OST GLOBAL SOLUTIONS

Strategic Business Developing Planning and Budgeting:
Build a Winning Pipeline and Budget for Success

14 November 2024

OST Global Solutions

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WE'VE WON OUR CLIENTS OVER $26 BILLION IN GOVERNMENT CONTRACTS SINCE 2005

BUSINESS DEVELOPMENT, CAPTURE, AND PROPOSAL CONSULTING

Build Portfolio of Indefinite Delivery Vehicles	Develop Opportunity Pipelines	Capture Opportunities	Win Proposals	Optimize Your Processes

REGISTERED APPRENTICESHIP IN GOVERNMENT BUSINESS DEVELOPMENT; 18 COURSES IN ALL ASPECTS OF FEDERAL BUSINESS DEVELOPMENT

Certified Business Developer	Certified Capture Manager	Certified Proposal Manager	Certified Proposal Coordinator	Certified Proposal Writer

SBIR/STTR Proposal Lab for Maryland and Alabama

GovCon Incubator

www.ostglobalsolutions.com

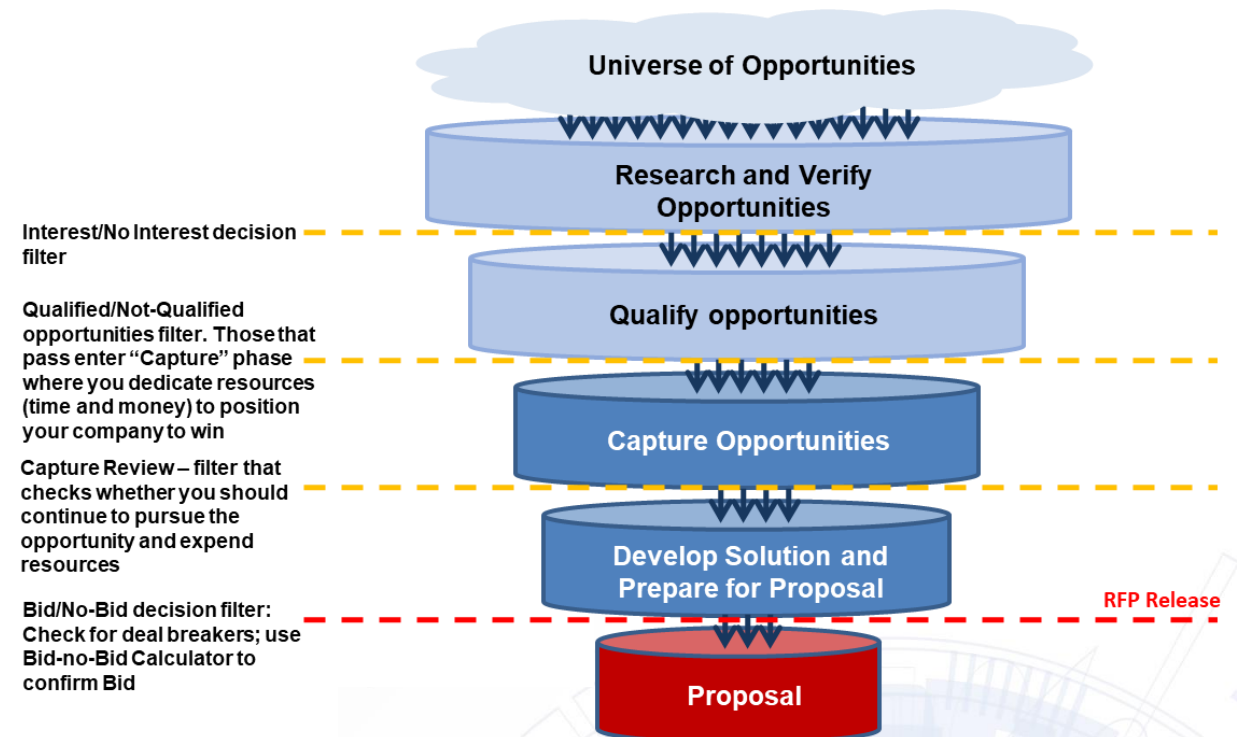B&P budgeting starts with a qualified pipeline

High Quality Budgeting Focuses on the Quality of Pipeline

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- Reporting on the total size to the pipeline is an important metric, but:
  - How many of those opportunities are real?
  - How many of those opportunities have progressed to capture?
  - What is the probability of go?
  - What is the win probability?
- Quality of the opportunities are the key to B&P budgeting

