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Process evaluation

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Chapter I

Introduction

The global economy has gone through very tough times during the last three years. The US stock market has experienced great disappointments. Corporations that were very solid and stable have reported big losses and many have gone into bankruptcy. Due to this situation, meeting quarterly market expectations and improving profitability have become the greatest challenge for many companies. In this effort, it also became crucial to define a clear strategy to compete in the marketplace, involving actions to confront budget cutbacks.

One of the industries more widely affected is the US telecommunication industry. According to the Telecommunications Market Review and Forecast (2001), since 1994, every year brought a milestone development favoring the expansion of this industry while urging service providers to make enormous investments in their technological infrastructure. After experiencing six years of driving top-line growth, the defining trend in U.S. telecommunications during the years 2001 and 2002 was the sharp drop in equipment spending - a decrease of 24%. Even though it is encouraging to know that the U.S. telecommunication market is starting to rebound during year 2003, it is still a challenge to keep up with revenue targets and cost reduction objectives.

This research will focus on a specific scenario within a company that has suffered from the telecom industry downturn, TECH Corporation (TECH). TECH is dedicated to the design and delivery of solutions that help build and maintain reliable and cost-effective networks for communications service providers. Over the years, TECH has
been successful at offering great value to customers in terms of quality products and expertise.

TECH has laid out a restructuring plan and has taken important steps for its implementation. However, in this course of action, it has also established many bureaucratic measures to assure positive results out of every transaction. This directly affects every process that involves financial decision-making. TECH is very focused on financial results while overlooking other aspects that may be of equal importance to its main objective: generate revenue quickly. Processes have become highly centralized and time consuming, since company rules stipulate that several hierarchy levels need to provide financial approvals for simple day-to-day activities.

According to Womak and Jones (1996), lean thinking provides a way to do more with fewer resources, while still providing customers exactly what they want. Every organization needs to study in detail each of its different processes, from beginning to end, and think "lean" about these. TECH is not an exception among these companies. It is vital for TECH to invest the time and resources needed to formally define key operational activities and develop methods to improve the way these activities are carried out. Equally important is to find ways to operate more efficiently, improve quality and reduce organizational problems. One process worth evaluating at TECH, is the preparation of quotes for standard hardware and software. Many bureaucratic controls generate delays in responding to these customer’s simple requests, resulting delays in closing a sale and delays in revenue recognition.
TECH's customers may request either a quote that involves high customization and different services, like installation and engineering, or a simple quote that does not require services or customization of any kind. Today, both types of quotes are prepared using the same process with the only difference that when standard hardware and software is quoted, the Services Department is not involved in the process. Some non-value added actions that take place during the process to quote standard hardware and software are that even though these have customary prices and discounts, it is mandatory for the Product Manager to provide price and discounts in order to seek approval from Business Management and the Financial Organization. Also, Terms & Conditions are standard, but it is mandatory for a Contract Manager to send these to the Sales Executive every time a quote needs to be delivered.

An important observation is that it is common for communication service providers to contract big projects to grow their network according to the market's demands. These projects are of significant size and usually require a lot of customization. On the other hand, requests for standard hardware and software are usually needed to complete the big projects being implemented at the moment or to solve a problem that is affecting the performance of their network. With frequency, small quotes are much more urgent than the ones that are highly customized.

**Problem Statement**

The process implemented today to put together a quote for standard material goes through various steps that do not add value to the end result, demanding the involvement of many different organizations within TECH Corporation. This process
does not allow the Sales Teams to submit very simple quotes to the customer in a timely manner.

**Purpose Statement**

The main purpose of this project is to make management aware of the benefits in cost reduction and increased customer satisfaction of putting in place a new process to prepare quotes for standard hardware and software. A more specific objective of this project is to obtain management support to differentiate quote preparation processes for standard solutions and customized solutions. Concurrently, other questions to be addressed are:

1. What are the different types of proposals at TECH?
2. What is the current process used at TECH Corporation to create quotes for standard hardware and software?
3. Who is involved in this process?
4. What is the time frame to respond to customer’s requests for quotes for standard hardware and software?
5. What percentage of the proposals processed at TECH are quotes for standard hardware and software?
6. What is the system used at TECH to create proposals, how is it used and who uses it?

**Methodology**

This project will review the process used at TECH Corporation to prepare all the quotes for standard hardware and software that were provided to one specific customer
in the Latin American region, from January 2003 till October 2003. These quote represent 32% of all the quotes submitted to this customer during this period of time. After this process is evaluated, a re-engineered one will be suggested.

**Significance**

This project will focus on the evaluation of the current process for the preparation of proposals for standard hardware and software and the recommendation of a new process to quote these solutions. The recommended process is expected to have short range and long-range positive consequences for the organization.

**Short Range Consequences**

(a) Reduce the cycle time to prepare quotes for standard & customized solutions

(b) Eliminate non-value added tasks

(c) Reduce resources requirements

(d) Increase the efficiency of the Bids & Proposals Team

**Long Range Consequences**

(a) Reduce operational costs

(b) Increase customer satisfaction

(c) Deliver a standardize format for proposals

(d) Accelerate revenue recognition

(e) Increase the accuracy of highly customized proposals

**Limitations**

A new process to quote standard hardware and software requires management support in order to approve any development needed on the existing proposal.
preparation system. As well, bureaucracy, which is intended to control the entire business; it may be difficult to obtain Financial Management support for this effort.

