Streamlined Source Selection
or
Write Your Own Spec!

by A. Edward Dietz
AAI Corporation
Hunt Valley, Maryland

ABSTRACT

Recently several agencies have applied Total Quality Management (TQM) principles to new contract starts and requests for proposals (RFP). One form of solicitation is called Streamlined Source Selection. This paper explores the costs, benefits and problems associated with the Streamlined Source Selection approach from a contractor point of view. Is the source selection process improved? Is the feedback from industry really used by the agencies? Is the government evaluation process more equitable, easier, better or cheaper with this streamlined approach? Are the total pre-award costs reduced, increased or merely shifted from one place to another? Are contracts awarded more quickly? Does the specification better represent what is needed or what will be produced or both? Is the resulting contract of higher quality? Does the government get a better bargain? Are contracts completed more quickly or with fewer changes or fewer cost problems? In short, are the expected *TQM benefits obtained?*

INTRODUCTION

The streamlined source selection approach generates several RFP drafts with extensive consultation between the contracting agency and industry to improve and expand the material between drafts. The formal RFP is then issued with a relatively short response time. One feature of this streamlined approach is that each bidder writes many of the pertinent contract documents as a part of the proposal. These documents usually include the specification, the system engineering master schedule, portions of the statement of work, a software development plan and other program plans and data items. Once the proposal is submitted the government contracting agency evaluates all proposals on an accelerated schedule.

Much of this paper will be focused on the technical specification generation process and its problems and benefits. The discussion and questions apply equally across the other tailored documents such as the schedule, statement of work, logistical plans etc.

DRAFT RFP

The draft Request for Proposal (RFP) process for streamlined source selection starts out much like the traditional draft. A set of preliminary documents is issued, perhaps with one or two major segments missing. Contractors are asked to comment and make suggestions in writing. But there are differences. The documents usually include only a very general top level technical requirement. The schedule may have only an end date and a set of intermediate milestones without dates. The contractor is expected and required to eventually fill the technical, management and contractual gaps. Some of these gaps can be filled through general suggestions during the draft process. Others can be handled differently by each contractor when he eventually submits his own proposal.

The contacting agency pays a good deal of attention to the suggestions of bidders. Many areas are revised and expanded based directly on contractors suggestions. A dialogue occurs in both classic bidder's conference form and single contractor face to face discussions.

Additional drafts are generated to refine the process. Missing segments are added. Appropriate contractor suggestions are incorporated. This process often continues over a number of draft RFP's. Contractors are encouraged to write, though not submit, portions of their proposals during this period.

FORMAL RFP

Once the formal RFP is released, a serious effort is made to compress the time remaining before award. Thirty day response times are common for proposals valued at tens of millions of dollars. Even shorter response times are required for such items as past performance data. The *contracting agency gives itself a tight and meaningful time* limit for evaluation as well.

The formal RFP is the last point for additions, deletions and changes in requirements. Many of these changes come from the discussions and comments mentioned earlier in this paper. Others may come from last minute changes within the government. The changes may run the gamut of technical, logistics, management and contractual.

While no one enjoys change for its own sake, all can recognize that it will occur. However, one type of change is particularly difficult in the streamlined source selection atmosphere. When the government changes the volume of response or the nature of the response only at the final RFP, the bidders are left with very little time to respond. The addition of major data items or questionnaires has added 10% to the effort required during the 30 day response period.

PROPOSAL PREPARATION

Various approaches have been applied to the actual material required from the bidders. Some procurement efforts still require a classic expository description of how the job will be performed. Others focus on particular areas of interest with very specific and stringent page limits. Yet others drastically limit the amount of general text and rely on the contractual documents to define and describe the task.

Now what are "contractual documents" in this situation? They are familiar items such as statements of work, specifications, logistics plans and major milestone schedules.

The government approach to contractor generated schedules is particularly innovative. Not only must dates be proposed but the success criteria for that milestone also must be proposed. Both the dates and the criteria can and do vary from one bidder to another. These milestones are major items such as CDR, hardware-software integration start, factory acceptance test start, ship to installation site etc.

Likewise the specifications can vary. The bidders are free to set numerical limits that are practical, applicable to their approach, and relevant to the overall procurement goal. Of course this freedom is constrained by the general technical limits set by the RFP. However, this freedom is frequently quite broad. The contractor is allowed more innovation than in past procurements. Besides choosing an approach, the contractor can specify intermediate requirements and measurements. He must convince the government that these values are plausible and consistent with achieving the required result.

PROPOSAL EVALUATION

In this phase of activity the contractor insights are limited. Agencies continue to closely control the details of this process in the interest of fair play. That said, new situations occur with the streamlined approach that appear different from the standard evaluation concerns.