Universe of Opportunities

Research and Verify Opportunities

Interest/No Interest decision filter

Qualify opportunities

Qualified/Not-Qualified opportunities filter. Those that pass enter "Capture" phase where you dedicate resources (time and money) to position your company to win

Capture Opportunities

Capture Review – filter that checks whether you should continue to pursue the opportunity and expend resources

Develop Solution and Prepare for Proposal

RFP Release

Bid/No-Bid decision filter: Check for deal breakers; use Bid-no-Bid Calculator to confirm Bid

Proposal

Qualified Opportunities

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- BD leaders need to be able to control costs responsibly – if there's no scrutiny, then there might as well not be a budget

- Questions to answer in your qualification sessions for every deal:
  - What exactly is the opportunity?
  - Why does the company want this opportunity? How does it fit within the strategic BD plan and what is the ROI?
  - Do company's past performance and capabilities match the requirements to be able to respond and execute, perhaps with a teaming partner?
  - What is the current status – where is it in the procurement cycle?
  - What other opportunities would this opportunity position us for?
  - What opportunities would it preclude us from bidding on?
  - Is this a possible candidate for a MUST WIN opportunity status – and if so, why?
  - How does the company stack up per the initial customer and competitive analysis, and could it win?
  - Does the company have the required facilities?
  - Does the company have the resources to run a capture effort, write a proposal, and execute?

- Don't let your business development be a balloon ride
  - Invest time to research the opportunity
  - Check the documents that exist (old RFP, old contract, draft RFP, final RFP, notices)
  - Read the solicitation documents carefully – use AI to help you save time
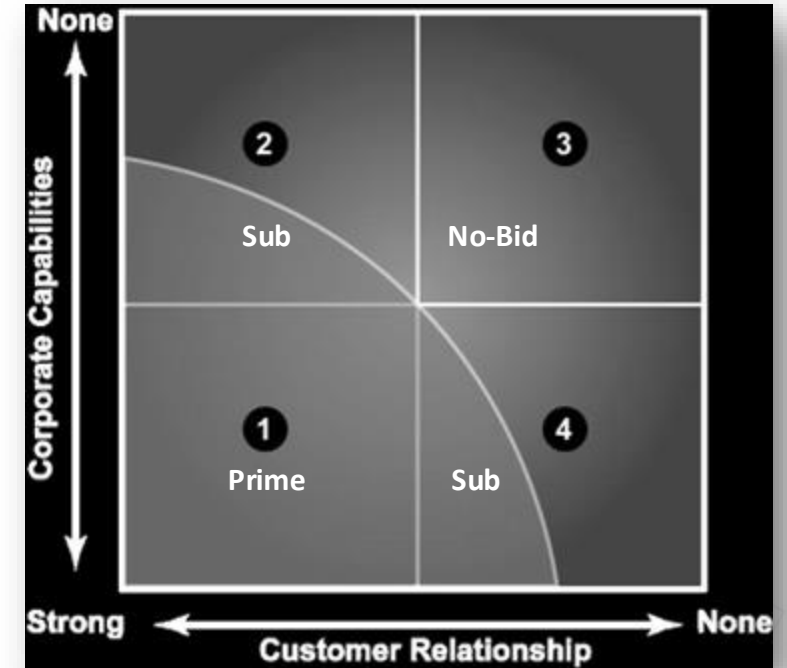
1: Prime; 4 & 2: – should probably sub;

3: unless joint-venturing, stay away

Review Short and Mid-Term Opportunities

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- Opportunities slip all the time
- Review the short-term opportunities – imminent release to those expected in the next 2-5 months
- Review the mid-term opportunities – 6 months to 1 year
- Typical well-functioning small to mid-size business will work on opportunities 9 months away – "the goldilocks zone"
- Then proceed to your long-term opportunities, including your incumbent recompetes
- Ensure opportunities are real (e.g. you didn't just get them off of GovWin IQ and didn't verify)
- Identify your must-win opportunities
- Rank in the order of priority (new, must-win, important, nice-to-have, and flavors of no-bid)