Summary

This project will evaluate the process used today to put together a quote for none-customized material at TECH Corporation. In the opinion of Drake (2002), the real challenge faced by management is to determine where, and how, the enterprise has cost leaks and find creative ways to end these without compromising the performance of the basic operations. Guided by this statement, a re-engineered process will be suggested to increase the efficiency when preparing these quotes. The research will detail the methodology used to analyze the current process and recommendations will be shared after considering the findings.

The following chapter will focus on the preparation of sales proposals offering details regarding structure, metrics, technology and proposal management. Insights from relevant articles, white papers and books on proposal preparation, process improvement and cost reduction efforts will be included to provide a better explanation on the subject. The literature found on this topic mainly refers to the term “proposal”. During the course of this study, the words “quote”, “bid” and “proposal” may be used interchangeably and are all related to the purchase of a product. In addition, subsequent chapters will identify the current proposal process, demonstrate issues with that process and recommend a new-lean process for management’s consideration.
Definition of Terms

In order to assure the understanding of this research, a definition of terms is shared below:

(a) **RFQ:** Request for quote

(b) **B&P:** Bids & Proposal Team

(c) **Capture Team:** All employees involved in the quote preparation process

(d) **PM:** Proposal Manager

(e) **PH:** Product House

(f) **CM:** Contract Management

(g) **BM:** Business Management

(h) **FO:** Finance Organization

(i) **COR:** Stands for Customer Opportunity Request. It is an electronic form used to register the customer’s request and to start the proposal production process.

(j) **KO call:** Kick-Off call. Conference call scheduled by the PM to get the capture team together and start the process.

(k) **Proposal Package:** Electronic folder created on the COR to gather all the documents that will be delivered within the proposal.

(l) **Standard Hardware and Software:** No customization is required.

(m) **Standard Prices, Discounts and Payment Terms & Conditions:** Prices, Discounts and Payment Terms & Conditions that have been previously agreed to with a customer.
(n) **Value Stream**: All actions required to bring a good or a service from concept to design, from order taking to delivery, and from raw materials to a finished product to the customer’s hands.

(o) **Waste**: Any human activity, which absorbs resources but creates no value.
Chapter II

Literature Review

Introduction

Sales quotes and/or proposals are a powerful instrument used by vendors to position their product and service offerings, attempting to meet customer needs and win new business. Field professionals agree that there is an ever-increasing level of sophistication and quality expected by customers in competitive sales proposals. Even though companies are more then ever pressured to present high quality proposals at the least expense, this achievement depends on having the needed resources in place.

This chapter examines the following:

(a) Proposal Development
(b) Proposal Management
(c) Proposal Structure
(d) RFQs Vs. RFPs
(e) Proposal Metrics
(f) Proposal Cost and Time Cycle Reduction
(g) The Role of Technology in Proposal Development
(h) Creating a Lean Process

Proposal Development

There is no standard way to put together a sales proposal. Depending on the customer's request for a given project and the complexity of the expected response, a proposal may require the investment of more or less time and effort in its preparation.
Per Kelman (2000), who is involved in proposal publishing management and technical communications development, "on a small proposal, one skilled production person may be enough for the job". (p. 23)

On the other hand, Kelman (2000) also points out that a large proposal will most likely involve a complete team of professionals dedicated to the effort, where producing a single component of the overall proposal may be a full-time job for one person. As an example, Dickson (2001) shares the following development cycle of a given proposal:

(a) RFP or RFQ is released.

(b) Vendor decides to bid for the business or not. If the vendor decides not to bid, the cycle ends. If it decides that the business should be pursued, the next stages may follow.

(c) Kick off Meeting – It is meant to introduce the team, share the scope of the proposal, set the schedule and agree on the strategy to follow.

(d) Draft Production of the Proposal

(e) Formal review of the entire proposal to confirm that the solution meets the customer’s requirement

(f) Review of the proposal document for final corrections.

(g) Format the proposal’s presentation according to the customer’s guidelines.

(h) Delivery of the proposal.

Proposal Management

Once a vendor decides to bid for a business, the Proposal Management team takes responsibility for the overall proposal preparation process including its quality and
accuracy. The Proposal Manager is actively involved in the creation of a proposal strategy, pricing and teaming; making sure that all the resources needed are aligned for the development of the proposal and that a timely response is given to RFPs and RFQs. It is also the proposal manager’s responsibility to layout a schedule of the proposal development process, assigning action items and due dates to all of those involved in the process. A very important task is to make sure that all inputs are delivered as scheduled and that these are in compliance with the customer’s request and in accordance to the sale strategy originally defined.

One of the tools used to measure proposal quality before it is submitted to the customer is the use of red review teams. The red review team is a group of people, usually not company employees, selected to proof read the entire proposal to assure that there are no inconsistencies. It is recommended to perform short reviews early in the proposal writing process to confirm that the initial structure and strategy are properly designed. As suggested by Herdon (2000), a final red team revision should take place to validate the proposal’s compliance, completeness, responsiveness, presentation and selling approach. Even though the smallest proposals can benefit from simple reviews, red teams are most likely to play a role when dealing with high complex proposals.

Proposal Structure

The presentation and structure of a sales proposal play a very important role in the customer’s decision-making process. Due to the fact that a proposal is intended to persuade a customer, it is important to understand how customers think and what they
want. The format and specifics of a proposal is totally dependent on the customer’s request. A proposal can be as brief as a memo; others may extend to several hundred pages and have numerous sections. Since there is no standard way to present a proposal it is common to find different recommendations regarding the proper structure.

