

Finding true best value in federal procurement



By Mike Pullen and Michael Zuromski

Federal agencies strive to award contracts based on their assessment of which offeror is promising to deliver the best value, which is best thought of as a balance of price and technical capability. In practice, however, faced with a stack of similar proposals that provide few or no differentiating capability factors, the award often ends up going to the bidder offering the lowest cost—a basis termed Lowest Price Technically Acceptable (LPTA).

This happens because the government's request for proposal (RFP) specifies requirements and the bidders' responses all affirm that they can meet those requirements. They all appear essentially equal in technical capability, leaving price as the only differentiator.

As a result, agencies often find their chosen industry partners to be competent but not especially innovative or creative in providing solutions. However, there are some best practices for agency contract officers to apply that can lead to an award decision based on quality, efficiency and effectiveness.

In this paper, we offer some guidance for agencies in both developing RFPs and the evaluating the responses to avoid making LPTA awards when best value is the real goal.



Develop clear objectives

Develop detailed and clear objectives that outline the desired outcomes, performance standards and quality expectations. This helps Industry understand what is needed and reduces the risk of misunderstandings or subpar deliverables.

This can be accomplished with a traditional Statement of Work (SOW), a Statement of Objectives (SOO) or a Performance Work Statement (PWS). Any of these can work in an RFP, but they are not the same; choosing the best one for the specific solicitation will improve the quality of the bids received and make them easier to evaluate for aspects beyond low price.

1

Statement of Objectives (SOO):

An SOO details the desired results of the contract, without specifying the technologies or services the industry partner is to provide. The goal of the SOO is the end product, not the means to achieve it. An SOO should be used when the RFP needs:

- **Flexibility:** SOOs provide more flexibility and autonomy to Industry to propose solutions. They outline the government's needs, goals, and desired outcomes without specifying how they should be achieved. This flexibility encourages innovation and allows industry partners to propose creative solutions. This is helpful when there are several viable approaches to achieve the goal, or when the government lacks a clear understanding of how to accomplish the objectives.
- **Robust competition:** By not prescribing specific methodologies or solutions, SOOs encourage a wider range of industry partners to compete for the contract. This can lead to a more competitive bidding process and potentially better value for the government.
- **Focus on results:** SOOs emphasize the desired outcomes and performance standards rather than dictating the exact tasks or methods. This encourages bidders to propose innovative approaches to achieve the results rather than simply completing tasks.

For the agency: Evaluating the reasonableness and clarity of the approach, each bidder's understanding of the objectives and their corporate experience to deliver are the key factors in basing an award on an SOO.



2

Statement of Work (SOW):

An SOW spells out the work to be done in minute detail, including specifying technologies and services. An SOW should be used when the RFP needs:

- **Detailed requirements:** SOWs provide specific, detailed requirements for the tasks to be performed, including deliverables, timelines and performance standards. This level of detail can be advantageous in situations where the government has a clear understanding of what needs to be done and how it should be accomplished.
- **Risk management:** SOWs can help mitigate risk by clearly defining expectations and requirements upfront. This reduces ambiguity and misunderstandings between the government and the industry partner, leading to smoother project execution.
- **Contractual clarity:** SOWs offer a more structured framework for contractual agreements, providing clear guidelines for performance evaluation, milestones, and payment terms. This clarity can be beneficial in complex procurement projects where adherence to specific requirements is critical.
- **For the agency:** Evaluate SOW-based responses with an eye toward corporate experience and past performance; these are usually the distinguishing factors in the responses.

3

Performance Work Statements (PWS)

A PWS is similar to an SOO in that it specifies desired outcomes rather than prescriptive task-oriented directives. However, where the SOO keeps the objectives generalized to allow maximum flexibility, the PWS requires specific, measurable outcomes. Use a PWS when you need:

- **Clarity of expectations:** A PWS clearly defines the required performance outcomes. This helps ensure that all parties have a mutual understanding of the goals and standards expected, reducing the risk of miscommunication and misunderstandings.
- **Flexibility and innovation:** Like an SOO, a PWS allows industry partners the flexibility to use their expertise and innovation to determine the best way to meet the government's needs. This can lead to more creative solutions and potentially more cost-effective and efficient approaches.
- **Enhanced competition:** The flexibility inherent in a PWS encourages more industry partners to bid, as it does not constrain them to a specific set of procedures. This can increase competition, potentially lowering costs and improving the quality of services or products received.
- **Improved performance measurement:** A PWS facilitates the development of clear, objective performance metrics that can be used to assess the industry partner's performance. This helps in holding the industry partner accountable for delivering the agreed-upon outcomes and can lead to better performance management throughout the contract's duration.



