Winning Proposals Through Effective Risk Management

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the strategic view

The Bottom Line

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Source Evaluation Results	Winner Contractor A	Loser Contractor B
Technical Color Score		
Technical Risk Score	Low	Low/Medium
Management Color Score		
Management Risk Score (incl Schedule and Cost risk)	Low	Medium

Risk Evaluations Drive Source Selection Decisions

Risk Management
A Critical Part of the Proposal

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- **Risk management is a key Section L (Proposal Preparation Instructions) and Section M (Evaluation Criteria) element of Government and Industry RFPs**
  - **Risk management is often explicitly stated as an evaluation criteria, and an implicit requirement throughout the proposal**
    - **Typically called out in Management, Technical, and Past Performance Volumes**
    - **Evaluators judge the risks of the technical and management approach**
    - **Evaluators are increasingly concerned with cost risks (annual and life cycle) and schedule risks**
  - **Offeror's need to address how risk management will be implemented:**
    - **Credibly identify, analyze, and develop risk mitigation plans**
    - **Mitigate both offeror and Government-specified risks**
  - **Failure to do so will lead to a deficiency and likely loss**

An effective risk management approach increases Pwin and eases transition to post-contract award activities

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Recent Example - WSJ August 31, 2007

"*ITT Is Surprise Winner Of Air-Traffic Contract*"

- ITT Corp.'s surprise win over two larger competitors for the first major contract to upgrade the nation's aging air-traffic-control system puts the company in position to have a major role in the potentially lucrative arena for the next two decades.
- ITT and its team beat out teams led by Raytheon and Lockheed Martin Corp. for a contract to begin replacing antiquated ground-based radars with a system that relies on satellites to keep closer track of airplanes.
- The contract's value is estimated at $1.8 billion over the next 18 years; it represents the first part of a planned $15 billion-plus overhaul of U.S. air-traffic technology.
- **The FAA said it picked the proposal from the team led by ITT because it posed "no technical risks."**
- The choice of ITT came as a surprise because Lockheed and Raytheon are major players in the air-traffic-control arena. Lockheed, in particular, has made air-traffic control contracts one of its priorities.

Risk Management

Start Early in the Capture Process

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- **Risk management must be embedded in the proposal's management and technical solution, not an "add-on"**
  - **Make it a key contributor to the technical design**
    - **Present cost/performance/schedule/risk trades that lead to the design**
  - **A key part of the management approach**
    - **Needs to be woven through the management approach to show how information is acquired, evaluated, and flowed to other key functions**
    - **Provides a continuous indicator to management of current and candidate risks, actions needed, and potential impacts if not handled**
    - **Provides cost and schedule risk-related information needed for program decision making**

Incorporating risk management after Draft RFP release leads to a sub-optimal design and management approach, and a potentially losing proposal

Risk Management

Use the Customer's Process Where Possible

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- **Government agencies and prime contractors often use widely different risk management processes**
  - **Some processes are fundamentally different in terms of top-level considerations, process steps, functions per step, terminology, etc.**
  - **Using the customer's risk management process avoids confusion and sets their mind "at ease"**
    - **Gives them reason to support you and removes a reason for downgrade**
    - **Shows that you've done your homework and are ready to work with them**
    - **In some cases the customer's risk management process is mandated, but you'll only find this through obscure supplemental documentation, not directly in Section L and M - look carefully**
    - **Validate compliance with customer expectations**

Use the customer's risk management process where possible. Otherwise, develop a comprehensive mapping between the customer's risk management process and yours