Marketl (2001) suggests the following basic structure when the organization requesting the proposal does not provide a guideline:

(a) Summary providing a brief statement about the proposed solution, company’s credentials, budget and schedule.

(b) Introduction orienting the reader, providing a description of the purpose of the proposal, background details and the scope of the solution proposed.

(c) Program describing what is proposed and its delivery, and why it is the best option for the customer. This section should also include a detailed list of who will be providing what information or resources during the project’s process.

(d) Qualifications/Experience of the project staff and the company’s history and experience as it relates to the project.

(e) Budget, which greatly depends on the project. A goods proposal typically provides just the bottom line cost for the customer.

(f) Appendices including work/task schedules, testimonials, references, graphs/charts and evaluation methods.

Another recommended proposal structure according to Hickey (2001), CEO of TIU, a business and finance-consulting firm:

(a) Presentation including introduction and objectives
(b) Agenda including structure, agreement of agenda and addition of new topics
(c) Company profile with a brief outline of history, skills and client references
(d) Overview of the basic requirements and a discussion of objectives
(e) Proposed solution explaining how the vendor is planning to meet those needs and specifically what will be done
(f) Benefits of the proposed solution, overview of the benefits of the proposed solution and how this will add value to the company
(g) Costs associated with the proposed solution
(h) Summary of the benefits of the solution.

The above guidelines can be useful to create a detailed proposal, but smaller proposals may require a simpler structure. The following sections may be enough for these straightforward cases:

(a) Cover letter
(b) Description of the offer
(c) Price Section
(d) Terms & Conditions

**RFQs Vs. RFPs**

Some professionals in the field understand that there are clear differences between a request for quote (RFQ) and a request for proposal (RFP). In Dickson’s (2001) opinion, a RFQ is usually used to purchase off-the-shelf products meaning items that are very standard and frequently available through many sources. These products are much easier to offer than complex solutions and the response is usually with a simple bid.
These bids detail the item offered along with its price. On the other hand, a RPF suggests the submission of a large proposal, which usually requires a full description of the proposed solution. The following is a template provided by Dickson (2001) that shows the differences between creating a bid to offer a commodity product and creating a proposal to offer a solution or specific services: (p. 1)

<table>
<thead>
<tr>
<th>Characteristics</th>
<th>Commodities/Products</th>
<th>Solutions/Services</th>
</tr>
</thead>
<tbody>
<tr>
<td>What to bid?</td>
<td>Pick the right line items</td>
<td>Figure out an approach</td>
</tr>
<tr>
<td>Pricing</td>
<td>Add it up</td>
<td>Estimate the level of effort and calculate the true cost of the labor</td>
</tr>
<tr>
<td>Teaming</td>
<td>Not applicable</td>
<td>It may need to bring in other companies to provide specialized expertise</td>
</tr>
<tr>
<td>Proposal Outline</td>
<td>Based on tangible requirements and goods</td>
<td>Based on the approach, processes, and capabilities</td>
</tr>
<tr>
<td>Writing</td>
<td>Very little original content. One proposal looks like the next</td>
<td>Every proposal is unique. Very little content can be re-used without significant customization.</td>
</tr>
<tr>
<td>Production</td>
<td>It’s an assembly line</td>
<td>It’s more like research and development.</td>
</tr>
</tbody>
</table>

RFQs are basically focused on price and RFPs involve a more complicated purchase considering value added components aside of the price.
A customer may issue an RFQ when there is a specific need, have decided to make a purchase and have the budget to do so. Other reasons for a customer to do RFQs are to discover pricing without the intent to make a purchase or to justify using a preferred vendor. When a purchasing decision is not yet made, a cover letter shall accompany the price detail emphasizing the commitment to fulfill the customer's need. A RFQ response is also an opportunity to demonstrate value for the customer.

RFPs are usually issued when the customer is interested in a larger project and it is frequently sent out to several vendors. When responding a RFP, it is very important to include all the details called for and to follow the customer's guidelines for its presentation and submission.

Proposal Metrics

Organizations make every effort to produce winning proposals, while also looking to trim down the operating expenses that are required to produce them. In order to achieve this, it is important to constantly obtain, maintain, and analyze accurate and meaningful metrics. A metric is a standard measure to assess the performance of a particular area. As expressed by Wesner (1995), metrics should be:

(a) Specific: Targeted to the area that is being measured.

(b) Measurable: Able to collect accurate and complete data.

(c) Actionable: Easy to understand in order to take action when needed.

(d) Relevant: Only measure what is useful.

(e) Timely: Able to obtain the data when needed.

(f) Simple: Easy to explain and define.
The definition of metrics varies from company to company. When referring to measuring the performance of a proposal development process, the proper metrics should be carefully selected. The proposal management team usually keeps track of proposal statistics to measure the performance of the team and the overall proposal preparation process. To illustrate the different metrics that may be used to measure this process, an example is shared below:

NCR is a company that provides Relationship Technology solutions for retail, financial, communications, travel and insurance markets. Messin (2000) states that Metrics at NCR are used to measure the Proposal Center’s performance and to level workload. There are usually 20 or 30 active proposals at a time. These metrics are:

1. Proposal quality by business unit
2. Proposal quality by solution (product/service)
3. Duration
4. Start date
5. End date
6. Staff hours
7. Win Rate
8. Size of effort (derived from staff hours)
9. Dollar value
10. Number of copies
11. Page count
12. Customer satisfaction
13. Customer time saved
14. Customer propensity to return
15. Customer comments

Regarding metrics to evaluate proposals, Freeman and Freeman (2000), suggest the use of the following Metrics Toolbox in order to assure that a proposal is likely to win or at least assure that the message is clearly communicated. These guidelines are probably most appropriate for very large proposal efforts in very large companies involving many people on a proposal team. But, when getting to the basics, it may help evaluate the potential of any proposal, regardless of its length or complexity.