Table 23: High-Performance PSO Comparison – Client Relationships

Key Performance Indicator (KPI)	HPO	Rest	▲
Current clients - existing services	51.6%	52.4%	2%
Current clients - new services	15.4%	16.7%	8%
New logo clients - existing services	22.5%	20.1%	12%
New logo clients - new services	10.5%	10.8%	-3%
Deal pipeline relative to qtr. bookings forecast	201%	142%	41%
Bid-to-win ratio (per 10 bids)	55.4%	46.2%	20%
% of the quarterly revenue target in backlog	51.4%	41.8%	23%
Service discount given	8.9%	7.9%	-12%
Percentage of referenceable clients	74.9%	67.2%	11%
Solution development effectiveness	4.05	3.50	16%
Service sales effectiveness	4.00	3.42	17%
Service marketing effectiveness	3.41	3.08	11%
Efficiency of quoting service engagements	3.92	3.26	20%
The technology infrastructure supports growth	3.98	3.37	18%

Source: SPI Research, February 2024

Data Source: SPI 2024 Professional Services Maturity Benchmark. February 2024.

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Key Terminology and Definitions

- **Awarded Value** is the total dollars exercised on the contract at time of award
- **Backlog** is bookings – billings (i.e. the total value of contract commitments yet to be executed or earned)
- **Bid Rate** is the number of proposals submitted divided by the number of opportunities inputted into the pipeline
- **Bid Win Ratio** (win rate) is the number of successful bids divided by the number of bid submitted
- **Billings** is the completed, accepted work that can been billed (T&M, Work in process, Milestone, Deliverables)

- **Bookings** is the total value of signed contracts
- **Book to Bill Ratio** is the bookings divided by total revenue; a value >1 represents growth
- **Capture Rate** is the total dollars won divided by the total dollars bid
- **Debookings** is revenue that never materializes as a result of de-obligated funding or expiring period of performance
- **Gate 1** is the go/no-go decision to move an opportunity into capture
- **Gate 2** is often a decision to proceed with capture
- **Gate 3** is the bid/no-bid decision when the final RFP is released to start the proposal effort

Building an Estimate for the Year

Deal Velocity Benchmarks

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- How fast and well opportunities progress through the pipeline (your Gate process) are critical for budgeting and managing the health of the BD process

- Win Rate, Capture Rate, and Bid Rate are the most common pipeline metrics

- Benchmarks/goals for a well functioning BD organization with defined Gate Review processes are:
  - 50% of opportunities inputted into the pipeline are qualified (i.e., pass Gate 1)
  - 75% of qualified opportunities proceed to capture (i.e., pass Gate 2)
  - 90% of captured opportunities proceed to the proposal phase (i.e., pass Gate 3)

- These metrics will be critical for budgeting – use your actuals

Organizations With a Rigorous Gate Review Process Are x2 More Likely to Have a >50% Win Rate

54%	**27%**
of organizations with a comprehensive process for all gate reviews have win rates that >50%	of organizations with no documented process for most gate reviews have >50% win rates

- ✓ Gate 1 and 2 Reviews happen on a consistent schedule
- ✓ Qualifications are done on time so captures start early, in pace with government procurement
- ✓ Good opportunities don't languish in the pipeline

Data Source: APMP U.S. Bid & Proposal Industry Benchmark Report, 2019

Start with the Goal

- BD goals are set as revenue targets by the end of the year or a bookings goal (i.e., net new business)

- Realistic BD goals needs to account for:
  - Contracts that are in source selection already for proposals submitted
  - The lag time for government to evaluate proposals and make an award for new proposals
  - Backlog that will be burned during the year that accounts for the funded or awarded value – the amount of contract dollars exercised under the contract
  - Anticipated on-contract growth
  - Potential mergers and acquisitions
  - Resources available to conduct an effective gate review process, capture, and proposal development for a sufficient number of bids

- Decide how you will measure success of your BD efforts – will you measure success in Total Contract Value (TCV) won or will you measure success by annual revenue growth (important for managing size)?

- We should assume that only proposals submitted within the first 6-9 months of a calendar year may get awarded by calendar year end

- For illustration purposes, let's assume a bookings goal of $20M TCV for CY2025 – how many proposals do you need to submit and how many opportunities do you need in your pipeline to meet this goal?