- **Risk mitigation:** By specifying performance outcomes rather than processes, the government can transfer some performance risk to the industry partner. The industry partner is responsible for delivering the results, which incentivizes them to manage their processes and resources efficiently to meet the performance standards.
- **Cost control:** A PWS motivates industry partners to find the most cost-effective methods to achieve the required outcomes. This can lead to reduced costs for the government while still ensuring that high-quality performance standards are met.
- **Enhanced focus on results:** The use of a PWS encourages a results-oriented approach, where the primary concern is the quality and effectiveness of the deliverables rather than the means of production. This aligns the industry partner's efforts directly with the mission and goals of the government agency.
- **Better resource allocation:** Government agencies can better allocate their resources to oversight and management rather than detailed process monitoring. This strategic focus allows agencies to ensure that contract performance aligns with broader mission objectives.

- **Increased accountability:** Clear performance requirements and measurable outcomes make it easier to hold industry partners accountable for their performance. This can improve industry partner performance and ensure that public funds are used effectively.
- **Continuous improvement:** A PWS can include requirements for continuous improvement, encouraging industry partners to consistently seek ways to enhance their performance and deliver greater value over the life of the contract.

For the agency: Evaluate responses to a PWS with close attention to the reasonableness and clarity of the approach, the offeror's understanding of the objectives and its corporate experience.



Choosing the form

Each of these options has advantages and drawbacks. While SOOs offer greater flexibility and encourage innovation, SOWs provide detailed guidance and clarity, which can be advantageous in managing risk and ensuring contractual compliance. A PWS brings innovation and flexibility, providing a focus on performance outcomes.

The choice between them depends on factors such as the complexity of the project, the level of certainty in the government's requirements and the desired degree of innovation and flexibility. Here are some factors to consider in your procurement approach:

- **Understand the project requirements:** Carefully review and understand the project requirements so they can be outlined in the solicitation documents. This will help you determine which type of document best suits the needs of the project.
- **Evaluate the complexity of the project:** If the project is complex and requires a detailed roadmap for completion, a SOW may be the best option. If the project requires flexibility in achieving outcomes, a PWS or SOO is probably more appropriate.
- **Consider industry partner expertise:** Consider the expertise of potential industry partners and their ability to meet the requirements outlined in the chosen document. Allow your partners to demonstrate their ability to bring diversity of thought, have they done similar work in the commercial world or internationally not just within the Federal market. Some industry partners may experience and capabilities that have been delivered successfully in other environments and combining their Federal Experience and Commercial experience can provide innovative approaches.
- **Consult with key stakeholders:** Project managers, technical experts and contracting officers can all help determine the most suitable document for the project. Their input ensures that the chosen document aligns with project goals and objectives.
- **Evaluate on quality:** Use evaluation criteria that prioritize quality, technical merit and past performance alongside cost considerations. When possible, establish a price range in advance that is reasonable based on your government estimate and budget to eliminate the focus solely on a price basis. This ensures that contracts are awarded to industry partners with a proven track record of delivering high-quality products or services.

- **Utilize value engineering:** Encourage industry partners to propose innovative solutions that optimize performance while minimizing costs. Value engineering involves analyzing and improving the value of products or services through a systematic review of their functions.
- **Conduct thorough past performance and corporate experience evaluation:** Considering both past performance on similar contracts and experience with similar inward-facing projects helps identify industry partners with a history of delivering high-quality results.
- **Risk management:** Assess and mitigate risks associated with procurement decisions, including risks related to industry partner performance, delivery delays and quality issues. Robust risk management practices help minimize the likelihood of costly disruptions or failures.
- **Supplier relationship management:** Foster strong relationships with industry partners based on trust, transparency, and collaboration. Effective supplier relationship management can lead to better communication, problem-solving, and mutual understanding of goals and expectations.
- **Continuous improvement:** Regularly review and evaluate procurement processes to identify areas for improvement. Continuous improvement initiatives help optimize efficiency, reduce costs, and enhance the overall value delivered through procurement activities.

