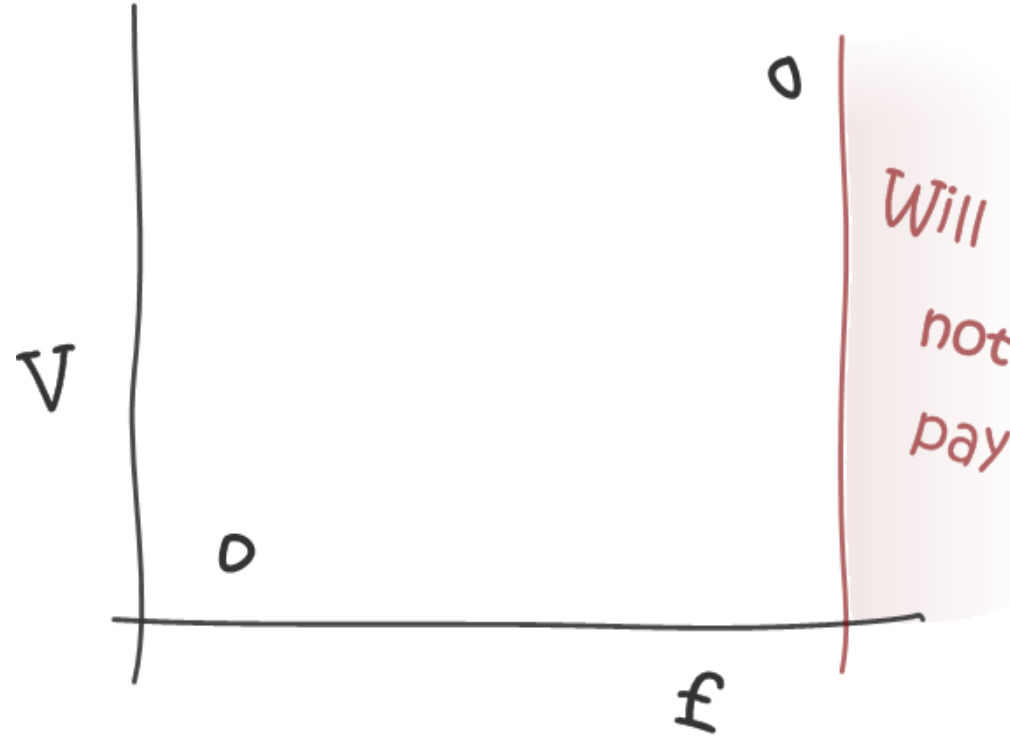
So what is Value for Money?

Define Value for Money as:

– The optimal use of resources to achieve the intended outcomes.

– 'Optimal' means 'the most desirable possible given expressed or implied restrictions or constraints'.

"Value for money is not about achieving the lowest initial price"

How do we Judge Value for Money?

- We use three criteria to assess the value for money of government spending:

  - **Economy = spending less**
    minimising the cost of resources used or required (inputs)
  - **Efficiency = spending well**
    the relationship between the output from goods or services and the resources to produce them
  - **Effectiveness = spending wisely**
    the relationship between the intended and actual results of spending (outcomes)

Cheapest Compliant

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Winner = Lowest Price that is compliant

Compliance: The action or fact of complying with a wish or command

Will not pay

£

Lowest Price, Technically Acceptable

"I felt exactly how you would feel if you were getting ready to launch and knew you were sitting on top of 2 million parts — all built and assembled by the lowest bidder."

John Glenn
NASA Astronaut **Friendship 7 mission, Mercury Program and Space Shuttle**

Quality

Price

The place with no name

Poor Value for Money

US DoD method
Lowest Price, Technically Acceptable
(LPTA)
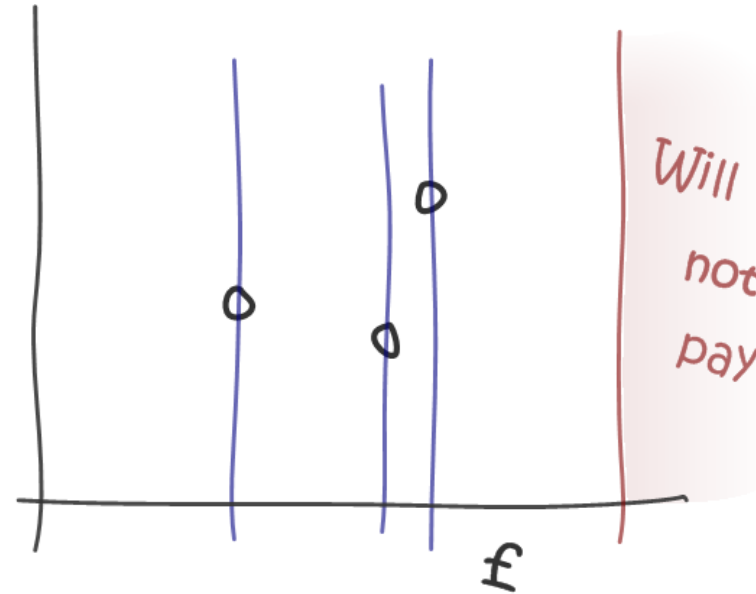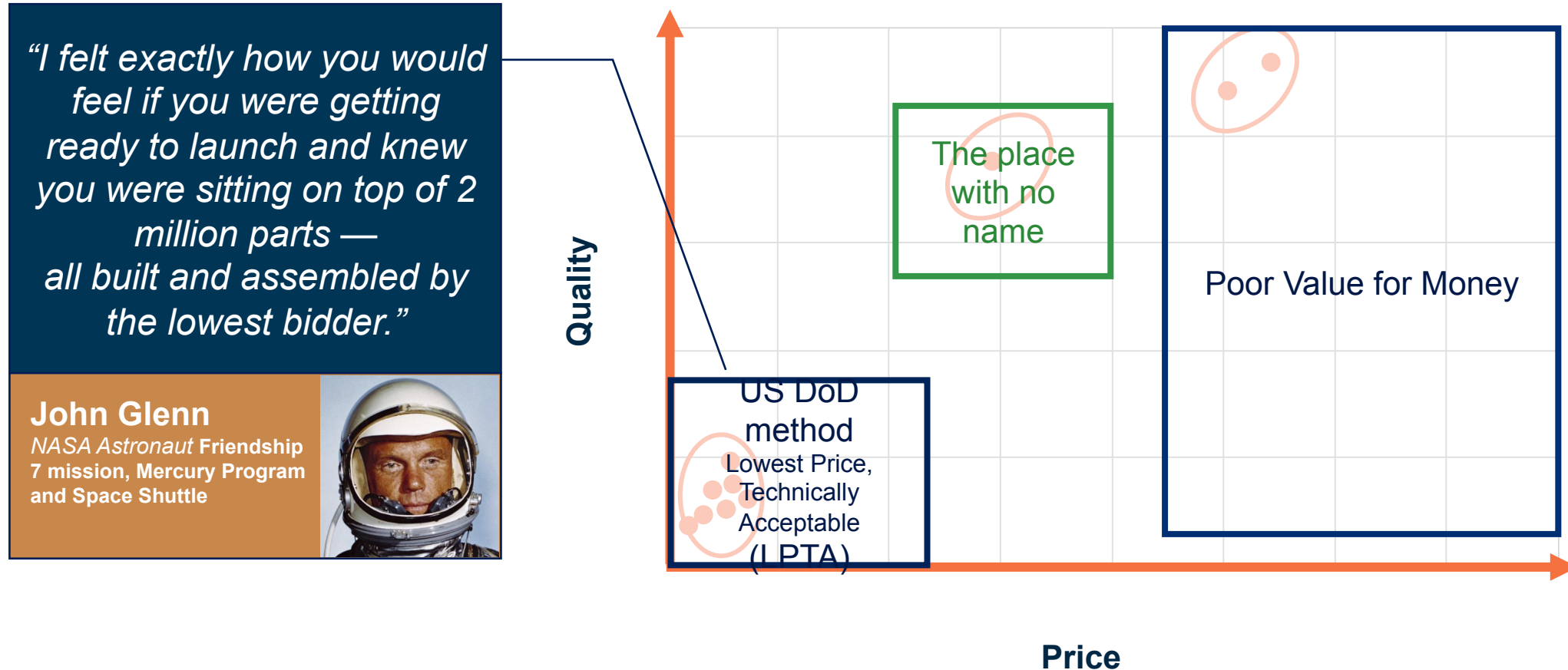
Best Technical Affordable