Under the streamlined system each bidder submits his own specification and detailed schedule. Variations are allowed in the technical requirements and in the way they are implemented. Such schedule items as program phases and testing times are allowed to vary among bidders. The general schedule and the top level specification are the same for all. Given this starting point, can the government evaluators reconcile several varying requirements and schedules?

Consider two bidders X and Y who prepare proposals for a new trainer. Suppose bidder X proposes a long development schedule with a CDR later than other bidders. Bidder Y proposes a shorter development schedule with a CDR at the 12 month mark. Does this mean that Y understands the task better or has more experience? Perhaps, but read on. Now suppose X also proposes a short fabrication and coding cycle compared to Y. Does this mean that X has taken advantage of the longer development time to thoroughly plan the job and minimize coding effort? Or has X missed the mark entirely and simply underestimated the coding and debugging effort?

Other questions which occur are:

- How is it possible to uniformly and fairly evaluate a number of bids where the specifications are different?
- Is there a way to correlate between a permissive (weak) specification and a lower price? If so, is this combination perceived as a desirable, awardable situation? Or is this a cause for discussions to tighten the specification?
- What about the case of a tight specification and a low price? Is this a buyer's delight or a cause for suspicion about cost realism, technical understanding and completion risk?
- Is an aggressive schedule and low price a plus or merely an added risk?

We are aware that the agencies apply standards of acceptability uniformly to all proposals. We suspect that this job is more complicated and difficult with the wide variations amongst bidders and the contractor-created requirements allowed by the streamlined approach. From the awards made to date, we can see no pattern concerning an optimum approach to be used by bidders.

On the positive side, many contracts have been evaluated and awarded with commendable speed. Does this speed stem from a smooth evaluation process or from the extensive contractor and government improvement efforts during the draft RFP phase?

We encourage a future paper exploring the evaluation situation from the government viewpoint.

POST AWARD ACTIVITY

The inter-service/industry team is just embarking on this phase for contracts that were awarded by streamlined methods. In theory the team efforts that occurred during source selection should have several benefits:

- Adversarial relationships ought to be reduced as both parties have made a strong contribution to the effort before the contract is signed.
- The contract documents should be familiar to both parties at the start. Thus the learning curve to merely understand what is required should be shorter.
- There should be fewer problems or disagreements about the specification since the much of the specification should reflect the bidder's technical approach.

CONTRACTOR SPECIFICATION WRITING BENEFITS

There are at least two interpretations of the "Write Your Own Spec!" title phrase. One response, from many engineers, is joy. Many engineers have spent years responding to requirements written by others. Those requirements often seem:

-Inconsistent.

-Vague.

-Too specific.

-Unrelated to the task at hand.

-Narrowly drawn without considering the whole problem.

-Written around someone else's design.

-Outmoded.

-Too visionary.

-Impractical.

It is no accident that the preceding list is contradictory on its face. Note the emphasis on the word "seem." Make the utopian assumption that the customer organization has a perfect understanding of its need. Then that need must be translated into a written specification. Then the bidder's technical staff has to understand the written word. No wonder the engineer in industry is frequently in the position of not fully understanding what the customer's requirement may be. Frustration and human nature then operate to produce a reaction of "I could write a better spec than this blindfolded" or something similar. Now present that same individual with a real chance to write a specification for his or her area of expertise. Frequently the initial reaction is open mouthed delight.

After a while much of the happiness fades. When the task is contemplated in detail, it is soon obvious that the contractor's engineers have bitten into a large mouthful of additional work and worry. Now the contractor must fully understand the requirement, make a number of painful choices using achievable numbers, and produce a result that he and his corporate associates must live with as successful bidders. By the way the result must still satisfy the wants and needs of the customer. A few trips around this loop of thinking can produce a sarcastic reaction of wishing that the specification writing job were back with the customer. Hence the alternate interpretation of "Write Your Own Spec!"

Having made the contrasting points above, a little balance is needed. Contractor engineers can indeed write specifications. They do so constantly for their own suppliers and as detailed supplements to government documents. The question is whether or not a change in the prime contract specification writing responsibility is beneficial. The answer is not clear at the moment as the streamlined approach is new. Nevertheless some measures of success suggest themselves for use during contract performance.

- Was the design review process smoother with fewer resubmissions of documents required?

- Were there fewer problems in generating second tier specifications during the job? This could be judged from the number of government complaints generated about the submittal of appropriate data items.

- At the end of the contract, were there more or fewer waivers, deviations, and specification change notices compared to past experience with government generated specifications? Obviously this answer must be adjusted to allow for engineering change proposals submitted for reasons unrelated to specification problems.