Risk Management

Plan Integration at the Start

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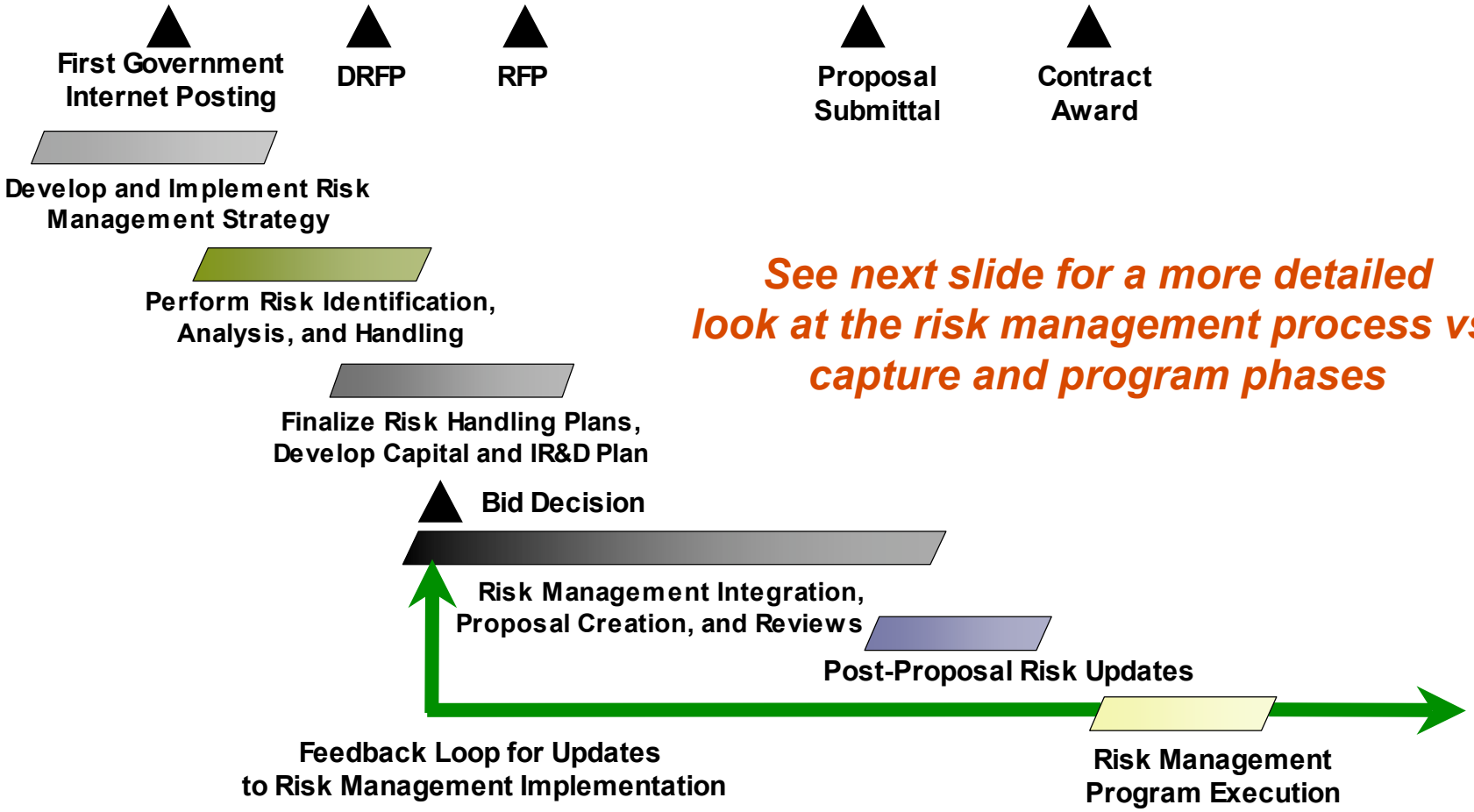
- **Risk management effectiveness requires integration with other key program processes**
  - **Otherwise, overall process efficiency will suffer, risks will be missed and surface later as costly problems to resolve**
- **Integrate risk management into top-level processes (project management, systems engineering)**
  - **Choose which of these two processes will host risk management**
  - **Clearly delineate the partnership between project management and systems engineering to implement and run risk management**
- **An effective plan integrates risk management with numerous similar/lower level processes**
  - **Configuration change, costing/pricing, manufacturing, safety, scheduling, etc.**

Risk management effectiveness is dependent upon the proper integration with project management, systems engineering, and a variety of other processes

C&H Provides Risk Management Throughout the Capture and Program Phases



See next slide for a more detailed look at the risk management process vs. capture and program phases

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Risk Management vs. Capture and Program Phases

Pre-Draft RFP	DRFP	RFP	Post-Proposal Submittal	Post-Contract Award
Review customer Risk Management (RM) material (e.g., Industry Day, Internet postings)	Evaluate DRFP for candidate risks, required processes and methodologies, Section L and M criteria, etc.	Evaluate RFP for candidate risks, required processes and methodologies, Section L and M criteria, etc.	Develop RMP if required early after ATP	Finalize and delivery RMP if required early after ATP.
Develop RM strategy	Develop Draft Risk Management Plan (RMP) if required	Develop RMP if required or if can lead to viable "extra credit" (and sufficient resources exist).	Eliminate known shortfalls in risk methodology.	Include customer in RMB meetings. Request attendance in customer RMB meetings.
Select RM process (enhance existing RM process or develop new RM process). For example, develop suitable risk analysis methodology.	Update risk identification	Finalize risks to include in proposal (risks, issues, problems, watch list items, etc.)	Update risk identification, analysis, and handling results as warranted and get RMB approval.	Coordinate risk identification, analysis, and handling results with customer (includes risk tool interchange).
Perform initial risk identification	Formulate Risk Management Board (RMB) and approve candidate risks. Assign/confirm responsible IPT and risk owner.	RMB approves any additional candidate risks.		Update risk identification, analysis, and handling results as warranted and get RMB approval.
Perform initial RM training	Perform risk analysis, prioritize risks, develop draft risk handling strategies and plans. Get RMB approval of risk analysis and handling results.	Update, finalize and have RMB approve (cost, technical, schedule) risk analysis, risk prioritization, and risk handling strategies and plans.		Begin implementation of risk handling plans for selected risks (RHPs).
	Develop and implement strategy for cost, technical, and schedule risk integration	Develop and get upper management sponsorship for capital investment and strategy for selected risks.		Begin implementation of capital investment and IR&D strategy for selected risks.
	Develop draft text and graphics for all risk-related sections (management, technical, cost, schedule, etc.) Perform initial integration across risk-related sections, Executive Summary.	Finalize text and graphics for all risk-related sections (management, technical, cost, schedule, etc.) Perform final integration across risk-related sections, Executive Summary, etc.		Support Interim Baseline Review and other risk-related program activities.
	Update RM training and perform for management and engineers			Support additional risk-related CDRL deliveries (risk identification, analysis, handling, etc.)
	Load approved risks into risk tool (risk identification, analysis, handling)			

Risk Management

We Apply it to the Entire Capture Process

- **Colbaugh & Heinsheimer doesn't just talk about risk management, we develop and implement it on a wide variety of proposals and programs**
  - **Our world-class experts have been the risk manager and one-on-one mentors to client risk managers on proposals and programs**

- **Our successful risk management experience has contributed to billions of dollars in contract wins**
  - **Given our customers tailored processes and tools/techniques that can be applied post-contract award**

Colbaugh & Heinsheimer formulates and implements an effective risk management process tailored to your program and needs, and provides the expertise to support a capture win