Practitioner Perspectives

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Top 10 Risks of Subjective B&P Allocation

1. Inability to manage what is not measured—measuring the right metrics matters
2. Poor visibility into pipeline sufficiency vis-à-vis growth objectives
3. Failure to adequately quantify opportunity cost of pursuing low value opportunities
4. Negative surprises around pipeline inadequacy
5. Uneven understanding, manipulation, and inconsistent application of p(win)
6. Failure to account for any measure of return on investment due to reliance on p(win) alone
7. Decisions devolving into popularity contests due to absence of analytical rigor
8. Poor situational reporting: humans are victims of their own narrow experiences
9. Poorly qualified leads in pipelines due to lack of a framework to track qualification progress
10. Tendency towards group-think and truth by repeated assertion

Moneyball – Quantitative Approaches to Changing the Game

Winners in today’s hyper-competitive federal market are replacing subjective B&P practices with more quantitative approaches.

The DICE model provides high fidelity situational awareness around next twelve months backlog erosion and pipeline conversion.

POINT can then be used to calculate the size and shape of pipeline that must be qualified in order to meet growth objectives.

BAM quantifies the amount of total B&P resources that will be required to prosecute the pipeline of opportunities.

BET provides an objective evaluation framework to express the merits of each individual bid opportunity and quantify expected returns.

Adherents to old subjective decision-making and the wisdom of the masses will find themselves on the outside looking in come October.

DICE
Billy Beane and the Oakland A’s changed the way talent was evaluated in major league baseball. By abandoning conventional wisdom, they were able to remain competitive despite vastly inferior financial resources. Their approach provides valuable lessons learned for the current hyper-competitive federal market and Wolf Den has created the analytic framework to help companies compete in this new era. Wolf Den’s Deconstructed Iterative Conversion and Erosion (DICE) model accurately predicts next twelve months revenue from a given backlog and pipeline.

POINT
When DICE reveals a lower than desired growth rate forecast, the culprits are usually pipeline size (total value) and shape (quality). Wolf Den’s Pipeline Optimization and Induction Tool (POINT) was designed with this in mind. Beane and DePodesta worked backwards from the number of wins they needed to make the playoffs, to what run differential they needed to generate those wins, to how each player could be expected to contribute to the run differential, and picked players accordingly. Similarly, POINT works backwards from a desired next twelve months organic growth rate and solves for the size and shape of pipeline required to meet those targets. Using this tool, savvy managers can marshal their resources to proactively reshape their pipeline. Those that rely on conventional methods will be on the outside looking in come October.

BAM
Knowing how much pipeline is needed to grow or what must be done to improve the quality of the pipeline is only half of the picture. The other half is determining the resources required to produce desired results. Too many acquirers, investors, executives, and Boards focus on the pipeline size and growth targets without paying enough attention to the underlying bid and proposal (B&P) resource constraints to meeting those targets. Wolf Den’s B&P Allocation Model (BAM) enables managers to build a B&P budget based upon total contract award goals. The Oakland A’s were masterful at manipulating their budget to solve for the required incremental run differential. BAM enables federal managers to achieve similar results by expressing outcomes in terms of B&P dollars required per million dollars of total contract value awarded.

BET
The Oakland A’s jettisoned conventional scouting and player rating approaches and instead focused on calculating each player’s “expected run value.” This gave them a consistent, metrics-based method for evaluating talent. It was not the only factor in their trading and drafting approach, but it informed and shaped their decisions. Similarly, Wolf Den developed the Bid Evaluation Tool (BET) to provide a way to cut through the subjective approaches to allocating B&P budget. BET scores individual bid opportunities on an array of factors that impact win probability (p(win)) as well as financial factors that influence the merits of the bid. BET injects analytical rigor and consistent scoring methodology into an otherwise subjective process. Individual bid decisions, like individual player evaluations, are too important to leave to gut feel and conventional wisdom of crowds.

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