- Were there fewer test discrepancies in general? Were there fewer discrepancies that were resolved by specification changes?

- Was Initial Operational Test and Evaluation more satisfactory?

COST CONSIDERATIONS

The bidders get to write their own individually tailored contract requirements. This gives them some degree of unique advantage in the bidding and, if successful, in the performance of that contract. But each bidder is doing this writing at his or her own bid and proposal expense. This expense is eventually borne by the government as part of reimbursable General and Administrative costs. If the government wrote these documents there would be only a single effort instead of many. But the documents would contain only the government point of view and would necessarily have some compromises to allow all potential bidders an equal opportunity. If the effort is merely moved from the government to the contractor has anything been saved? Or worse has the overall taxpayer cost been increased since several bidders each must write contractual documents. Or is this increase in bid costs trivial because the process creates a better training device at a lower contract price?

COMMENTS ON PROCEDURE

The discussion process during the draft RFP phase is a significant step forward. Serious consideration is clearly being given to contractors ideas. Many suggestions have been implemented.

Major changes to the proposal applied at formal RFP go against the grain of the process. The opportunity for consultation is lost at that point. Many reworked drafts mean little if the last formal one adds a lot. Efforts in advance of the formal RFP by the bidders may be wasted.

Most of the streamlined proposals have page count limitations which initially appear severe. But these proposals also have contractual documents, appendices, plans, supplements and initial data item submittals. None of

these items apply against the page count limit. The items all require effort by the contractor to write; they all require effort by the government to read. On a recent proposal that was formally limited to several hundred pages the actual page count submitted was over 5,000. What has been saved by the page limitation?

With or without page count limitations, the streamlined approach has not yet controlled the proliferation of data items required with proposals. The repetitive cost of this data item generation across numerous bidders and numerous proposals is large and growing. Although many of these items contain repetitive boiler plate, the cost of constantly revising and resubmitting them is not trivial. Further streamlining of the acquisition process could include submitting many plans on an annual or as revised basis.

Contracting agencies are encouraged to get other areas of the contracting process to join the trend. The logistics requirements on many jobs are certainly open to tailoring. So are data items in general.

USERS

One major interested party has been neglected so far in this discussion. What about the eventual training device user? Does the streamlined source selection process affect the interests of the organization that has the basic need?

In theory, if the process has resulted in a better set of contract description documents then the user has an increased chance of getting a superior device.

If the user is a part of the evaluation team, he or she must suffer through the same multiple 1evaluation concerns discussed elsewhere in this paper. The user is typically more familiar than the contracting agency with the actual parameters needed to do his job. Therefore the user may well have to spend more time evaluating different contractor generated specifications compared to the time spent evaluating responses to a standard specification. The up side of this time investment is that the user may be able to make a more meaningful choice amongst bidders than in the past. This has benefits to the government but at the expense of an uneven playing field for bidders.

IN CONCLUSION

The key points of the streamlined source selection process are:

- Extensive government and industry cooperation on the RFP content.
- Bidders write unique contract documents tailored to their individual approaches.
- Considerable latitude is allowed in responses by different bidders.
- Proposal response time is shorter than past practice.
- Government evaluation time is short.

We believe that the streamlined source selection process has already met several of its goals. It produces a better set of contractual documents is equal or less time than previous approaches. It increases the involvement of the winning bidder early in the process. Speed of contract award has been increased. Additional attention has been paid to industry feedback. The specification will more closely match what will be produced. Thus gains in quality have already been achieved.

Deming claims, "Improved quality **decreases** cost because it reduces rework, mistakes, delays, and snags."[1] We suspect that total proposal costs for both government and industry have remained equal at best and may have increased. Comparative measures of cost for both business and government are hard to identify but are the only way to resolve this question.

The issues of fairness and equality in competition are also difficult to measure. We suspect that there have been losses in equality due to the increased contractor initiatives allowed. This is not necessarily bad in the context of improved quality.

It is too early to evaluate whether contact performance has been improved by the process. We invite government response in these areas and in overall evaluation of benefits of this source selection approach.

About the Author

A. Edward Dietz is a Program Manager in the Training and Simulation Division of AAI Corporation. He was the program manager for the EF-111A Operational Flight Trainer and the A6/F14 Aircrew Training System. He has held a series of engineering and management positions on radar, electronic combat and flight trainers at AAI. He has been a proposal manager on numerous bids including several conducted under Streamlined Source Selection guidelines. He holds a B.S. degree in Electrical Engineering from Purdue University.

1.W. Edwards Deming, Out of the Crisis, 1986