This Metrics Toolbox consists of a quantitative rating system that puts together a proposal evaluation process. This system helps save time and money since subject matter experts focus on their area of expertise and it streamlines the review process. It evaluates a proposal on several categories by using a predefined score sheet and by rating each category. Categories suggested for a Metrics Toolbox system are:

(a) Basics: Grammar, Spelling & Punctuation review

(b) Knowledge about what the customer wants and needs

(c) Writing Style

(d) Proposal Organization

(e) Visual Presentation / Balance

(f) Language Tone / Professional, Competent, Non-Arrogant

(g) Credibility and Completeness

(h) Compliance (Trace ability)
(i) Cost (Reasonable, Basis and Clarity)

(j) Risk / Can you deliver what you promise

There are many ways to review or rate a proposal. Proposal reviewers are often focused on technical accuracy and one-on-one compliance item but only looking at these two things will not necessarily help improve the review process or even increase the probabilities of winning a bid. Given that every proposal is structured differently and it responds to different needs, each company or proposal management group defines its own strategy to review and improve its proposal development process.

Lockheed Martin Federal Systems (LMFS), Owego, is a manufacturing facility (IBM Electronic Defense Systems) founded in 1956, where a quality improvement program was implemented in early 1995. As described by Salamida (2000), this effort was extended to all departments, including the Proposal Process Management (PPM). Prior to 1995, this team poorly documented its processes, proposal process control was inconsistent and performed no measurement tracking. In order to start measuring the efficiency of the proposal process, LMFS took the following steps:

1) Established a Production Process Quality Improvement Team (QIT) to investigate proposal production process problems and recommend solutions.

2) Key issues & Responsibilities where defined:
   - Inconsistent text styles and formats (Responsible: Proposal Coordination)
   - Excessive preparation time (Responsible: Proposal Coordination)
   - Lost of back level graphics (Responsible: Art Coordination)
   - Slow graphics turnaround time (Responsible: Art Coordination)
o High amount of “throw-away” graphics (Responsible: Art Coordination)

3) Existing process was documented

4) Measurement points and metrics goals where defined, mainly focused on reducing cycle times and lowering costs

5) Process improvements were defined primarily based on clearer definition of responsibilities. Key initiatives:
   o Develop a team approach to production management
   o Define and implement two new positions on the production team
   o Redefine the existing proposal coordination position

6) Process Improvement Tested: Tests where made on a pilot proposal.

7) Data was collected. When the proposal was ready for submission, the following data was gathered:
   o Feedback from lessons learned meetings
   o Art tracking spreadsheets
   o Word processing and graphics support vendor invoices with details of hours and dollars charged for each proposal task
     o Logs, reports, or invoices related to the production, like color copies, binders and proposal team labor.

8) Data analysis and iterative process improvement took place. Data was analyzed and compared with the predefined goals. The team discovered that the metrics could drive to process changes.
9) An ongoing process improvement effort started out with the implementation of several quality initiatives:

- Internal customer satisfaction surveys that addressed the efficiency of process implementation, issue resolution, innovation solutions, training, general process knowledge and schedule management.
- Lessons Learned meetings to get inputs on processes, facilities and tools.
- Action Teams to focus on specific areas of process concern or issues identified through the satisfaction surveys and the lessons learned meetings.
- Continuous measurements collection focusing on the things that impact proposal costs like cost per delivered page against total production cost, cost per graphic generated, among others.

Another example of the metrics that may be used to evaluate the process to prepare a sales proposal is provided by SBC Communications, a telecommunications service provider in the United States. Per Green's (2000) article on this subject, the metrics used at SBC include revenue to expense ratios, customer satisfaction results, the number of hours it saves the sales teams and the win rates. SBC's proposal center uses a database that tracks every project including data regarding time spent by the team, revenue impact to the company, the status of each proposal (won or lost) and other details.

**Proposal Cost And Time Cycle Reduction**

As stated above, proposal metrics are often used to measure the costs incurred when preparing a proposal. Turnbull (2001) presents a list of tips to reduce costs and the time
cycle of the proposal preparation process. These tips are a result of the experience of several proposal managers and consultants.

- Use people that are qualified for the job.
- Keep the team small.
- Provide training for the staff.
- Reduce rotation of the staff.
- Keep the schedule through daily follow up meetings.
- Be firm with review dates.
- Answer all questions in an RFP, before any review is done.
- Keep files updated and document any performance problem
- Establish a specific format and tailor it to meet the RFP requirements
- Keep the company’s experience and profile updated.
- Define the proposal targets and budget for everything needed to win.
- Actively involve a proposal advisor
- Use the help of Proposal Centers, when needed.
- Keep backups of all inputs and 24-hours security programs.
- Follow the strategy originally defined with the team.

