

## To Bid or Not To Bid

By James P. Weidner, PSM

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To bid or not to bid, that is the question. Whether 'tis nobler in the mind to suffer the slings and arrows of outrageously low fees, or to take arms against the practice, and by opposing end bidding? Apologies to Shakespeare! But the question is valid - if you are in business, you have to decide how you will compete. Will you engage in direct fee competition or will you take the moral high road and pass those "opportunities?" Can you afford not to bid? Before I offer advice, there are some issues to consider.

If yours is a new business, you probably have to "out-bid" your competition to gain market share. Obviously you have little else to sell. And your costs will be low in any event. If you have other attributes at work experience, specialized knowledge, better facilities, personal contacts, you will be better served by concentrating on those clients that value these attributes above price. Mature firms seldom have to engage in bidding if they have kept on the cutting edge.

Whatever your choice, you should understand that there is also an ethical consideration. One's professional approach is likely to change when price becomes the major criterion for selection on a project. In such a case, one tends to represent his own best interests over those of the client. While it is possible to reduce price by hiring less qualified personnel or by acquiring less accurate equipment for example, this would not be in the best interest of the client and will lead to increased cost in other areas. You should also note that price is seldom the only factor. A principle in win-win negotiating is the realization that not everyone wants the same thing. Some people buy a Chevrolet because it offers economy, simplicity, and availability. Some will buy a Mercedes because it offers quality, prestige and luxury. Your clients are driven by these same things - you have to align yourself with the proper clientele. And it is far better to market

clients than projects.

Additionally, many clients do not equate a higher price with better quality. Quality is a given. If you reduce your fees at the expense of quality, you reduce your ability to stay in business to continue to serve the client in the future.

Still further, we are often our own worst enemies. While the professional societies rail against bidding, their individual members often bid against each other and their sub-consultants. This gives a clear message to our clients that bidding is acceptable.

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Finally, it must be said that qualification-based selection processes are not always fair. Individual biases of the selection committee are often evident and politics will always be with us. Many times a project is "wired" for a certain firm. One has to be selective to survive. If you compete in this arena you must begin competition long before the RFP is issued.

In all, bidding is not a course I would recommend although it can be profitable if you work at it. Rather, I suggest that you build up your expertise, quality, reliability, and service. Concentrate on repeat and referral work. Be selective.

You can double your hit rate by cutting your proposals in half - declining on that half that you could easily predict losing anyway. In the end, however, if you do not intend to bid you have to have the spine to refuse.

If you are going to bid, go after common work with low cost facilities and watch the scope of services like a hawk. Serve the client well, but do not over do it.

Provide exactly what you contracted for, not more. The next project does not depend on what you gave away on the last one so there is no reason to do it.

If you do not want to bid, just say "no." That said, you still have to avoid "pseudo-bidding" by avoiding common pitfalls such as the following:

Never, ever enter into an hourly-to-an-upset contract unless the cap is high enough to cover any contingency. Such an arrangement gives every advantage to your client and you can only lose. Lump-sum and cost-plus fixed-fee contracts are much fairer.

Don't quote fees casually. Those "just give me an idea, I won't hold you to it" fees will always come back to haunt you. Discuss fee only when you have fully addressed the scope and after all the other items are discussed and resolved.

If you have to reduce fees in negotiation, do so only in exchange for another valuable concession. A lower fee should equate to reduced scope or a more favourable schedule, and the like.

Be business-like. If you go to the trouble of negotiating a contract you should not ignore the terms therein. Do not provide services beyond the contracted scope without a supplemental agreement for additional fees. Demand that you be paid as scheduled. Do not hesitate to stop work. Put everything exceptional in writing immediately.

In the end the value you bring to your client is what determines your fee. Value is far different from price. If your involvement in a project is perceived by your client as valuable, your fee will not be an issue. Look to bring value to the table.



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