Determine the Number of Proposals and Deals in the Pipeline

- Start with your TCV new bookings goal of $20M by the end of CY 2025

- Divide the bookings goal by your actual win rate to determine the TCV you have to submit proposals for
  - $20M / .33 = $60.6M
  - Industry average win rate for new business is approx. 33% (but you should use your actual win rate)

- Determine the average size of the deals you submit proposals for – in our example, we'll assume $7.5M in average TCV we submit proposals for

- Divide $60.6M by $7.5M to determine how many proposals we need to submit
  - $60.6M / $7.5M = 8 average size proposals

- Divide 8 by your Gate 3 pass percentage (benchmark is 90% pass rate)
  - 8 / .9 = 9

- Divide 9 by your Gate 2 pass percentage (benchmark is 75% pass rate)
  - 9 / .75 = 12

- Divide 12 by your Gate 1 pass percentage (benchmark is 50% pass rate)
  - 12 / .5 = 24

- **With this math, we need 24 opportunities in our pipeline today that are expected to be released within the next 6-9 months in order to bid on 8 contracts with an average TCV of $7.5M in order to meet our $20M bookings goal by the end of CY 2025**

77%
Companies state that #1 business practice is determining if an opportunity is aligned with capabilities

3 of 18
Most Important Best Practices in BD are:
1. Mapping win strategy to customers
2. Learning customer hot buttons
3. Assessing competitor positions

#1
The strongest predictor of high win rate is whether a firm has an established set of business practices

Data Source: APMP U.S. Bid & Proposal Industry Benchmark Report, 2019

Accounting for B&P Costs

- Allocations of BD and capture management costs are guided by the FAR and Cost Accounting Standards (CAS)

- FAR 31.205-18 defines B&P costs as expenses incurred in preparing, submitting, and supporting bids and proposals on potential government and non-government contracts (typically treated as indirect expenses and are included in the G&A expense pool)

- When an opportunity becomes more defined, generally at the DRFP or similar solicitation stage, contractors generally establish a separate charge code for that opportunity, which allows for charging proposal costs for a specific contract

- CAS 402 allows contractors to charge proposal preparation costs as direct or indirect, depending on the circumstances (you must do it consistently to result in an equitable distribution of costs to final cost objectives)
  - DCAA audits contractors for compliance with FAR and CAS – DCAA expects contractors to have consistent and compliant practices for allocating BD and proposal preparation costs

- Establishing a charge code for a specific opportunity upon the release of a Draft RFP is a common practice that facilitates proper cost allocation and compliance

- DCAA's Selected Areas of Cost Guidebook, Chapter 33, discusses Independent Research and Development (IR&D) and B&P costs

Estimating Bid Costs

- Capture Manager: ~5-10% of total proposal development hours (even if done by the company leadership)

- Proposal Manager: ~25-35% of total proposal development hours (for larger efforts)

- Subject Matter Expert/Project Personnel Support: 2-4 hours per page

- Proposal Writing:
  - Technical Writing: 3-6 hours per page for a custom solution
  - Non-Technical Volume: 1-3 hours per page
  - Resumes: 1-2 hours per page

- Editing:
  - Substantive Editing: 2-5 pages per hour
  - Copy Editing: 5-10 pages per hour

- Graphics:
  - CONOPS/OV1: 24-30 hours per graphic
  - Complex Graphics: 4-5 hours per graphic
  - Simple Graphics: 2-3 hours per graphic

- DTP/Page Layout: ~8 pages hour

- Reviewing: 8-15 hours per review per person (even with AI – the quality is higher but the time doesn't go down as feedback is human-processed)

- Labor Rate Justification/Research: 1.5-2.5 hours per LCAT

- BOE Writing: 3-5 hours per page

- Cost Model Development: 20-40 hours

Table 24: High-Performance PSO Comparison – Talent

Key Performance Indicator (KPI)	HPO	Rest	▲
Average tenure at the firm of consultants (years)	6.73	6.07	11%
Employee annual attrition - voluntary	7.5%	7.3%	-4%
Employee annual attrition - involuntary	6.0%	4.9%	-22%
Days to recruit and hire for standard positions	62.5	66.8	6%
Days for a new hire to become productive	58.4	63.5	8%
Guaranteed annual training days / employee	11.0	9.8	13%
Employee billable utilization	**75.4%**	**67.7%**	**11%**
Annual fully loaded cost per consultant (k)	$143	$124	16%
Recommend company to friends/family	4.66	3.94	18%
Well-understood career path for all emp.	4.15	3.39	22%
Employees have the tools they need to deliver quality services efficiently and effectively	4.44	3.80	17%
Onsite delivery	**29.4%**	**45.6%**	**-35%**

Source: SPI Research, February 2024

Data Source: SPI 2024 Professional Services Maturity Benchmark. February 2024.

Total Budget

- BD, Capture Managers, other leadership, and proposal staff involved in BD are salaried, so make assumptions on their time spent on BD tasks and multiply their hours by their internal rates.