Winner = Best Technical score we can afford
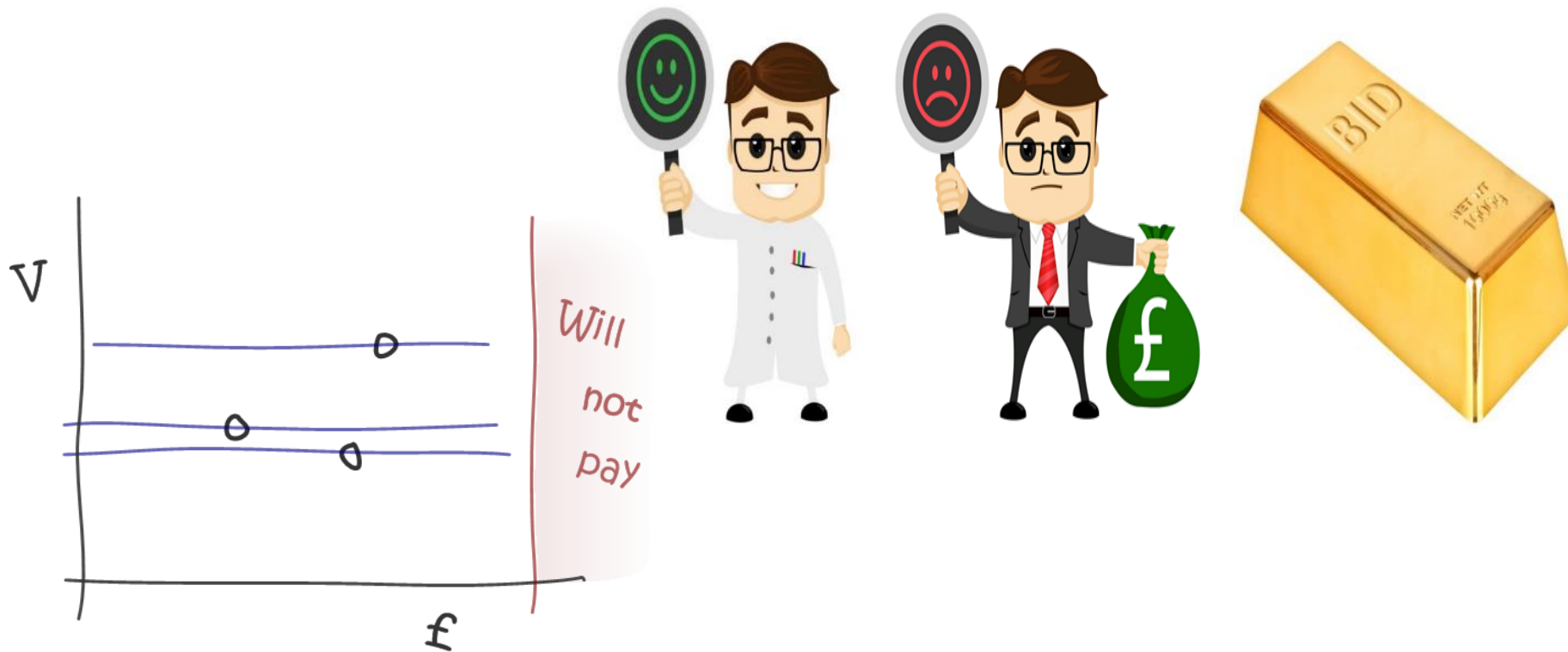
Most Economically **Advantageous** Tender
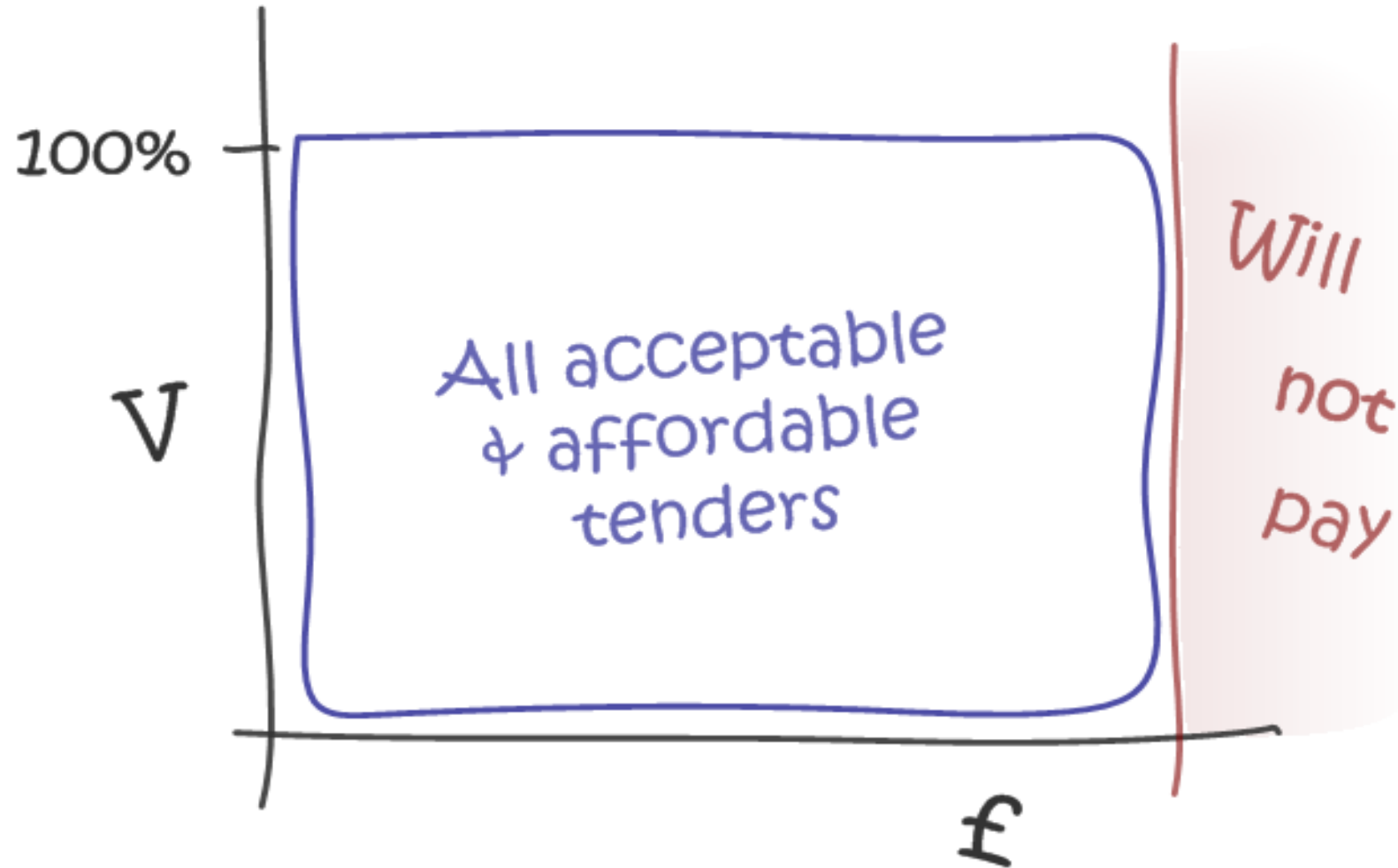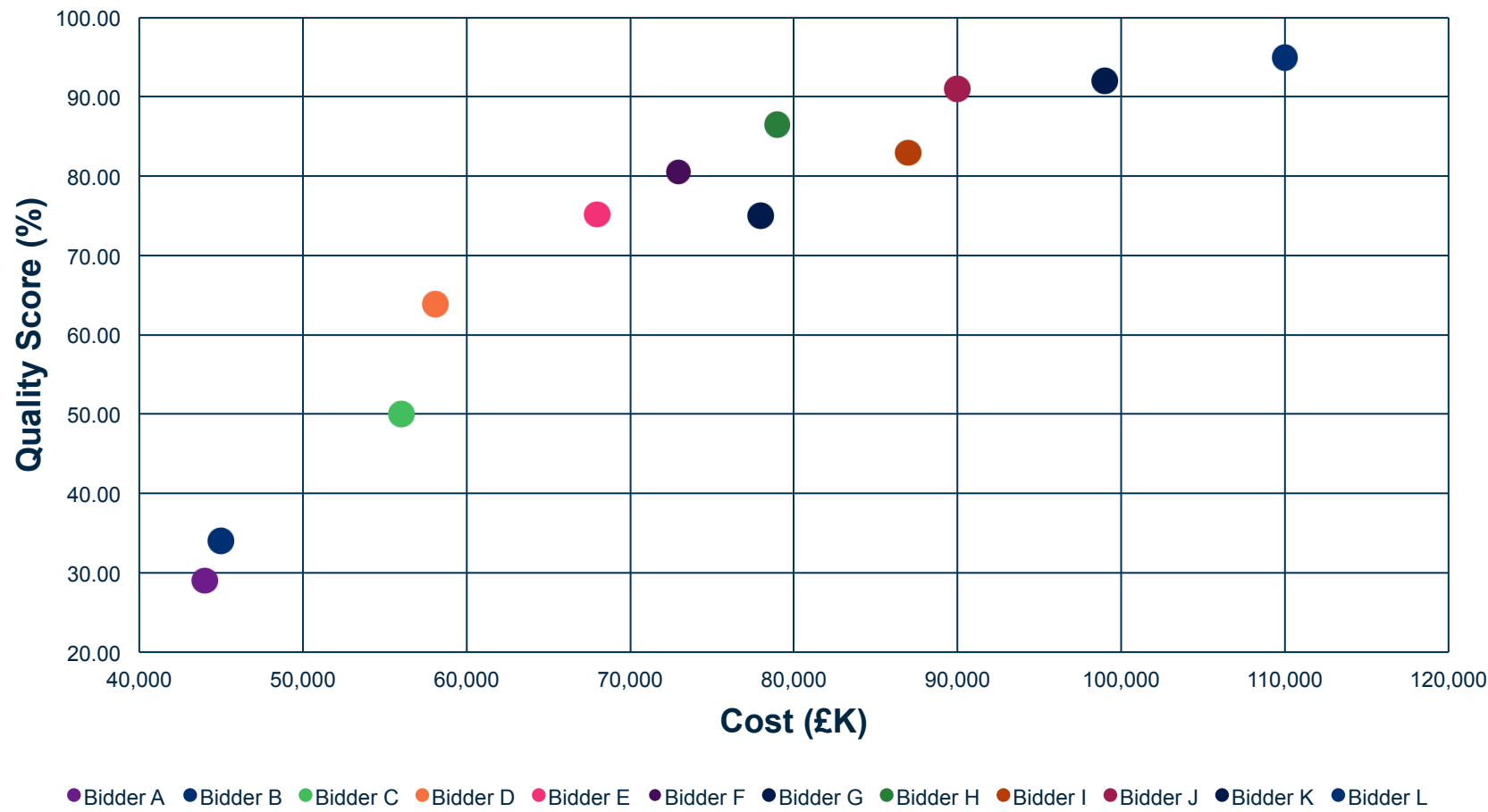
MEAT – A Global View