**Role Of Technology In Proposal Development**

In general terms, the basic idea of using technology to automate the management of data is triggered by the interest in reducing time cycles and labor costs. The same objectives also drive the use of technology in the proposal development process. Reducing time cycles is one of the major challenges that proposal management faces.
today. As Wilson (2001) states, “specialized, computer-based proposal automation products were first introduced to the marketplace in the late 1980s” (p.67); these have evolved to very sophisticated tools that are available today.

Companies consume high-value resources responding to RFPs. Some reasons are that they might not have the adequate qualifications, efforts are duplicated, same mistakes are made failing to leverage best practices and no post-mortem win/loss evaluation is followed. The proper use of technology would allow for these companies to have a central warehouse for content and templates, have a flexible application for qualifying and executing RFPs, define a structured process to streamline reviews and approvals and even set alerts and notifications to accelerate the process. The use of technology allows proposal management teams to continuously measure their performance and improve best practices.

There are many software tools in the marketplace that are aiming to provide the perfect solution for companies or individuals to effectively and efficiently prepare proposals, regardless of the industry these belong to. Wilson (2001), who also is a proposal professional at CACI International Inc, a company that provides IT and network solutions for US Government Agencies, emphasizes that proposal automation products are not a one size fits all solution. These tools are very useful to respond large complex RFPs, to help make bid- no bid decisions, to track and evaluate the proposal process, to manage the proposal text and graphics more efficiently, among others. But, in order for any of these software products to help achieve the specific goals set by an organization, the proposal management team must input concrete and useful data.
These products are not intended to replace the proposal management team, but if used properly, they can save time, money and the frustration associated with a disorganized proposal development effort.

There are many vendors of proposal automation tools. A lot of these tools are fully network compatible and web-based solutions that can help facilitate the management and coordination of teams, even if these are geographically apart. Nearly every one of the products available has access control and security features. Some are considered most favorable in engineering environments and others work best for commercial product sales.

Following is a short list of proposal automation products available in the marketplace:

- Virtual Proposal Center (www.intravation.com)
- Proposal Master/RFP Master/eProposal Master (www.santcorp.com)
- Proposal Assembler (www.pragmatech.com)
- Slate (www.sdrc.com/slate)
- ProposalSmartz (www.proposalsmartz.com)
- WinAward (www.acibiz.com)
- Deltek Proposals (www.deltek.com)
- Wind2 Award! (www.wind2.com)

To better illustrate the impact that the proper use of technology may have in the proposal preparation process, the case of L. Robert Kimball & Associates Inc is shared below.
L. Robert Kimball & Associates Inc (Kimball) is a full-service firm established in Pennsylvania in 1953. This firm offers services in architectural/engineering building systems, civil and environment services, mapping sciences, telecommunications and technology, and transportation services.

Kimball has a large proposal operation with a sales team of 10 people and a marketing team of 18. These two groups work together to prepare and submit proposals. Before implementing an automated proposal software, the marketing team would prepare the proposal using a word processor and consulting existing files to get information such as company history, resumes, related experiences, and so on. Some of the disadvantages of this process were that the existing files got quickly outdated and a lot of time was invested in completing government documents like the SF254 and SF 255, which indicate a firm’s past experience in the area related to the project in hand.

Kimball’s Information System department decided to look into proposal automation software in order to improve the proposal operation. They finally decided to purchase the Award!CRM’s family of software from Wind2 Software, Inc. This software offered the capability to prepare focused, effective and exquisitely formatted submittals for the private sector and even included an optional SF 254 and SF 255 module, which had templates for a number of different formats.

The process starts with the Award!CRM’s Proposal Generator module. The program has several tabs for the user to access key sections liked cover page and letter, introduction, project approach, schedule, project organization, project experience, resumes and staff, references, scope of work and appendices. The user may enter a key
word and the software draws information from a database classified by subject. In this case, the software will bring up a version of the company history on the specified topic.

Installing and using Award!CRM software, has allowed Kimball to decrease the cycle time of the proposal operation from three or four days to two or three hours. The sales and marketing teams can also prepare more comprehensive and focused proposals and are able to carefully track each proposal. Nonetheless, the proposals are up to date and highly accurate because the marketing team is constantly updating the files in Award!CRM. At a rate of 5,000 proposals per year, Kimball found that the timesaving alone from the use of this software has resulted in a huge reduction of labor hours. It has also allowed them to attend more business opportunities.

The automation of the proposal preparation process aims to increase the efficiency and accuracy of proposals, reduce costs and save time. Companies that properly implement these tools can deliver more quality and consistent proposals and are most likely to gain important financial benefits from this effort.

Creating a Lean Process

Management is more then ever challenged to deliver value to its customers. The first step to overcome this challenge is to evaluate its internal processes, while rethinking value from the customers' point of view. In this effort, the attempt is to identify the value stream of each process and eliminate waste in order to allow a smooth flow of value-creating actions with no interruptions. Lean thinking looks into the differentiation between actions that create value and those that only consume resources
but add no value at all. According to Womak and Jones (1996), actions may fall into three different categories:

1) Actions that create value perceived by the customer
2) Actions that do not create value but that cannot be currently avoided
3) Actions that do not create value but can be avoided immediately

Creating value is directly linked to the stages that form a value chain. Fitzsimmons & Fitzsimmons (1998), define a value chain as “the activities, from beginning to end, that are needed to produce a service, each of which has the potential to create value for the customer” (p.78). There is a physical and a virtual value chain. The virtual value chain is known to be the information that supports the physical elements of the value chain. In order for a process to flow smoothly and for the virtual value chain to create real value for the customer, the information must be gathered, processed and made available to the right people. Going through the sequence of these stages allows value-adding elements and lean activities to take place. As stated by Womak and Jones (1996), “The lean activity is to redefine the work of functions, departments, and firms so they can make a positive contribution to value creation and to speak to the real needs of employees at every point along the stream” (p.24).

