



PREDICTING CAPABILITY IMPROVEMENT ROI'S THROUGH BENCHMARKING

HOWARD NUTT

EXECUTIVE DIRECTOR

BUSINESS DEVELOPMENT INSTITUTE INTERNATIONAL

DISCUSSION POINTS

- Contextualizing CMMI for Business Development Organizations
- Defining ROI in BD-CMM Performance Improvement
- Using Benchmark Data to Quantify Improvement Benefits
- Building a Business Case for Investing in BD Capability Growth
- Learning from Each Other in the CMMI Constellation

INTEGRATED LIFE CYCLE WITH BD-CMM & CMMI®



CMMI® PARADIGM VERSUS BD-CMM CHALLENGE

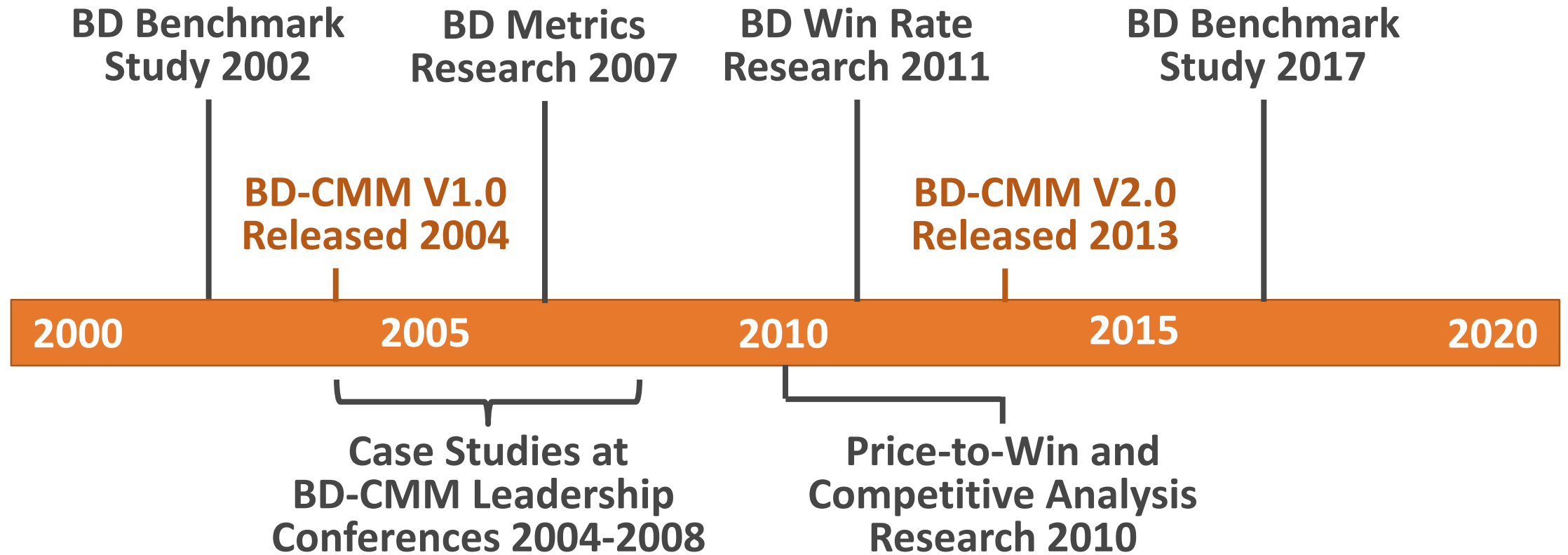
CMMI Paradigm

- Originally established and sustained as US Department of Defense initiative
- Built on strong technical base within Engineering and software development
- Matured over 30 years of industry experience and demonstrated benefits
- Recognized and adopted around the world as unequivocal industry standard