- We are tracking more than 30 MEAT formulas in use globally.

- We select which formulas to code into AWARD® based upon:
  – Customer requests & policies
  – Observed usage
  – Analysed sensitivity of formula performance

Stilger, et al (2015)

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Real Value for Money

Real Value for Money (RVfM):

- Ensures the best value for money outcome

- Start by defining how much you are willing to pay

- Articulate value attributed to each level of capability

- Test criteria and weighting

- Build scenarios
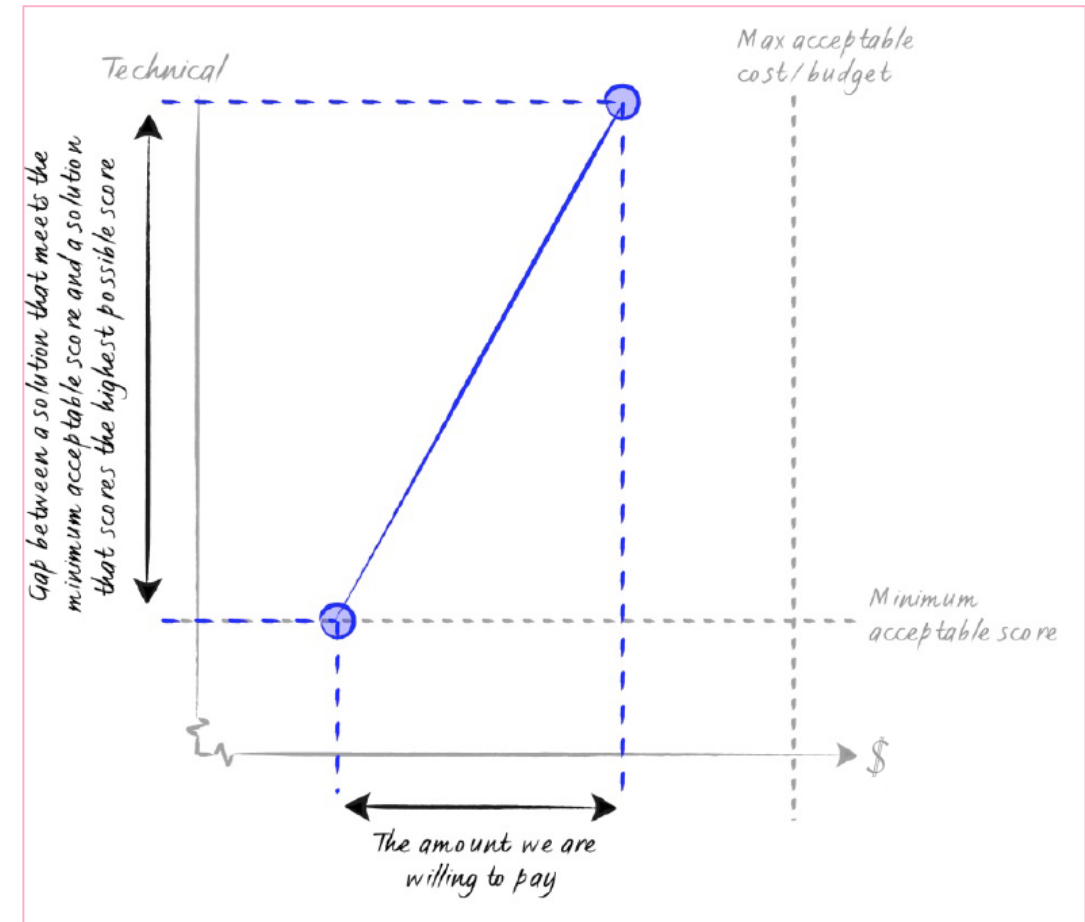
Evaluating Whole Life Cost and Risk to find "Will Cost"

Risk

Procurements fail due to poor consideration of RISK:

- Who owns the risk
- Who manages the risk
- What the consequences could be on Cost and Schedule.

