Winning Large Value Deals: Who is Your Best Bet?

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ABSTRACT

Selection of a strategic partner through a high-value request for proposal (RFP) is a competitive endeavour in which the preparation of response to the RFP is a project based exercise. The quality of these responses decides the fate of winning or losing business engagements and the response needs to be the best possible solution. Such solutions require contribution from different actors in a firm. In order to provide a winning response to the technical and financial RFP documents, it is imperative for the firm to select a bid manager who can facilitate the best possible response. This paper provides a framework for selecting such individuals.

Keywords: Bid Manager, Five-Factor Model, Hofstede’s Theory, Request for Proposal, Social Capital, Social Networks

INTRODUCTION

Organisations across sectors are coming out with ambitious strategic projects with long term perspective to control costs and hence these serve as an opportunity for vendors to do high-value business. Seeking cost saving in order to become more competitive, acts as a major driver of high-value strategic projects such as outsourcing initiatives (Gareiss, 2002; Engardio, 2006). It is worth noting that outsourcing partners consumed approximately 50% of an average organisation’s information technology budget (Willecocks & Craig, 2007; Nevo & Kotinarsky, 2014). Mani, Barua and Whinston (2013) argued that firms that embark on large strategic outsourcing projects, that are associated with lower amount of uncertainty and needs less coordination, can realize comparatively higher market returns.

Similarly, high-value production outsourcing is also common in many industries such as automobile, food and beverage, computers and pharmaceuticals. Production outsourcing has fuelled the growth of contract manufacturers and their revenue had reached $250 billion and is forecasted to reach $370 billion by the end of financial year 2014 (IDC, 2010). Broad strategy of cost rationalization drives strategic projects such as production outsourcing or information technology outsourcing. A case in point is the transformation of Dell computers build to order model to outsourcing of its assembly work to low cost contract manufacturers (see Ladendorf, 2009a, b).

DOI: 10.4018/ijkbo.2015040103
Spread of large value deals across multiple years provide financial sustainability to vendors. Selecting vendors for such engagements is a project based exercise, and the process starts with issuance of a request for proposal (RFP), assessment based on the solutions provided to the RFP documents and finally financial negotiations with shortlisted vendors.

A bid manager is different from managers who only operate within their specific domains. For the purpose of this paper, we refer to a bid manager as the one who leads the exercise to win large RFP based projects from organisations that outsource work. The bid manager needs to be able to bring together the best people for formulating solution to the request for proposal of the bid and also strategically draw on firm’s resources to make decisions that will prepare the best bid document for submission. In order to identify traits of transformational leadership and successful managers, researchers have undertaken multiple studies (Barker, 2001; Jones, 2001; Chreim, 2014; Wang, Freeman, & Zhu, 2013). Similarly, research has been done on attributes of managers in individual domains such as sales, etc. (Deeter-Schmelz, Kennedy, & Goebel, 2002; Macdonald, Wilson, Martinez, & Toossi 2011) but not many studies have focussed on managers executing short critical projects that are atypical in nature. Bid managers are such managers who work on short critical projects. We attempt to bridge this gap in literature by focusing on individuals who have to show effectiveness in short duration and are critical to the success of the firm.

The focus of the study is to propose a framework of individual attributes that assists in selecting the most appropriate bid manager for an opportunity. These attributes can be standalone individual attributes or individual attributes in institutional context. The framework draws on traditional theories of human capital, network analysis and studies their relevance in relations to execution of projects. The current literature on network analysis focus on dyads rather than projects as units of analysis. It is also evident from the literature that there is a need to identify projects or portfolios as units (Uzzi, 1997; Baker, 1990). This paper while formulating the framework for an ideal bid manager addresses this issue by treating creation of bid responses as a short term project.

This study is also important as it focuses on personal attributes whereas research on social networks has traditionally focussed on relationship between actors and not on personal attributes of actors (Zhou, Shin, Brass, Choi, Zhang, & Zhi-Xue, 2009). We intend to bring forth the characteristics required for an ideal actor who can be an effective bid manager by sifting through relevant literature and bringing it in our framework.

Managers who bridge individuals and disconnected teams tend to benefit from both timely information and control of benefits. We explore the concept of structural holes for identifying attributes that are necessary for a bid manager. Structural holes come into existence due to the network gap between two actors of diverse teams. The linkage between innovative solutions and intergroup structural holes makes the capability of brokerage an important attribute for a successful bid manager requiring detailed exploration. We base our framework on the fact that bid managers having unique positions in network structure have high social capital and hence can draw on different resources across inter-organisation boundaries to produce the best response. We go on to explore the institutional attributes that enhance an actor’s ability to acquire social capital and incorporate the same in our framework.

We first explain a typical vendor selection process through a real life case study and then proceed to build the theoretical foundations of the framework for identifying a bid manager’s desirable attributes. Individual factors are studied through well-defined models of personality and through application of cultural dimension theories at the level of an individual. Finally a framework is created utilising the isolated necessary attributes of a successful bid manager.
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