Lean thinking may be applied to any process, including the process to prepare competitive sales proposals. The initial approach to a leaner process starts by evaluating what is currently taking place, from beginning to completion, aiming to identify any opportunity to eliminate backflows or stoppages, with the final objective of assuring that value is created for the customer.
Summary

A sales proposal is structured, prepared, reviewed and presented depending on the customers’ requirements and purchasing decision-making process. It is also dependant on the vendor’s selling strategy, its nature and its own goals. This chapter discussed at length the steps for the Development of Sales Proposals, structures for sales proposals, the performance measurement of the proposal development process, the resources needed to put together a proposal (including technology), the differences between a RFQ and a RFP and how to create lean processes.

The next chapter has the objective of bringing the concepts discussed in this section to a more specific scenario, going through the methodology used to evaluate a current proposal preparation process and to recommend a new one.
Chapter III

Methods & Procedures

Introduction

This Evaluation Research is a descriptive study that focuses on the proposal preparation process used at TECH Corporation to quote non-customized hardware and software. Today, TECH Corporation makes no differentiation between the preparation of standard quotes, which are very simple and straightforward, and the preparation of those that are highly customized. As shared in Chapter I, a purpose of this project is to recommend a new lean process to put together these simple quotes. This chapter will go through the methods and procedures used to evaluate the process currently in place, which will lead to the recommendation of a new one.

Methodology

This study is based on the process used to prepare standard quotes for a specific customer in the Latin American region, only taking into consideration the proposals submitted from January 2003 through August 2003. It is a fact that the average cycle time of the quotes delivered during the specified timeframe is ten (10) calendar days. This average will be compared with the cycle time expected after putting in place the reengineered process that will be recommended in the last chapter of this research. The process for preparing customized proposals will not be taken into consideration during this review.

The methodology used in this study consists of three sections, which are described below:
- Description of the Value Chain of the existing process for proposal production, detailing the Physical and Virtual stages, and the departments involved along with their responsibilities throughout the process.

- Identification of the actions that do not add value, pointing out which resources are being consumed.

- Elimination of the actions previously identified, offering an explanation of the reasoning behind the elimination of each activity.

In order to obtain the data needed to evaluate the current process, interviews were performed to employees of the different departments involved in the process. The participants of such interviews are detailed below:

- Sales Executive
- Proposal Manager
- Product Manager
- Contract Manager
- Business Manager
- Chief Financial Officer

A flowchart of the current process will be evaluated in order to identify the activities that consume resources but add no value. For the purpose of this evaluation, an activity is considered to add no value to the process, when it is feasible to eliminate it by properly using information. Most likely, these activities require a minimum of decision-making and are liable for extending the cycle time of the process due to waiting time in queue in each department. The approach is to substitute these activities with virtual
value adding actions, which are performed through and with information. In addition, the following assumptions shall be taken into thought throughout this evaluation:

(a) Prices are standard
(b) Discounts are standard
(c) Terms & Conditions are standard according to a General Purchase Agreement previously signed between the customer and TECH Corporation
(d) Hardware and Software need no customization or specific configuration.
(e) No services are included in these quotes
(f) The Chief Financial Officer approves all quotes with standard prices & discounts.

Bias In This Research

1. The average time cycle that is provided earlier in this chapter, may include quotes that experienced delays due to errors in part number, contained hardware not yet available in the market, or hardware already discontinued and therefore hard to find in the databases available. These difficulties may have demanded more time and effort than usual, directly impacting the average time cycle. To avoid this bias, the population of quotes for standard hardware and software was drawn into a graph, to clearly view the unusual spikes in cycle time. The three highest spikes were not taken into consideration to calculate the average time cycle of the quotes prepared through the current process.
As shown on Figure 3.1, this evaluation considers 87% of the total of quotes for standard hardware and software that were prepared during the specified time frame. After taking out the unusual spikes, a view of the adjusted graph is shared below:
2. Data collection through interviews performed by phone might leave out important details of the process. To avoid this bias, interviews were performed to every employee involved in the quote preparation process, allowing for its description to be as accurate as possible.

Summary

This chapter detailed the steps taken to properly assess the process that is followed today to quote standard hardware and software at TECH Corporation. In addition, this section points out two probable biases of this project as well as the actions taken towards its avoidance. The next chapter will offer a clear explanation on the evaluation's outcome. The findings resulted from the methodology previously discussed will lead to the recommendation of a more efficient and lean process.
Chapter IV

Findings

Introduction

This chapter will discuss at length the results obtained after following the methodology described in the previous section. The findings are thoroughly analyzed parting from flowcharts that are intended to provide a clear view of the process in place to prepare standard quotes.

The flowchart in Figure 4.1 describes the Physical Value Chain of the existing process for proposal production, detailing the departments involved along with their responsibilities throughout the process. In addition, the Virtual Value Chain is described in Table 4.1.

Physical Value Chain

The physical value chain includes the sequence of actions performed from the moment the Sales Team receives a request for quote until the quote is delivered to the customer. Details are shown in Figure 4.1.
In order to provide a better understanding of the flowchart illustrated above, every step along the process is described in a chronological order:

1. Sales Executive confirms receipt of RFQ.
2. Sales Executive decides to bid or not to bid
3. Sales Executive fills out a COR online form.