Each Supplier will have different Cost and Schedule Risks

Bottom Up Pricing ('risk on risk')

Tender Price

Base Cost
(including cost of **risk** mitigation actions)

Profit (or Fee)

Management Contingency

Project Contingency
(**risk** budget)

Sub-contracting

Materials / T&S

Labour

Business Unit Director

Programme Manager / Delegated Authority

Project Manager Authorised Base Cost
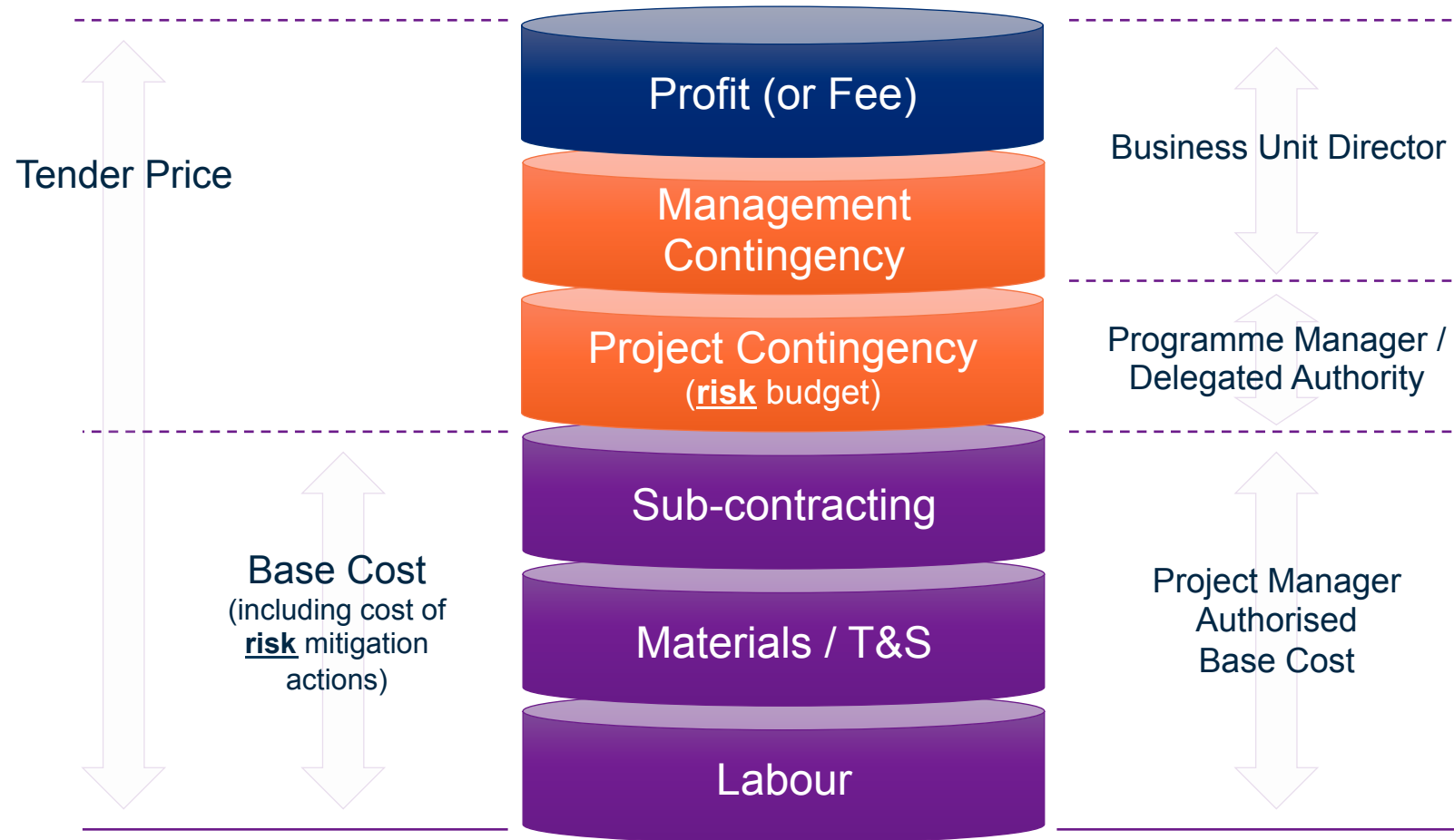
Cost Breakdowns

To ensure accuracy, we want to understand the costs in more detail to provide confidence that the bidder is able to deliver on time and on budget.

To do this we ask for Three Point Estimates

In three-point estimation, three figures are produced initially for every distribution that is required, based on prior experience or best-guesses:

a = the best-case estimate

m = the most likely estimate

b = the worst-case estimate

We consider Probability of these estimates being correct with scenario analysis (thousands of random iterations).

Probability

Cumulative Distribution

AVERAGE

34.1%   34.1%

0.1%   2.1%   13.6%   13.6%   2.1%   0.1%

-3σ   -2σ   -1σ   0   1σ   2σ   3σ

≈ 68%
Avg. ± 1 Std. Dev.

≈ 95%
Avg. ± 2 Std. Dev.

≈ 99.7%
Avg. ± 3 Std. Dev.
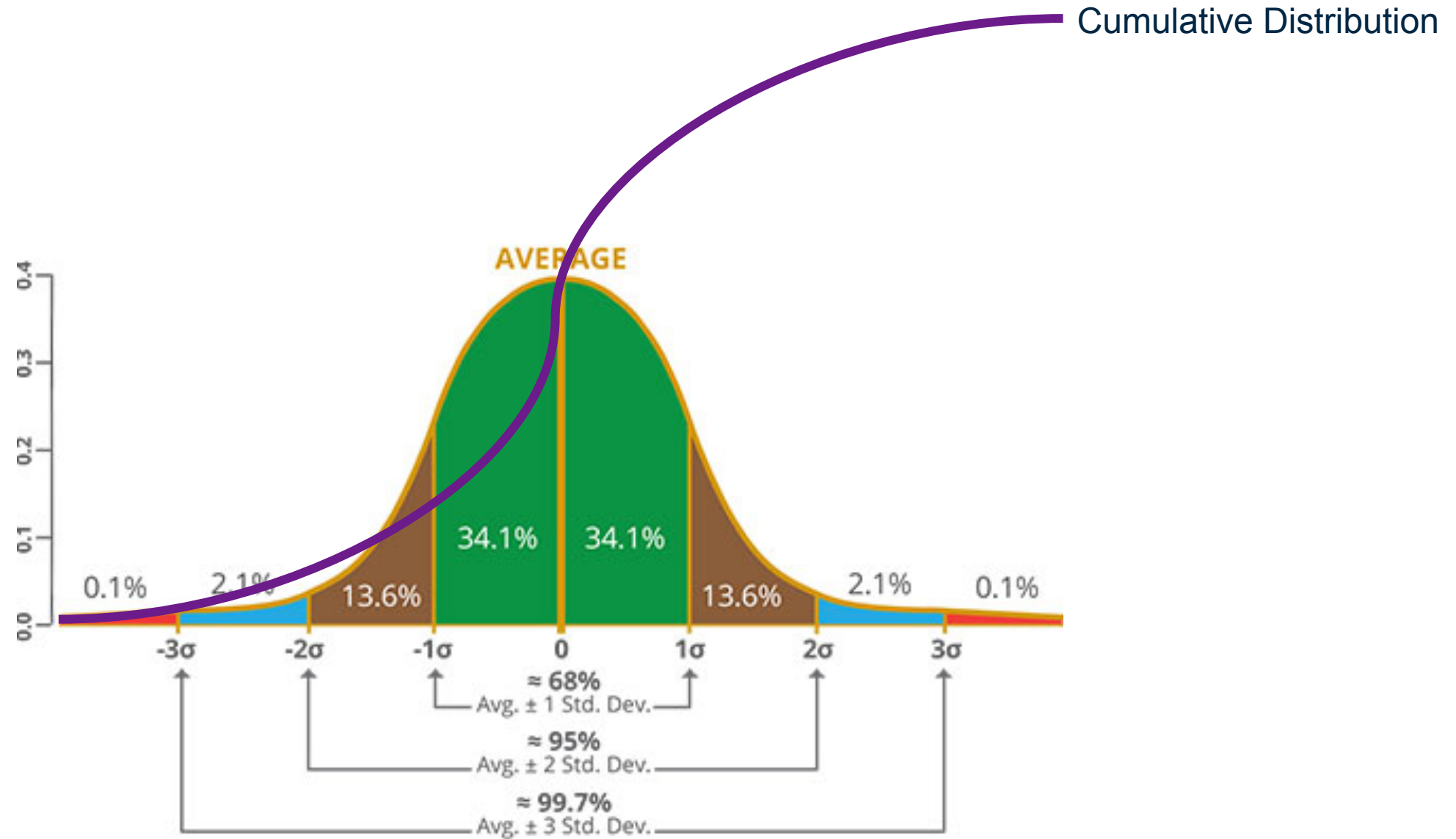
Suppliers raw cost proposals