Overall, selecting the appropriate strategy—whether SOW, PWS or SOO—requires careful consideration of project requirements, complexity, industry partner expertise, flexibility, desire for innovation and stakeholder input. By evaluating these factors, you can choose the document that best fits the needs of the project and sets the stage for successful procurement and project execution.

Hold oral presentations for finalists

Oral presentations enable agencies to expand on written proposals with clarifying questions and the ability to assess potential industry partners through in-person meetings.

In a traditional written proposal, the agency must rely solely on the information presented in the document. However, oral presentations allow for a more dynamic and interactive exchange of information. Agencies can ask questions, seek clarification, and engage in dialogue with industry partners to better understand their capabilities, approach, and potential value to the agency.



Additional best practices

Early market engagement: Engage with industry early in the procurement process to understand market capabilities, emerging technologies, and industry best practices. This helps to shape requirements, foster innovation, and ensure that the government is leveraging the latest advancements.

Integrated project teams: Establish integrated project teams consisting of stakeholders from the agency, procurement professionals, clients served by the agency and other relevant entities. Collaborative teams facilitate communication, decision-making, and alignment throughout the procurement process.

Performance metrics and incentives: Define clear performance metrics (know your success criteria) and incentives in contracts to drive accountability and encourage industry partners to exceed minimum requirements. Performance incentives can align industry partner interests with the government's goals and objectives.

Agile procurement practices: When appropriate, adopt agile procurement practices that allow for iterative development, flexibility and adaptation to changing requirements or circumstances. Agile approaches enable the government to respond quickly to evolving needs and to incorporate feedback from stakeholders.

Conduct a best value trade-off analysis

a comprehensive analysis that considers both cost and non-cost factors, such as technical capability, past performance and risk is a significant help in avoiding an LPTA selection. This approach allows the government to select the proposal that offers the best overall value, even if it is not the lowest cost option.

The analysis should emphasize the quality of proposed solutions, including technical features, performance standards, and reliability. Quality-based evaluation ensures that the government receives goods or services that meet its requirements and deliver long-term value.

Consider total cost of ownership

In evaluating proposals, contract officers should consider the total cost of ownership (TCO), not just the stated price. The entire lifecycle price includes, at a minimum:

- Transition
- Operations and maintenance
- Disposal

Other factors that might factor in are compensation for employees, ongoing subscription charges beyond the initial contract and new hardware.



Consider corporate experience

In evaluating a company's track record, consider projects the bidder has completed internally; agencies should not limit their assessment to past performance with external clients. These employee-facing projects—corporate experience—demonstrate technical capability just as much as work done for clients.

By following these best practices, federal agencies can successfully manage large-scale procurements, deliver value and support the achievement of mission objectives effectively. To produce the best value for the government buyer in procurement evaluations, it's essential to use approaches that balance considerations of cost, quality, performance, and risk. In this way, federal government agencies can achieve best value in procurement decisions while mitigating the risks associated with focusing solely on low cost.



About CGI

Founded in 1976, CGI is among the largest IT and business consulting services firms in the world. We are insights-driven and outcomes-based to help accelerate returns on your investments.

Nearly 7,000 of our experts help the U.S. federal government achieve comprehensive, scalable and sustainable IT and business goals. We enable our clients to execute digital transformation, build the federal workforce of the future, achieve operational excellence, enhance citizen engagement and protect America's assets. As the federal government faces unprecedented challenges, we remain committed to enabling its success, using our deep understanding of clients' goals and missionessential needs to provide consultative insights and develop solutions for maximum results.

For more information

Visit [cgi.com](https://www.cgi.com)

Email us at info@cgi.com