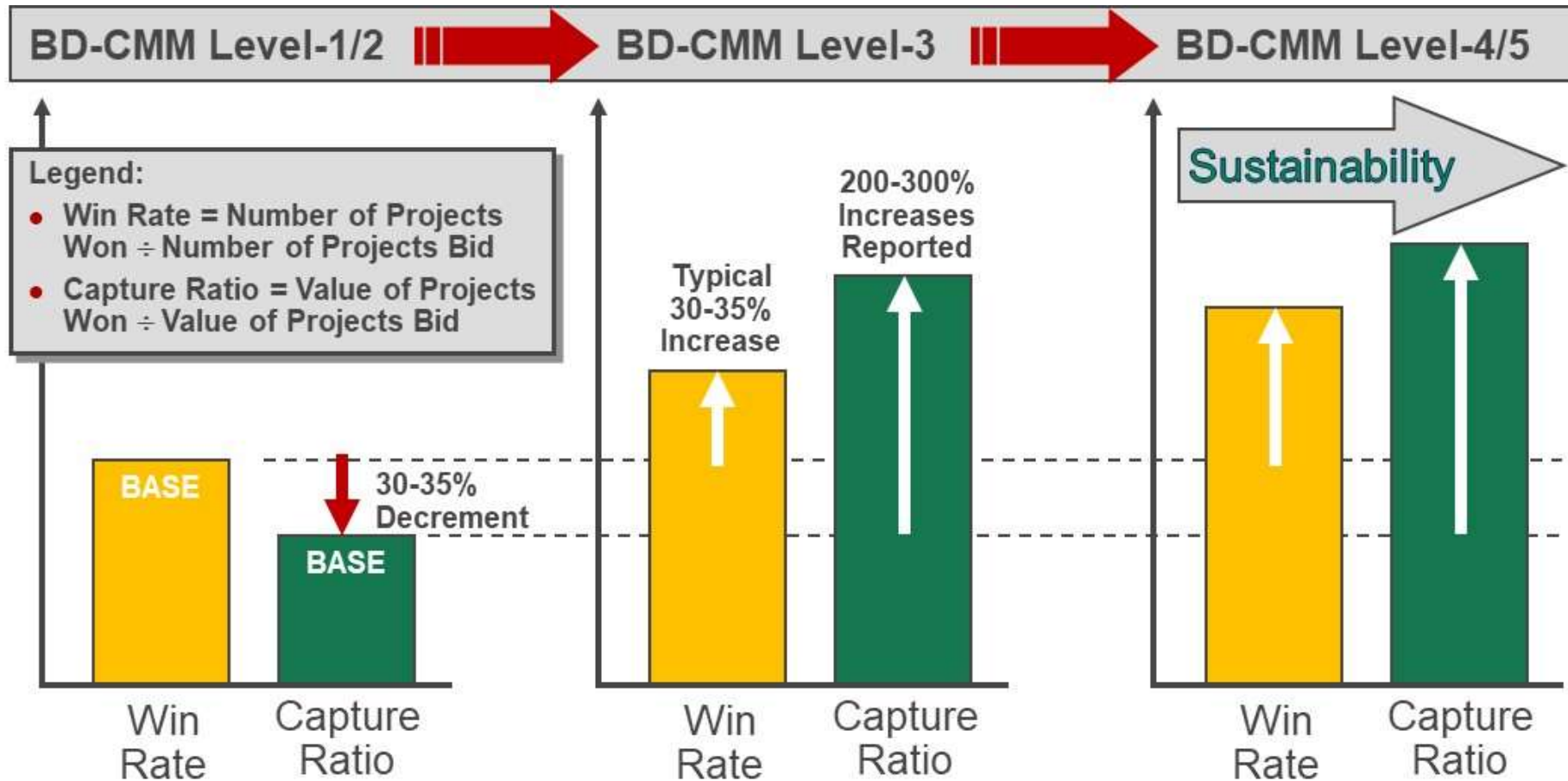
BD-CMM Challenge

- Developed during 2002-2004 through private investment
 - Supported by Association of Proposal Management Professions
- Built in parallel with effort to mature BD as a discipline and professional pursuit
 - Sales/BD executive tenure of 18-24 months
 - Historical view of Sales/BD as “black art”
- Continuing need to “sell” adoption and justify investment