Cheapest supplier

Legend: ■ RDT&E ■ Production ■ Operate and Support

Categories (top to bottom): Supplier A, Supplier B, Supplier C, Supplier D, Supplier E
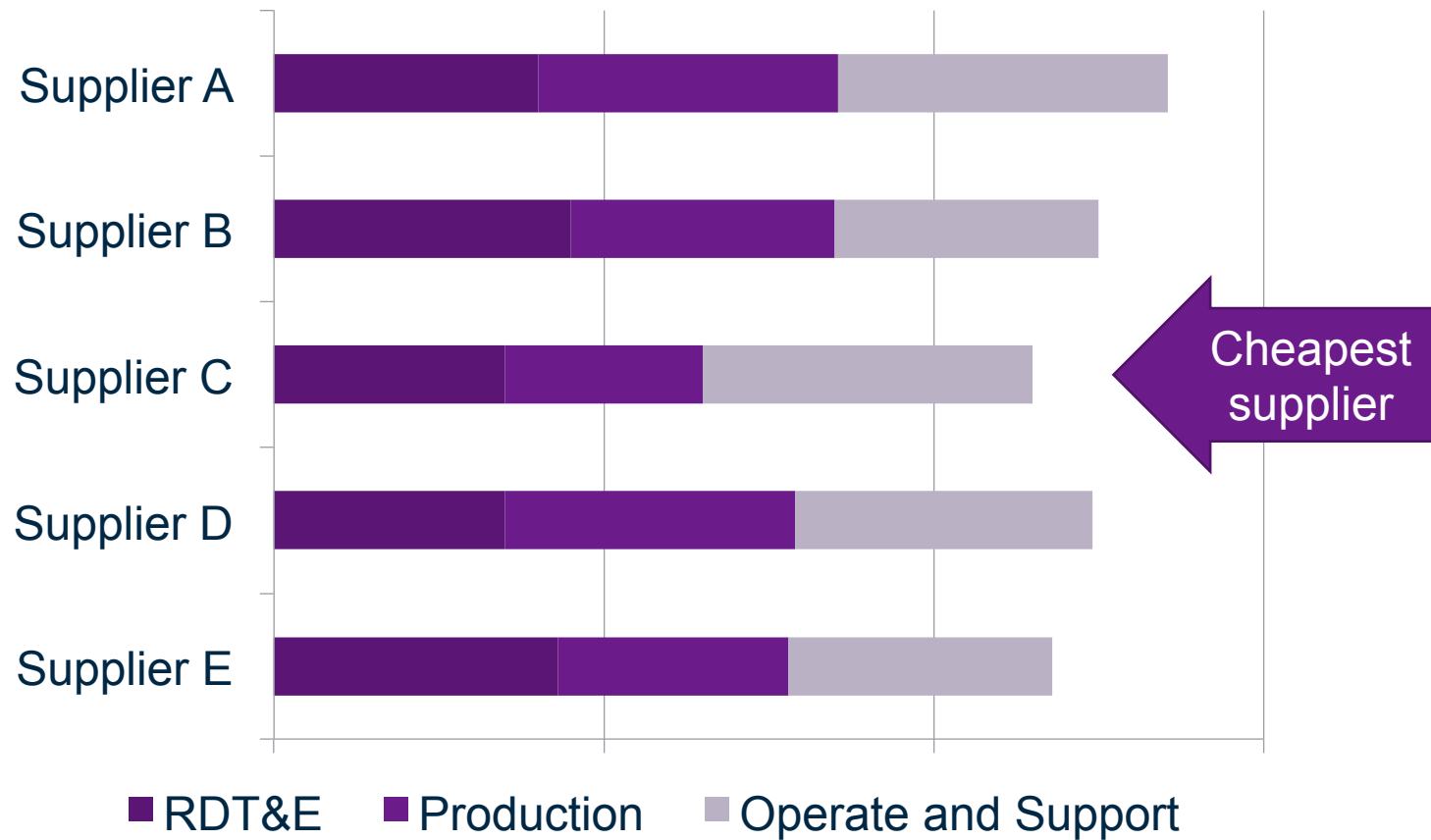
Suppliers Could cost with uncertainty

Legend: RDT&E · Production · Operate and Support

Suppliers: Supplier A, Supplier B, Supplier C, Supplier D, Supplier E

Cheapest supplier
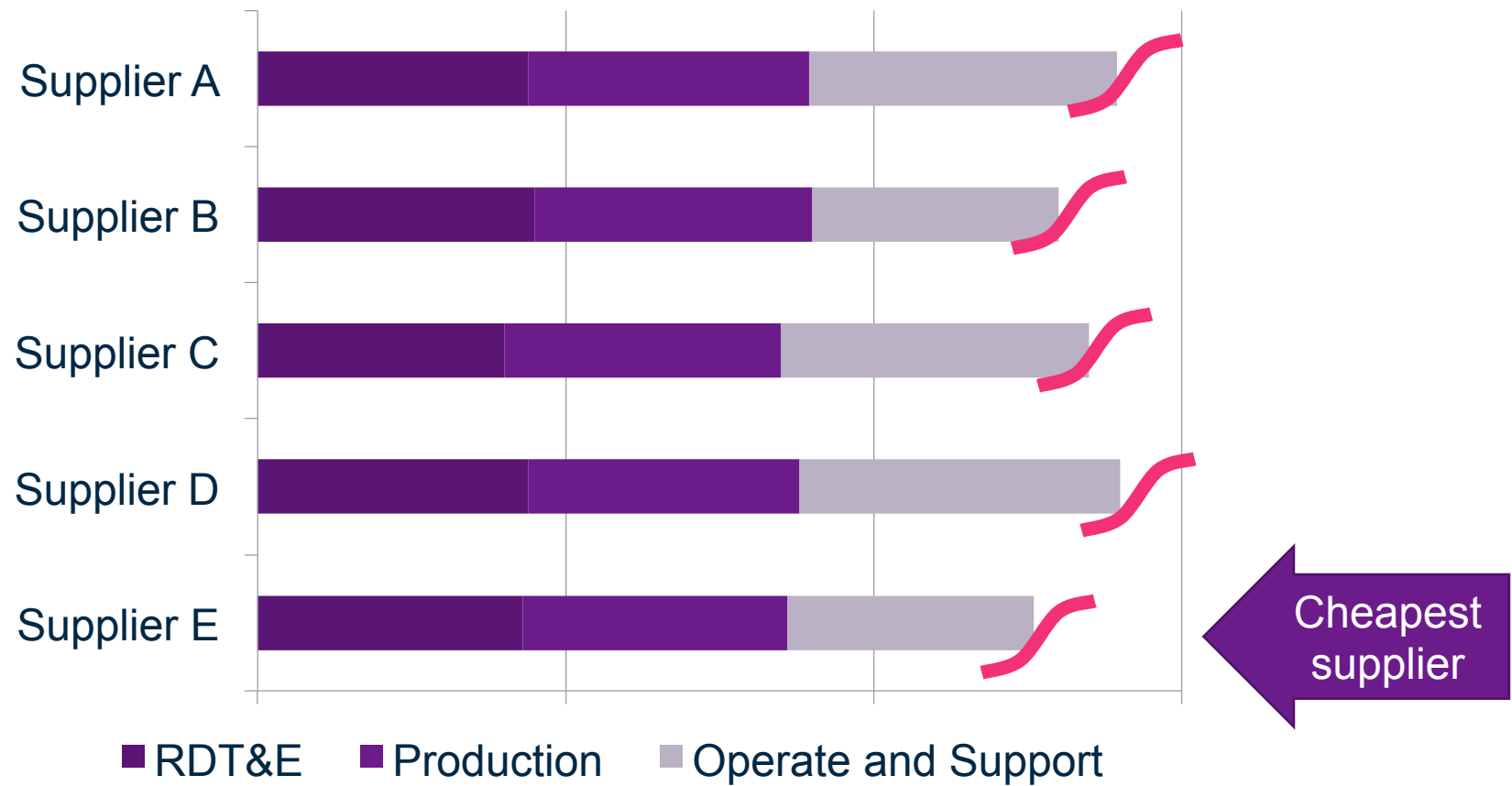
Suppliers Could cost with post-mitigated risk