- Need to estimate at least 8 proposals at our average TCV of $7.5M to submit within the next 6-9 months to achieve our $20M in new bookings.
  - Create a budget for each deal that you will submit a proposal on
  - What is the complexity of your deal? Is it for an engineering contract or a training contract? Engineering is expensive; training is not

- Need to evaluate upcoming must-win IDV on-ramps and estimate those as well, but they won't count toward your bookings goal

- Add 20% to your budget for "blue birds"

- Align your BD goal with your B&P budget

- B&P can get expensive real quick and consume your profit
  - Need to have scrutiny upfront to determine what deals you're going to pursue
  - The gate review process is there to controls costs – no-bid the opportunities that are not progressing
  - Create a set of pass criteria for each Gate Review and hold your G&A staff accountable for turning in quality work
  - If B&P budgets are too high, then make your staff show their work (i.e., assumptions, rates, hours, etc.)

Don't let your BD be a balloon ride

Planning for Uncertainty in the Administration Change

- The Trump Administration has announced that they will make changes

- An early indication of policy change will be the Presidential Budget Request due in February 2025

- Other budget deadlines to watch include:
  - April 15th – Budget Resolution Deadline
  - June 10th – Appropriations Bills Markup
  - June 30th – House Appropriations Deadline to pass all 12 appropriations bills before the August recess
  - September 30th – Fiscal Year End (Congress must pass a budget or the continuing resolution to prevent Government Shutdown)

- The last time Congress passed a full set of appropriations bills on time was Oct 1, 1997

- In recent years, Congress has relied on a combination of CRs and omnibus or minibus appropriations bills

- As of yesterday, ABC News is projecting a 222 to 213 Republican advantage in the House

- The Senate is expected to be 53 Republicans and 47 Democrats

- These are relatively small majorities for Republicans in Congress so radical change may face hurdles

- Takeaways for BD leaders:
  - Evaluate your current contracts for alignment with Biden administration priorities that may be at risk of defunding
  - Stay up-to-date on budget priorities
  - Stay up-to-date on agency forecasts when they change or are updated
  - Listen to new political appointees to see what programs/initiatives they will champion
  - Monitor key personnel changes within your clients' organizations
  - Over-fill your pipeline with opportunities to ensure you maintain your revenue levels if money is deobligated

TRUMP VANCE TRANSITION

- November 12, 2024 -

STATEMENT FROM PRESIDENT DONALD J. TRUMP

I am pleased to announce that the Great Elon Musk, working in conjunction with American Patriot Vivek Ramaswamy, will lead the Department of Government Efficiency ("DOGE"). Together, these two wonderful Americans will pave the way for my Administration to dismantle Government Bureaucracy, slash excess regulations, cut wasteful expenditures, and restructure Federal Agencies - Essential to the "Save America" Movement. "This will send shockwaves through the system, and anyone involved in Government waste, which is a lot of people!" stated Mr. Musk.

It will become, potentially, "The Manhattan Project" of our time. Republican politicians have dreamed about the objectives of "DOGE" for a very long time. To drive this kind of drastic change, the Department of Government Efficiency will provide advice and guidance from outside of Government, and will partner with the White House and Office of Management & Budget to drive large scale structural reform, and create an entrepreneurial approach to Government never seen before.

I look forward to Elon and Vivek making changes to the Federal Bureaucracy with an eye on efficiency and, at the same time, making life better for all Americans. Importantly, we will drive out the massive waste and fraud which exists throughout our annual $6.5 Trillion Dollars of Government Spending. They will work together to liberate our Economy, and make the U.S. Government accountable to "WE THE PEOPLE." Their work will conclude no later than July 4, 2026 - A smaller Government, with more efficiency and less bureaucracy, will be the perfect gift to America on the 250th Anniversary of The Declaration of Independence. I am confident they will succeed!

Next Steps & Resources

- We provide BD Planning, pipeline management, opportunity qualifications, capture, and proposal support.

- We are happy to schedule time to discuss your BD efforts and goals:
  - https://calendly.com/ostglobalsolutions/bdconsulting?month=2023-09

- We have a subcontractor portal where you can upload your capabilities for future opportunities:
  - https://www.ostglobalsolutions.com/teaming-partner-match-portal/

- We regularly publish updates to major contracts through our newsletter and blog:
  - Blog: https://www.ostglobalsolutions.com/blog/
  - Newsletter sign up: https://www.ostglobalsolutions.com/tag/email/

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Let's Partner in Winning Business

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