4. Proposal Manager receives automatic notification and schedules a KO Call.

5. Proposal Manager leads KO call and assigns action items to every participant and agrees on due dates.

6. Product House posts the price, discount and cost on the COR online form.

7. Contract Manager posts Terms & Conditions on the COR online form.

8. Proposal Manager creates a draft price document and emails it to Sales.

9. Sales Executive reviews the draft price and makes sure everything is aligned with the customer’s request.

10. Proposal Manager sends approved draft to Business Management.

11. Business Manager creates the business case and emails it to the Chief Financial Officer for approval.

12. The Chief Financial Officer approves the business case and posts approval on the COR online form.

13. Proposal Manager sends does final formatting to the quote and creates a proposal package, which is posted on the COR online form.

14. Sales Executive receives automatic notification that the proposal package is ready for delivery and proceeds to print out the proposal.

15. Sales Executive delivers the quote to the customer.

The preparation of a quote for standard hardware and software requires the participation of six different departments, each with clear responsibilities throughout the process.
1) **Sales:** The Sales Executive is responsible for registering the COR, following up with the PM, reviewing the draft price and delivering to the final quote to the customer.

2) **B&P:** The Proposal Manager is responsible for scheduling the KO call that will bring together the capturing team. It also assigns action items, follows up with the PH and CM to assure on time delivery of inputs, sends draft price to sales and puts together the final proposal package.

3) **PH:** The Product Manager is responsible for providing standard price, discounts and costs.

4) **CM:** The Contract Manager is responsible for providing standard Terms & Conditions to be attached to the proposal.

5) **BM:** The Business Manager is responsible for putting together the Business Case with all required financial information.

6) **FO:** The Chief Financial Officer is responsible for providing final approval for the Business Case.

**Virtual Value Chain**

The virtual value chain describes how information is being used to support the steps that take part in the physical value chain. Details are shown in Table 4.1.
Table 4.1 - Virtual Value Chain of Current Process

<table>
<thead>
<tr>
<th>Task</th>
<th>Sales</th>
<th>B&amp;P</th>
<th>PH</th>
<th>CM</th>
<th>BM</th>
<th>FO</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gathering Information</td>
<td>Customer’s request is received through Sales</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>PH provides Cost, Price and Discounts</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>CM provides Terms &amp; Conditions Document</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>BM provides a Business Case</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>FO provides final approval</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Organizing</td>
<td>Information is organized through electronic folders posted on the COR.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Selecting</td>
<td>B&amp;P and Sales select the information that will be included in the customer’s quote</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Synthesizing</td>
<td>B&amp;P formats the quote</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Distributing</td>
<td>Cost information and the Business Case approved is only available to B&amp;P, PH and BM. B&amp;P creates the final proposal package folder, which is made available to Sales and the rest of the capturing team</td>
<td></td>
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</tr>
</tbody>
</table>

The current virtual chain of this process shows that all the information needed to put together a response for the customer is not made available to the Sales team. Due to this limited distribution, the owners of the information, like the Product House, Contract Management and Business Management, are forced to get involved in the process regardless of their workload and/or priorities.

The activities that were found not to add value to the process have been identified with boxes in the flowchart illustrated in Figure 4.2, bearing in mind the criteria shared in the previous chapter.
Figure 4.2 - Non-Value Added Activities of Current Process

<table>
<thead>
<tr>
<th>Client</th>
<th>Sales</th>
<th>B&amp;P</th>
<th>PH</th>
<th>CM</th>
<th>BM</th>
<th>FO</th>
</tr>
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<tbody>
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<td></td>
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<tr>
<td>RFQ</td>
<td></td>
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<td>Yes</td>
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<td>No</td>
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<td>9</td>
<td>10</td>
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<tr>
<td>Yes</td>
<td>11</td>
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<td></td>
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<tr>
<td>No</td>
<td></td>
<td>12</td>
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<td>13</td>
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<td>PO</td>
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</tbody>
</table>

Each of the activities identified in Figure 4.2 consume various resources, which are showed below. The selection of non-value added activities is based on the understanding that by allowing the sales team to properly access all the information...
needed to prepare a standard quote, the involvement of five other departments would no longer be required. Keeping this in mind, the thinking behind the selection of each activity is also included in the following detail.

Activity # 4 & 5 - PM receives an automatic notification and schedules a KO Call. PM leads KO call and assigns action items to every participant and agrees on due dates.

- The objective of a Kick-off Call is to assign action items and establish due dates for each team member. If the Sales Team alone can prepare a quote for standard hardware and software, neither an automatic notification nor a Kick-off Call is needed.

Resource Consumed: Proposal Manager’s time and effort and the time of the capture team that is expected to participate in this call.

Activity # 6 - Product House posts the price, discount and cost on the COR

The Product House uses a database to make a search of the hardware and/or software requested by the customer in order to obtain cost and price of each item. Since these items require no customization, the cost and price is not variable or dependent on the customer’s specific request. Regarding the discount, this is based on a percentage previously negotiated with the customer and approved by the Product House. This activity is not adding value to the process since the information on cost, price and discount is made available through a fixed database, requiring no decision making from the Product House. If this information is made available to the Sales Team, the Product House is no longer required to participate in the process to quote standard hardware and software. In addition, this new arrangement would allow the Product House to
concentrate more on the highly customized proposals, which do demand strategic
decision-making since these are usually very competitive bids. Resource Consumed:
Product Manager’s time and effort.