Legend: RDT&E, Production, Operate and Support
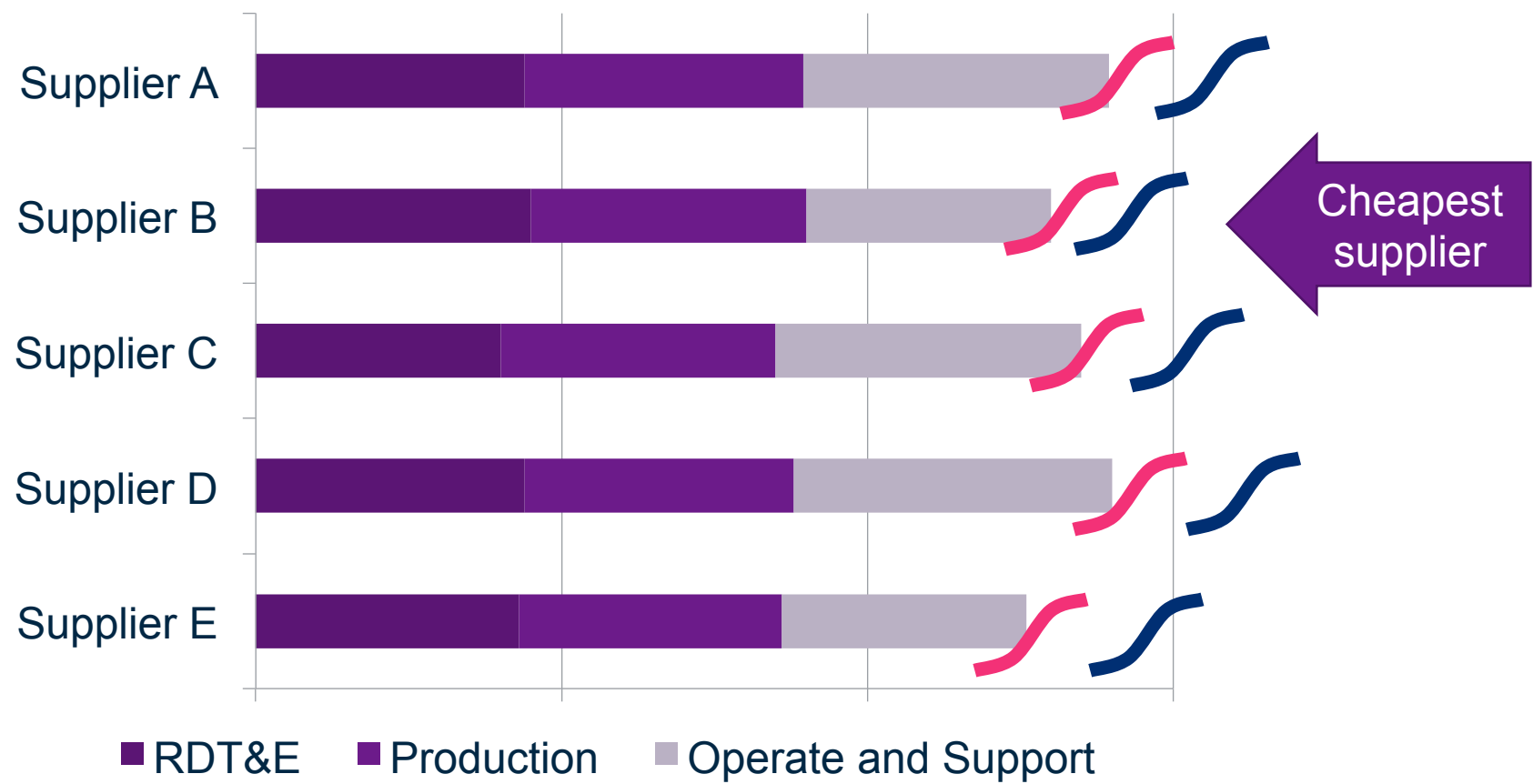
Will cost with clients Risk Register

Cheapest supplier

Supplier A
Supplier B
Supplier C
Supplier D
Supplier E

■ RDT&E ■ Production ■ Operate and Support
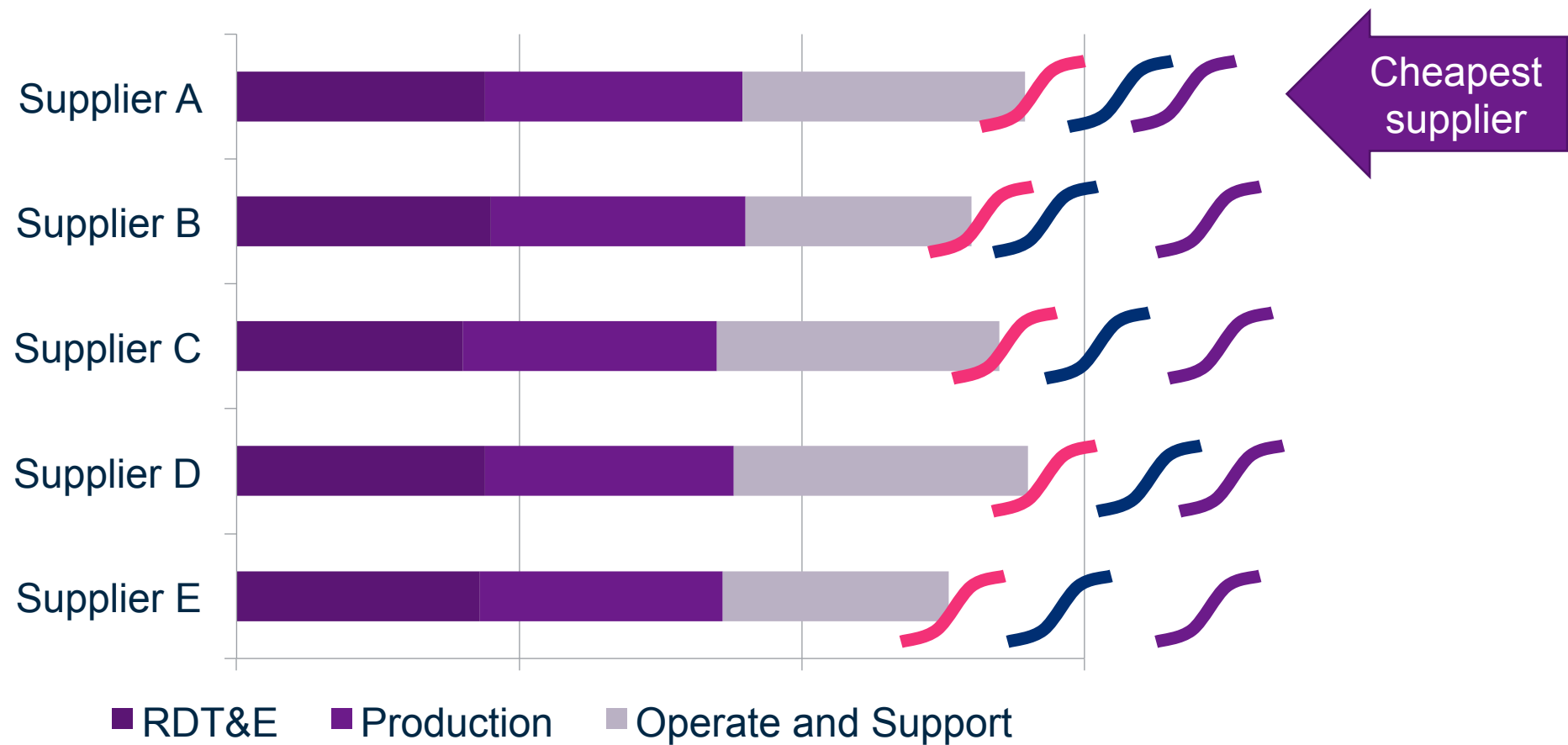
Testing the Assessment Scheme

Testing with Scenarios (Monte Carlo simulation)

