

From *Managing Without Profit* (3rd ed) by Mike Hudson

Building the capacity to win every bid

Has your organisation recently lost a bid? Are you thinking of bidding for the first time? If so, STOP and assess your organisation's capacity to win every bid it makes. Submitting bids consumes a huge amount of time and effort, so it is important to be really confident of winning before entering the game.

The long term decline in grant funding, greater emphasis on 'contestability' and growing volumes of work being commissioned by competitive tender present many new opportunities for voluntary, housing and arts organisations. There are also many traps to be avoided.

The first question to ask is whether you want to play. Unless there is a really tight fit between the service being tendered and your organisation's mission, its values and its philosophy, the effort might be used in other ways. You may have the capacity to deliver, but will you be achieving your objectives and meeting the needs of your beneficiaries? There are too many cases of ambitious leaders being seduced by seemingly attractive offers of new income to overlook this crucial stage. For some organisations it may be better to cherish their independence and remain committed to their values than to become another competitor in the tendering league.

For those that decide to enter, or to try again having lost a bid, there are a few simple rules to follow

As part of this process you will need to build bid-winning capacity, understand the characteristics of your competitors and create a competitive strategy.

The essence of competitive strategy

If you are a third sector organisation bidding for public sector contracts, your efforts and success rate will be significantly enhanced with a competitive strategy.. To be sure of winning you will need a financially viable service proposition that will meet service users' needs and purchasers' requirements much better than those of all the other competitors. To be an effective service provider you will need to know how to bring together the necessary skills, processes and management capacity to manage and deliver the proposed services to the highest standards. To ensure the project is financially rewarding, and won't leave your organisation in debt, it should produce a financial surplus to cover all overhead costs, and ideally to contribute to future investments as well. If you can not make the finances stack up, be prepared to politely retire from the competition. The danger at this stage is that the bidding process has gained momentum, staff can see how the proposals will benefit service users and no one is willing to say NO! This service will lose us money and we are not willing to subsidise it from our hard won voluntary income.

Most importantly you need to build the skills, abilities and organisational capacity needed to win contracts.

Building capacity to win bids

Bidding is sometimes seen as a distraction from the 'real' work of delivery, but it can often be a highly creative process which requires providers to question how they do their work and how they could do it better or more cost effectively.

Begin by learning precisely what purchasers want by quizzing them and listening very closely to what they say. In a well-designed procurement exercise the purchaser will encourage bidders to be imaginative about how best to deliver, but it is essential also to understand exactly what the purchaser requires.

Opportunities to bid for the first time allow organisations to be imaginative and propose new approaches to solving a problem. Re-tendering for an existing contract is harder because organisations need to challenge their current practices. However, this process presents opportunities to evaluate current practices, streamline operations and may help you discover ways of meeting users' needs more effectively.

Bringing in someone who has not been involved previously can help to open people's minds, generate new approaches and contribute ideas that will distinguish your bid from all the others.

Before you bid

Putting bids together takes time and effort so organisations should assess their chances of winning before making this commitment. You should discover how many bidders there are likely to be and whether your organisation will be considered a contender.

Reflect on your organisation's aspirations, values and skills and compare them with the purchaser's requirements. Are they a good fit? The primary concern should be whether your organisation has an ability to add value to the project and benefit service users. Your ability to meet the purchaser's requirements is not reason enough to bid. Equally, the purchaser must demonstrate a willingness to allow you to add a value. Look for the extent to which the specification defines outcomes rather than inputs.

Finally, evaluate your capacity to prepare the bid, considering the time, resources and expertise required to complete the proposal. For large or particularly important contracts, a bid team should be put together including functional, financial and bid-writing expertise.

Building capacity to compete strategically

Building the capacity to compete should start long before opportunities to bid become available. The first step is to build a thorough understanding of the 'competitive advantage' that your organisation wishes to establish over its rivals.

Competitive advantages can include:

- knowledge and expertise
- brand and reputation
- an ability to report on outcomes and impacts
- a focus on quality and quality accreditation
- a research base that informs service delivery
- economies of scale
- local knowledge and networks
- an ability to work in partnership.

Different combinations of competitive advantage enable organisations to offer purchasers better value for money than their rivals. Whatever the sources of competitive advantage, being really clear about it also helps organisations to take the all-important decision about whether to bid and how to create a winning tender

Clinching the deal

A bid-winning proposal must be clear, succinct and address the requirements of the specification. Take time to structure your proposal, ensuring your writing style is lucid and the presentation direct.

When making and giving a presentation, your aim should be to build confidence in the mind of the purchaser. You should not only demonstrate your ability to deliver the service but also instill confidence in your organisation. This is your opportunity to build your reputation as a reliable provider that adds high value and is easy to work with.

You will need to learn the art of contract negotiation. Remember at this stage that your power is growing – the purchaser wants you to deliver the service, but they want to extract favourable terms. Don't give way to all their requests. Identify which are important to you and which you can concede. And when the going gets tough, always look for the 'third way' – ideas which will benefit both parties and unblock the negotiations.

Your ability to establish effective and ongoing relationships with purchasers will be very important to long term success. Consider how you will use performance reporting to communicate your success and maintain the purchaser's confidence in the service and your organisation.

In short, think hard before entering the game, ensure that your proposals are really distinctive and be willing to bow out at an early stage if you are not confident of winning. The effort might be better put into building bid winning capacity than losing the tender.

Mike Hudson is Director of Compass Partnership. The third edition of his book *Managing Without Profit*, which has already sold 18,000 copies is published this month. It has been completely revised and up-dated with new sections on managing performance, strategic partnerships, mergers and competitive tendering.

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