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Eight Principles for Sustainable Proposals Management

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Many project organizations underestimate the importance of rigorous Proposals process. In particular, measuring the number of awards obtained is irrelevant if those projects awarded cannot be executed without major changes, delays and overruns. This Expert Paper concentrates on the best practices that need to be implemented in the Proposal process to ensure sound proposals that can effectively be executed. It proposes 8 key principles that should be applied in all Proposals processes.

Introduction

Many EPC companies underestimate the criticality of a sound and robust proposal management approach. Most of the fate of all projects is decided during the proposal phase (the award, the execution, and completion success).

It is a common short-sighted approach to measure the success of a proposal department in achieving the project awards. In such an approach, the project awards are followed by a myriad of project execution changes and cost overruns.

Mature EPC companies have created many rigor and control points via several procedural processes, tools and practices in their proposal departments. However, a proposal robustness and maturity extends beyond application of such procedural guidelines. A sound proposal anticipates potential execution changes with a fall-back plan, and yet remains lean making it competitive and attractive.

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8 Principles for Sustainable Proposals Management

1. An Achievable Execution Strategy

- Create an achievable execution strategy, considering the abilities of the existing resources.
- For new or first of kind and complex proposals – consider the ability to
 - a. upscale the resources and skills
 - OR
 - b. apply additional schedule duration and cost provision for existing resource
- Engage customer on low risk and benefits of a standard application (v/s customization).
- Build a logic linked gantt chart schedule with realistic durations:
 - a. Illustrating the critical project activities and risks
 - b. Maturely consider Murphy's Law towards schedule float application (schedule currency for profit) - rework, inefficiencies, delays, weather, breakdowns, etc.

- Appoint a project experienced proposal leader with similar customers, work scopes & sites.

2. Robust Supply Chain

- Apply rigor in supplier selection – financial stability, technical, and commercial (price, schedule, etc.) compliance
- Nominated supplier(s) possess work capacity, and are aligned with project and customer needs (reporting, inspection, HAZOP, etc.)
- Supplier's past reliability and risk sharing appetite – e.g. historically the supplier has quality performed; successfully manages their sub suppliers.
- Considering using average supplier pricing & not the lowest price. Include provision of ancillary support services and equipment (rigging, transportation, inspection, storage, etc.)
- Reduce full dependence on single sourcing. ALWAYS HAVE A PLAN B.

3. Relevant Project Organization

- The project organization structure is reflective of the project execution requirements – multiple site presence, interface management requirements, project document management needs, others.
- The organization structure to be calibrated in accordance with the man power plan. Nominate the key position employees (i.e. project manager and key direct reports).
- The structure to be clear in terms of accountability, and illustrate mature work delegation.
- The man power plan to include the job positions with realistic cost rates (required skill level and available)
- In calibration with the schedule time line, forecast realistic man power durations i.e. engineering design review (rework, changes, internal changes, etc.), time for as-built documents after project work delivery
- For profile projects, consider utilizing some key proposal resources in executing the projects (proposal manager, technical manager, others)
- Do not use the project manpower as an easy adjustment variable on the final cost.

4. Adequate Project Contingency

- Proactively investment in developing project risk registers:
 - Identification of project risks & opportunities (technical, contract, commercial), with mitigation and exploitation action.
 - Leverage the in-house systems in quantifying the above (a) in terms of cost and schedule (risk float), and using the same in contingency calculations.
- With experience, companies could apply a contingency norm (e.g. 4% etc.).
- This norm application will not substitute the risk register rigor i.e. event identification & action.
- Prior to submitting the final proposal, it is useful to briefly update the risk register and contingency (incorporating final negotiations)
- Management may elect to apply a gut feel adjustment, to the contingency quantum.

5. Relevant Contracting Philosophy

- Upon commencing the proposal phase, decide your willingness for contractual risk appetite and exposure, by considering the following:
 - Is this proposal a crucial WIN?
 - The contract intended for future work scopes e.g. after market services, long term service charters, etc.?
 - Is there clarity scope of work description and possibility of unknown changes?
 - Any elements of work are new / first of kind?
 - Relationship with this customer and past experiences in resolving disputes?
 - Performing any existing projects with this customer with similar / different contract?
 - Is this proposal work scope repeat & regular work?
- In-house contract rules for risk acceptance and deviation exist in all companies.
- The above evaluation shall enable adoption of a well thought contracting philosophy (hard line / flexible).

6. Pricing for Achievement

- A competitive Proposal Price (sell quantum and schedule) is always important.
- A simple Proposal Price equation looks like:
 - **PRICE = Proposal Cost + PROM Provisions (& Adjustments) + Margin**
- The Proposal Cost and PROM Provisions are science & logic based numbers.
- If the PRICE needs to be changed:
 - Adjusting the execution logic shall change the Proposal Cost & PROM provisions.
 - If the logic science cannot be changed, then a Margin change is the way.
- The project team can always be assigned a mutually agreeable stretch margin targets.
- The idea is to have a realistic achievable base line Proposal.

7. Handover - Transfer to the Project

- The proposal team to engage with the project team in transferring their logic thinking (beyond sharing information):
 - What is the execution strategy?
 - Why the supply chain / technical / contracting / commercial strategy are chosen?
 - What were the alternate options considered?
 - How the as-sold Price was built (cost / schedule / PROM)?
 - What are the customer's drivers (schedule / quality / costs / etc.)?
 - How to effectively engage with customer – customer's organization structure, etc.?
 - During negotiations:
 - Success achieved in mitigating risks (Contract / qualification / etc.)
 - Unable to mitigate risks and their treatment
 - How execution lessons learned have been applied in the proposal?
- On profile projects, consider using the key proposal team in project execution

8. Proposal Team Engagement During Project Execution

- Consult project teams in matters like major change application, customer resolution, etc.
- Capture execution lessons learned for future proposal bids.

Conclusion

A proposal creation process can be impacted based on several factors, such as:

- limited preparation time
- lack of supplier responses
- customers changing the work scopes
- bids vary in size and complexity
- others

Subject to the impedances, the application of these eight principles may vary in degree e.g. severe extent application on large and complex bids.

However, all EPC projects can immensely benefit from these principles. It is important for EPC project driven companies to recognize the value and foster this approach.

Abbreviations

PROM: Project Risk & Opportunity Management

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