		Number of bids (up to 3)	1			Number of bids (up to 3)	2			Number of bids (up to 3)	1			Bid being examined						Probability of being selected if bid being analysed scores...			
Number of iterations	**5,000**																							
Number of winners	**1**																							
		Probability of scores				Probability of scores				Probability of scores				Probability of scores										
Criteria	**Weight**	Concerns	Low Confidence	Good Confidence	High Confidence	Concerns	Low Confidence	Good Confidence	High Confidence	Concerns	Low Confidence	Good Confidence	High Confidence	Concerns	Low Confidence	Good Confidence	High Confidence		Concerns	Low Confidence	Good Confidence	High Confidence
Criteria 1	20.0%	50%	50%	0%	0%	50%	50%	0%	0%	50%	50%	0%	0%	0%	0%	0%	100%		N/A	N/A	N/A	96.9%
Criteria 2	10.0%	50%	50%	0%	0%	50%	50%	0%	0%	50%	50%	0%	0%	0%	0%	0%	100%		N/A	N/A	N/A	96.9%
Criteria 3	10.0%	10%	30%	40%	20%	10%	30%	40%	20%	10%	30%	40%	20%	10%	30%	40%	20%		91.0%	95.5%	98.6%	99.5%
Criteria 4	8.0%	10%	30%	40%	20%	10%	30%	40%	20%	10%	30%	40%	20%	10%	30%	40%	20%		92.3%	95.3%	98.1%	99.1%
Criteria 5	9.0%	10%	30%	40%	20%	10%	30%	40%	20%	10%	30%	40%	20%	10%	30%	40%	20%		91.7%	95.4%	98.1%	99.1%
Criteria 6	4.0%	10%	30%	40%	20%	10%	30%	40%	20%	10%	30%	40%	20%	10%	30%	40%	20%		94.9%	96.3%	97.5%	98.3%
Criteria 7	7.0%	10%	30%	40%	20%	10%	30%	40%	20%	10%	30%	40%	20%	10%	30%	40%	20%		93.0%	95.9%	97.9%	99.1%
Criteria 8	8.0%	10%	30%	40%	20%	10%	30%	40%	20%	10%	30%	40%	20%	10%	30%	40%	20%		92.7%	95.4%	98.1%	99.2%
Criteria 9	5.0%	10%	30%	40%	20%	10%	30%	40%	20%	10%	30%	40%	20%	10%	30%	40%	20%		94.5%	96.1%	97.8%	98.6%
Criteria 10	6.0%	10%	30%	40%	20%	10%	30%	40%	20%	10%	30%	40%	20%	10%	30%	40%	20%		93.9%	95.6%	97.7%	98.7%
Criteria 11	10.0%	10%	30%	40%	20%	10%	30%	40%	20%	10%	30%	40%	20%	10%	30%	40%	20%		91.2%	95.3%	98.4%	99.2%
Criteria 12	3.0%	10%	30%	40%	20%	10%	30%	40%	20%	10%	30%	40%	20%	10%	30%	40%	20%		95.5%	96.3%	97.3%	97.8%

Potential Range of Scores

Probability of Selecting the Best VP Solution

Probability of Selecting the Best Technical Solution

Outputs

Technical

Max acceptable cost/budget

Individual criteria

Minimum acceptable score

£

The amount we are willing to pay

| Criteria	Previous experience in developing the supply base
Weighting	40% of Industry Capacity Criteria 1% of Overall Decision
Aim	Contract with bidders who are able to demonstrate recent and relevant experience to support the proposed development of NATO's supply base.
Background	Increasing NATO's competitiveness relies on a foundation of a healthy, diverse and growing supply base. A key objective of the Defence White Paper 2016 is to strengthen and develop NATO's supply base and to move suppliers further up the value chain. This will lead to long-term economic benefits throughout the supply chain. The NATO believes that in order to develop the supply base, it should seek to place contracts with suppliers who have recent and relevant experience in the development of NATO's supply base.
Evidence Required (Question)	Within the Supply Base Development Plan, bidders must provide any recent (within the past 5 years) and relevant previous experience where they have successfully developed NATO's supply base. Experience should be, wherever possible, in similar market segments and in similar supply base areas. The experience should clearly detail what development was undertaken, details of the measurable impact that directly resulted from the work. Finally, bidders should provide evidence for how this experience will be used to the benefit of the proposed transactions for this procurement.
High confidence 100%	Significant, recent and relevant experience demonstrated of successfully developing the NATO supply base with statistics provided to show the positive impact. and Experience demonstrated in directly relevant market segments and within supply base areas similar to the proposals. and Evidence clearly demonstrates how the experience will be used and transferred to maximise the success of the proposed investments to develop the NATO supply base. Overall the levels of experience demonstrates high levels of confidence that the bidder has successfully developed relevant areas of NATO's supply base and can use this experience in the proposed developments.
Confidence 66%	Some recent and relevant experience demonstrated of successfully developing the NATO supply base. and Experience demonstrated either in relevant market segments or within supply base areas similar to the proposals. and Evidence clearly demonstrates how the experience will be used and transferred in the proposed investments to develop the NATO supply base Overall the levels of experience demonstrates some levels of confidence that the bidder has successfully developed relevant areas of NATO's supply base and can use this experience in the proposed developments.
Limited confidence 33%	Limited experience demonstrated of developing the Canadian supply base. or Experience demonstrated market segments or supply base areas with some limited relevance to the proposals. or Evidence demonstrates some limited areas of experience that may be used or transferred in the proposed investments to develop the NATO supply base. Overall the levels of experience demonstrates limited confidence that the bidder has successfully developed relevant areas of NATO's supply base or can use this experience in the proposed developments.
Concerns 0%	Evidence fails to give confidence that the bidder has the appropriate experience of developing the NATO supply base. or Experience has little or no relevance to the proposed market segments or supply base areas. or Evidence fails to demonstrate how experience may be used or transferred in the proposed investments to develop the NATO supply base. Overall the levels of experience gives concerns that the bidder has successfully developed relevant areas of NATO's supply base or that they can use their experience in the proposed developments.

AWARD® Negotiation and Debriefing
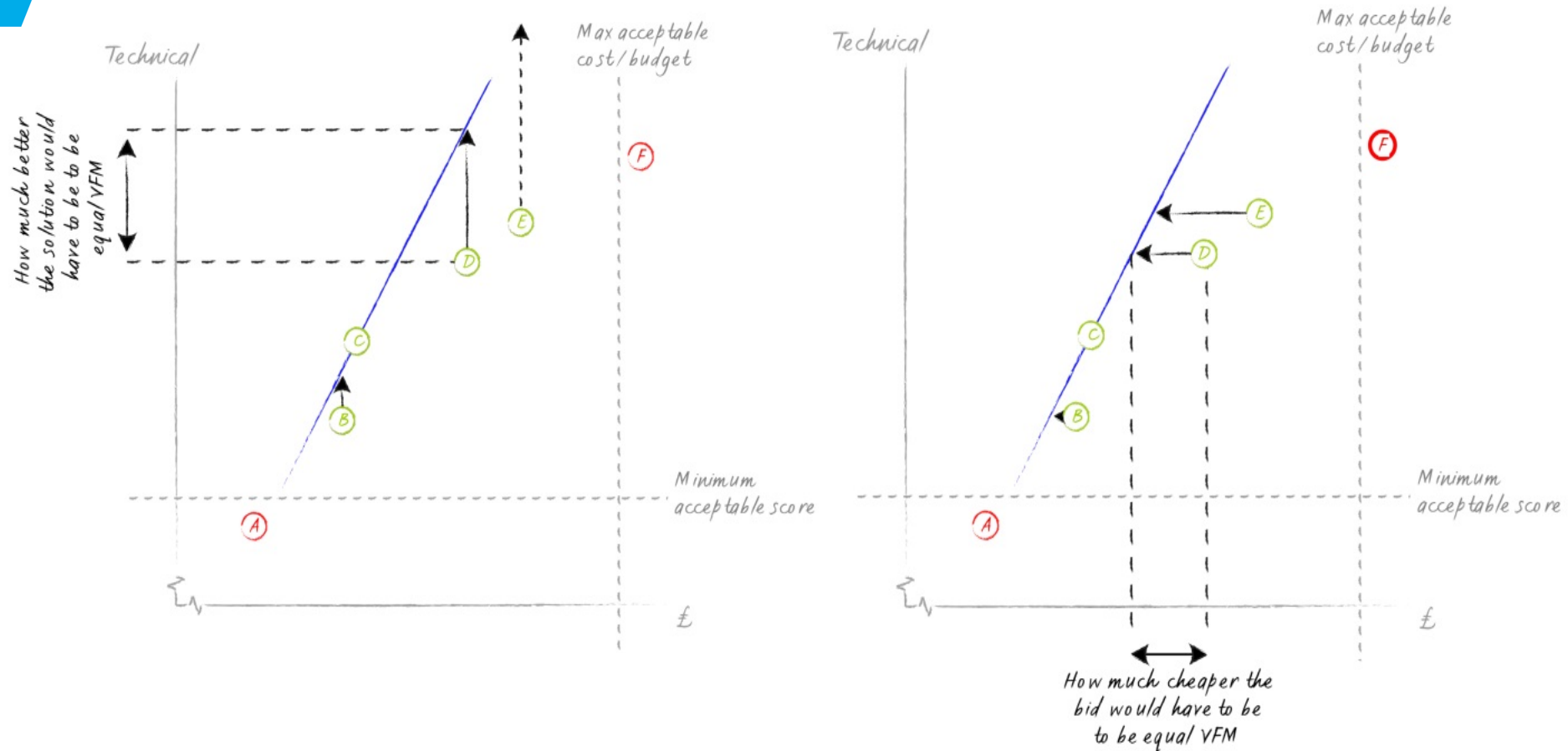
Benefits and ROI