Activity # 7 - Contract Manager posts Terms & Conditions on the COR

Terms & Conditions have already been agreed to with the customer under a General
Purchase Agreement (GPA). It is required that every quote or proposal delivered to the
customer must reiterate the payment terms previously approved by both parties. The
Contract Manager provides the same document every time, with no changes except for
the name or reference number of the quote response. Payment terms are not dependent
on the specific customer request and the Contract Manager makes no immediate
decision regarding those terms. This document can easily be made available to the Sales
Team with no need to involve a Contract Manager. Resource Consumed: Contract
Manager’s time and effort.

Activity # 8 - PM creates a draft price document and emails it to Sales

The main reason why PM needs to create a draft price is because the Sales team has
no access to pricing information. If the Sales Team had access to this information, the
PM would not have to dedicate time and effort to the preparation of a price file.
Resource Consumed: Proposal Manager’s time and effort.

Activity # 9 - Sales Executive reviews the draft price and makes sure everything is
aligned with the customer’s request.

Contrary to the activities previously mentioned, this activity was found to add value
to the current process, since it assures that the customer will receive a response in
accordance with her/his request. On the other hand, it has been selected because it only takes place to make up for the flaws of this process. As shared by the Sales Executive that was interviewed during the course of this study, it is common to ask for changes in the price document, often requiring the PM to do some re-work. If the needed information were made available to the Sales Team, a review at such an advanced stage of the process would not be required and rework would be reduced to a minimum.

Resource Consumed: Sales Executive’s time and effort.

Activities # 10, 11 & 12- Proposal Manager sends approved draft to the Business Manager who will put in place a Business Case. Business Manager emails the Business Case to the Chief Financial Officer for approval. The Chief Financial Officer approves the Business Case and posts approval on the COR online form.

Activities 10, 11 & 12 share the same reasoning. The Business Manager and the Chief Financial Officer are involved to reach approval for prices that are set in a database and for discounts that have been previously approved and agreed to with the customer. If the Sales Team is able to put together the quote based on pre-approved prices and discounts, there is no need for a Business Manager to elaborate a Business Case for the Chief Financial Officer to approve it. Resources Consumed: Time and effort of the Proposal Manager, Business Manager and the Chief Financial Officer.

Based on the reasoning previously discussed, nine activities are subject to elimination. These activities are considered to add no real value to the process but can only be avoided if a new process is put in place. The flowcharts in Figure 4.4 aim to compare the process before and after eliminating these activities.
Figure 4.3 shows that by eliminating the non-value added activities; the process may be reduced to a total of five steps only requiring the involvement of one department.

Conclusion

Results obtained through this study show that the current process at TECH Corporation to prepare a standard quote is not carried out efficiently. After evaluating every activity throughout this process, the main indicator of inefficiency is that nine out
of fifteen activities were found to add no real value to the final outcome. In addition, these nine activities are consuming resources such as the time and effort of six different departments, when the sales team alone can accomplish this task. These non-value added activities are part of the current process due to mismanaged pricing information, which is not shared properly amongst the different organizations within TECH, the sales team not being an exception. Based on these findings, recommendations regarding a new process to quote standard hardware and software are shared in the following chapter.
Chapter V

Recommendations

The new process to prepare standard quotes is expected to significantly reduce the current average cycle time of 10 calendar days and to operate at a lower cost with fewer resources. Driven by these objectives, the recommended process suggests only a total of six steps, all to be performed by the sales team. These steps are described below and illustrated in Figure 4.5.

1. Confirm receipt of RFQ.
2. Decide to bid or not to bid
3. Fill out a COR online form to formally register the customer's request
4. Search the database available through the COR system and select the items requested to obtain price and discounts
5. Print out a formatted price file, which details terms & conditions previously agreed to with the customer through a General Purchase Agreement. Both documents are automatically provided by the system
6. Delivery the quote to the customer, electronically or a hardcopy, depending on the customer's best choice.
In order for the recommended process to flow smoothly with no interruptions, the following fundamentals are suggested to take place:

- Allow the sales team proper access to pricing information on non-customized hardware and software
- Dedicate resources to constantly update the databases that provide pricing information
- Enhance the software tool already in use to allow the automatic generation of formatted price files according to standards predefined by the business. In addition, the
software tools should be able to automatically provide a Business Case for each quote delivered, which would stay in the record for financial controls and future references.

It is a fact that TECH Corporation is facing a challenging economic situation, which forces upper management to be very cautious with spending and very serious about achieving and maintaining profitability. The new process recommended is aimed to help TECH Corporation in its effort to achieve these goals. The reasoning behind the new process is that by allowing the sales team to deliver simple quotes through a much leaner approach, the other five departments that are currently involved in this task would be able to focus on highly customized proposals and accelerate these deliveries, which bring important revenue to the business. In addition, the new process will mean to deliver quotes and proposals in a timely fashion regardless of the complexity of the customer's request with the intention of meeting or exceeding customer expectations.

As a result of this study, it is also strongly recommended to pursue a deeper evaluation of the current process to quote standard hardware and software, which should go beyond the quantity of activities that currently take place. Further analysis should take into account details on waiting time, activity duration, specific financials on cost/time spent and even consider the customer's feedback concerning their expectations on time of response and how this may impact their decision making process on the subject of future business with Tech Corporation.
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September 25, 2003


