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## *Business Development*

### **Survey, Webinar Emphasize Solid Capture Management in Shrinking Federal Market**

BY JEFF KINNEY

**C**ontractors must adapt quickly to a shrinking government market by revamping their capture processes and forming concrete plans to make themselves more competitive, according to Bob Lohfeld, chief executive officer and founder of Lohfeld Consulting Group Inc.

“There is no doubt that going into fiscal 2014, the market will be different,” Lohfeld recently told Bloomberg BNA. “Sequestration and continuing resolutions will take their toll on the federal budget, resulting in fewer procurements. The net result is that competition for the remaining government dollars will be stiffer as companies battle for market share.”

That means every firm that wants to stay in the federal market has to up its game or be displaced by more flexible competitors, Lohfeld said.

“Companies that don’t change their tactics to compete in the new budget-constrained government market will give way to others who are adapting to these new challenges,” he said.

Larger firms arguably have a distinct advantage over smaller companies in this process.

“Big companies do a lot of planning and market research, and they have a good sense of where the market is going,” Lohfeld said. “They can reorganize and follow trends in the market. In contrast, the smaller companies can get sort of surprised by the shift and are often less prepared.”

**Capture Management Process.** Lohfeld said the capture management process is “the centerpiece of a company’s business acquisition campaign.”

“As federal markets shrink, those firms with a defined, repeatable and well-managed capture process will generally compete better than those who don’t have this process in place,” he said.

However, in a survey of more than 300 companies, Lohfeld Consulting found that only 22 percent had a “defined, repeatable and well-managed capture and proposal process that consistently produces wins.” By contrast, 72 percent “said they understood capture, but were performing ad hoc without gaining the benefits of a well-defined, repeatable capture process,” Lohfeld said.

Six percent of surveyed companies said they had no capture process at all.

In addition, the survey found that:

- 33 percent of respondents “said they were managing capture and proposal activities at the enterprise level, where they collected information on all company pursuits”;

- 59 percent said “they shared some capture and proposal data using shared directories on a server, but without the benefit of a formal enterprise management system for business acquisition”;

- 8 percent do not share data at all but archive capture and proposal information on individual computers.

Establishing and following a good capture and proposal process comes down primarily to strong leadership rather than money, according to Lohfeld.

“It takes real commitment and management discipline to compel everyone in the organization to follow a process,” he said. “Lots of companies define a process but lack the management commitment to follow it. As a result, it’s more an ad-hoc process and not a repeatable one. It’s the more mature companies that establish that rigor and discipline.”

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— Lohfeld

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**Competitive Pricing.** According to the survey, despite the increased competition for a shrinking number of federal contracts, most firms have room to improve their competitive pricing analyses.

“I was surprised to learn that 28 percent of the companies surveyed said they had a mature competitive assessment and price-to-win practice that consistently produced good results,” Lohfeld said. “I thought it would have been less.”

He said that an effective competitive assessment process must include, among other things:

- identifying your company’s competitors and team members;

- identifying the relevant contracts your competitors have won; and

■ learn how your competitors performed on those contracts, what problems they had and their strengths and weaknesses.

“Based on all of this, you can say, ‘These companies are real contenders and ones to watch, and these are just wannabees,’” Lohfeld said. “Basically, it helps you find out how competitive each player is in the market so you can compare your own firm and see what you have to do to offer the best value.”

Sixty-one percent of the surveyed firms said they “sometimes” perform competitive assessment and price-to-win analyses, “but would not characterize the work as having been done consistently or done well,” he said.

Eleven percent of the firms “do pricing the old way—they start the night before the proposal is due and work all night to finish just in time to make the delivery,” he added.

Lohfeld said the last group often falls into the trap of being overly spontaneous.

“People will make bid decisions by looking at an opportunity and saying, ‘We can do that work,’ or ‘We’d like to do that work,’” he said. “The question they should ask is whether they can win it. Sometimes they don’t have a prayer of winning.”

Unfortunately, government procurement contracts are not making it any easier to adopt a well-thought-out approach to bidding.

“When companies’ pipelines get thin and there aren’t enough deals in play to make their numbers, or they have people on the payroll with idle time, they get much more aggressive and tend to bid recklessly,” he said. “These kinds of things drive companies to make really poor decisions. They would all be better off to admit they weren’t well prepared and look for something that’s a better fit.”

Although such an approach takes time, effort and careful thought, Lohfeld said it will pay dividends in the long run.

“The first step in getting a high win rate is to quit bidding on jobs that you’re going to lose,” he said.

**Looking to the Future.** Finally, in terms of formulating a plan to become more competitive in 2014:

- 49 percent of respondents said they would establish a capture and proposal process that includes capture analytics;
- 24 percent vowed to improve pricing;
- 22 percent said they would improve the quality of their proposals; and
- 5 percent admitted to having no plan at all.

All in all, “About 20 percent of the companies really have their act together and have established an integrated capture and proposal process, are managing business acquisition as an enterprise rather than a federation of independent business units, have an established analytics program to measure the effectiveness of their capture and proposal processes and have a well-developed capture analytics and price-to-win process,” Lohfeld said. “These are the companies that will continue to prosper in the new government market.”

The majority of surveyed firms “admit that their processes aren’t that good and they need to be improved,” he said. “This is really an interesting comment because we know from past experience that many of these com-

panies will argue that they are far too busy doing things poorly to stop and fix their broken processes. Clearly, many of these companies will be in the same situation next year.”

Ten percent of firms “just don’t get it” and “will always finish at the back of the pack,” he said. “In this new level of competitiveness, they will be the first casualties of battle.”

**Pricing, Flexible Staffing.** In a related webinar Sept. 11, Lohfeld said proposal pricing has become integral to capturing new business. He said this process should include:

- developing a thorough understanding of the evaluation criteria, including the relative importance of cost or price;
- conducting a competitive assessment;
- conducting a “price-to-win” trade-off in comparison to your competitors, either bottom-up or top-down; and
- thoroughly reviewing your proposal to eliminate surprises and sell your solution.

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In addition, he recommended a “flexible approach” to capture and proposal staffing. Specifically, Lohfeld said companies should adopt a “70/30 rule” for outsourced capture and proposal support, meaning 70 percent in-house and 30 percent outsourced.

“Companies that adopted this approach last year can really applaud themselves, because when the bottom fell out of the RFP market, they were the ones that were able to move through that time frame with the least amount of adverse financial pressure,” he said.

He added that the flexible staffing approach “will help avoid burnout, which so often occurs at the proposal end of the business.”

**Market Preparation.** Also during the webinar, Lohfeld suggested seven actions that contractors should take to prepare for the new government market. They included:

- Establish a defined, repeatable and well-managed capture and proposal process with analytics;
- Measure the effectiveness of your capture and proposal activities to optimize your process and improve its effectiveness;
- Improve your price-to-win analysis capability;
- Focus your strategy on best value, but remain cost conscious;
- Invest in enterprise-level infrastructure and tools;
- Establish a flexible approach to capture and proposal staffing; and

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- Establish a program to measure and improve the quality of your proposals.

In closing, Lohfeld reiterated the importance of being selective when it comes to pursuing government contracting opportunities. In other words, he said, only go after those opportunities for which your company is very well-suited and highly competitive.

“Every pursuit needs to be evaluated whether to chase or not chase,” he said. “It makes me crazy to see

companies who never saw a procurement opportunity they didn’t want to chase. And because they chase everything, they basically get nothing done. You don’t have to swing at all the pitches.”

To contact the reporter on this story: Jeff Kinney at Jeff Kinney

To contact the editor responsible for this story: Jeff Kinney at Jeff Kinney