Deliver robust and defensible decisions

Reduce the opportunity for Gaming

Reduce time to contract

Reduce cost & risk
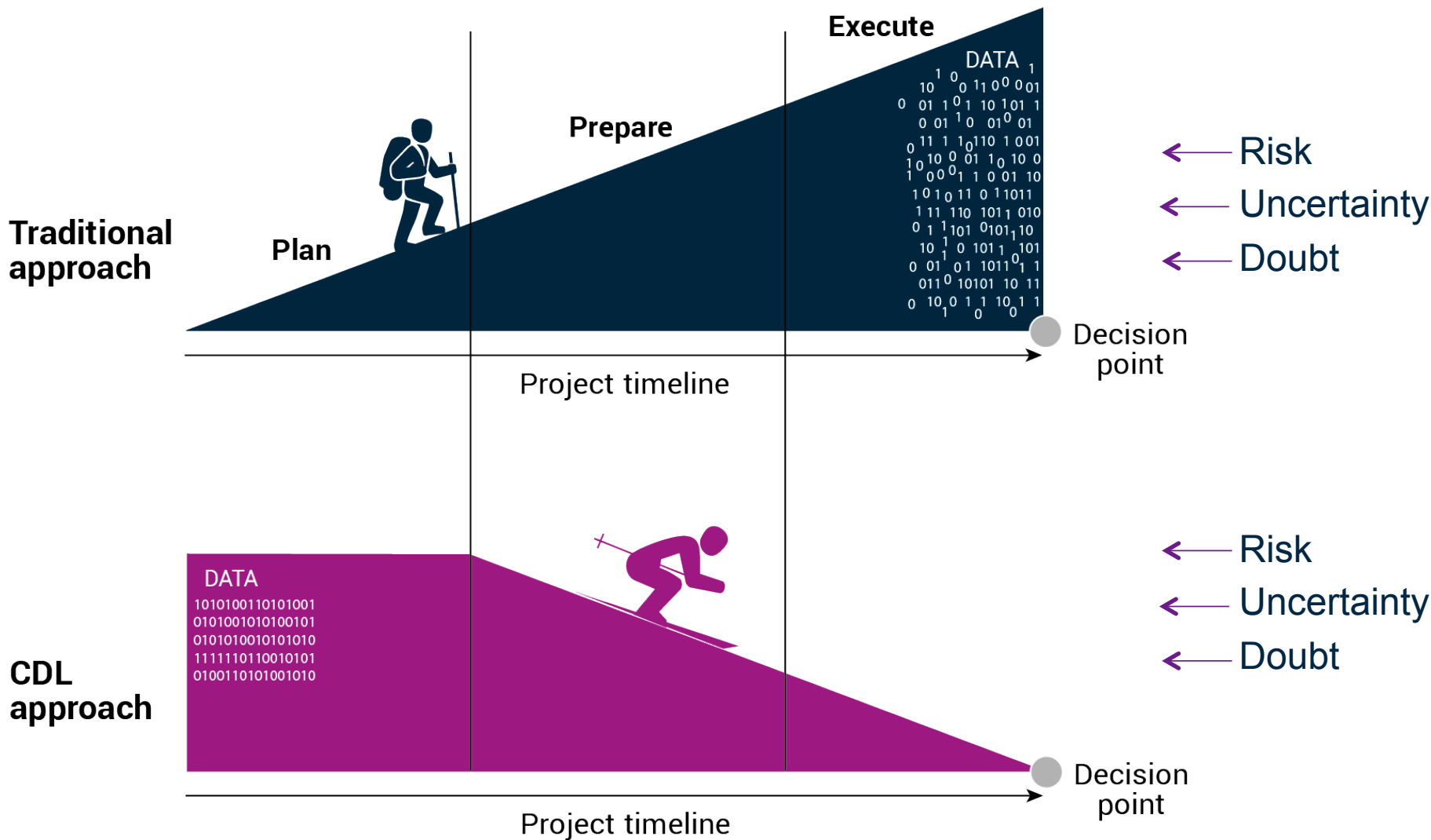
Manage Complexity

Ensure compliance

Maximise value for money
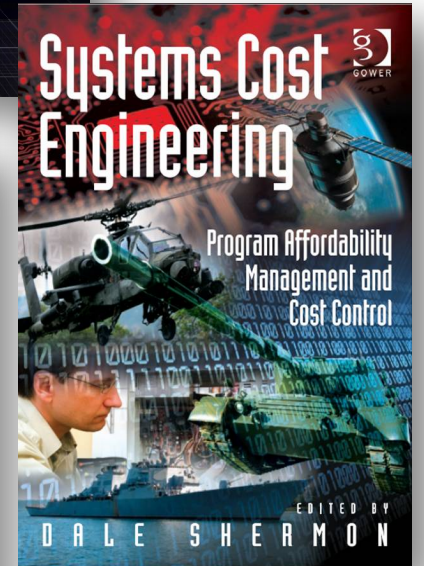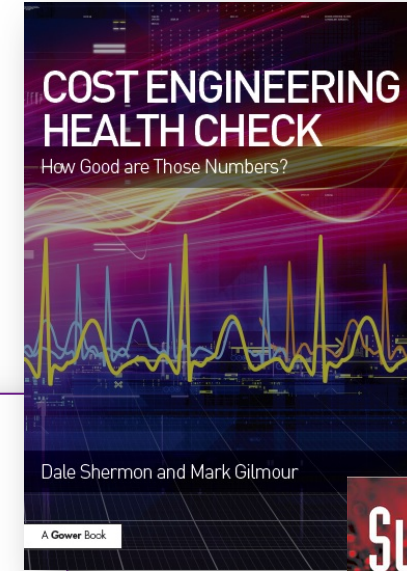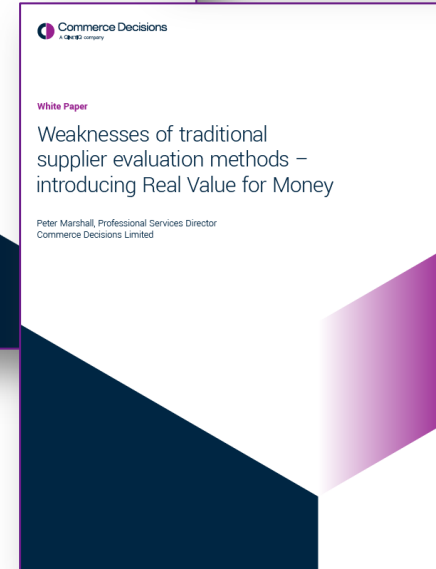
Enable collaboration

Summary

Further Reading

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White Paper

Structured Criteria Development –
Getting procurement criteria right

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White Paper

Effective weighting of criteria
as a critical component in
delivering the right decision
in public procurement

Richard Tottman, Principal Consultant
Commerce Decisions Limited

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White Paper

Weaknesses of traditional
supplier evaluation methods –
introducing Real Value for Money

Peter Marshall, Professional Services Director
Commerce Decisions Limited

COST ENGINEERING HEALTH CHECK
How Good are Those Numbers?

Dale Shermon and Mark Gilmour

A Gower Book

Systems Cost Engineering
Program Affordability
Management and
Cost Control

EDITED BY
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Questions ?

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