BD-CMM DEVELOPMENT BASED ON RESEARCH



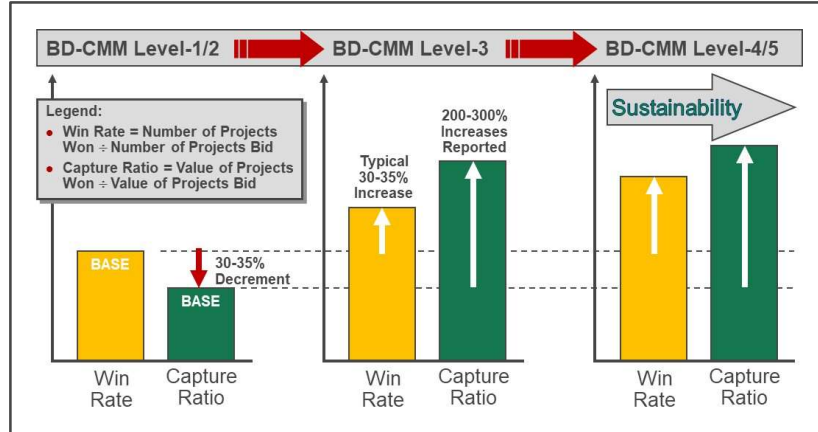
RESEARCH BASE → PERFORMANCE TRENDS



RESEARCH BASE → CASE STUDY VALIDATIONS

Company Size	\$800M / year	\$40M / year
Industry	Aerospace & Defense (IT Services)	Defense (Systems Engineering Services)
Improvement Results	<ul style="list-style-type: none"> • Increased sales by 150% with 8% increase in cost • Improved win-rate from 30% to 72% • Reduced number of bids from 1200 to 500 • Grew average size of contracts – \$150K to \$750K 	<ul style="list-style-type: none"> • Increased annual revenue from \$40M (base year) to \$100M within 18 months • Won five (5) strategic competitions in a row • Successfully established internal BD capability
Improvement Strategy	<ul style="list-style-type: none"> • Implemented BD-CMM Level-3 process • Centralized control of BD funding and resources • Established dedicated capture management team • Deployed a robust technology platform to facilitate BD process and control operations • Instituted a performance-based reward system 	<ul style="list-style-type: none"> • Out-sourced BD capability during re-engineering and organizational transformation • Reorganized to address BD leadership issues • Established dedicated BD management team

RESEARCH → BD-CMM MATURITY CORRELATIONS



Process Continuum

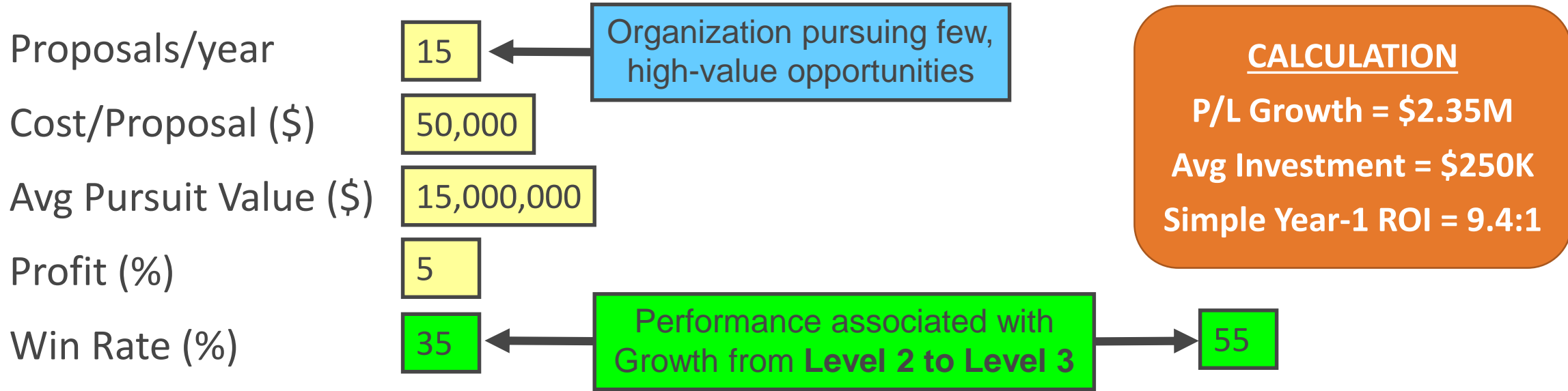
S&M Focus: Many Small, Routine Opportunities

BD Focus: Few Large, Strategic Opportunities

BD-CMM Level	Numerical Win Rate	Dollar Capture Ratio
4/5	>40%	>50%
3	>30%	>40%
2	<20%	<20%
1	<10%	<10%

Numerical Win Rate	Dollar Capture Ratio
>65%	>80%
>50%	>65%
<50%	<50%
<25%	<25%

SAMPLE ROI CALCULATIONS: LEVEL 2 → LEVEL 3



Total spent creating proposals =	15	x	50,000	= \$	750,000		\$	750,000					
Profit	15,000,000	x	15	x	5 %	x	35 %	= \$	3.94M	→	55 %	= \$	6.19M
P/L =	3.94M	-	750,000	= \$	3.19M		= \$	5.54M					

BUSINESS CASE COST / BENEFIT ANALYSIS

Costs

- Costs can only be estimated once the difference between the current and goal state is identified
- This difference may be quantified through a Gap Analysis
- Typical outcomes are requirements for:-
 - Leadership training
 - Individual practitioner and team training
 - Process re-design
 - Process deployment and training
 - Infrastructure upgrades

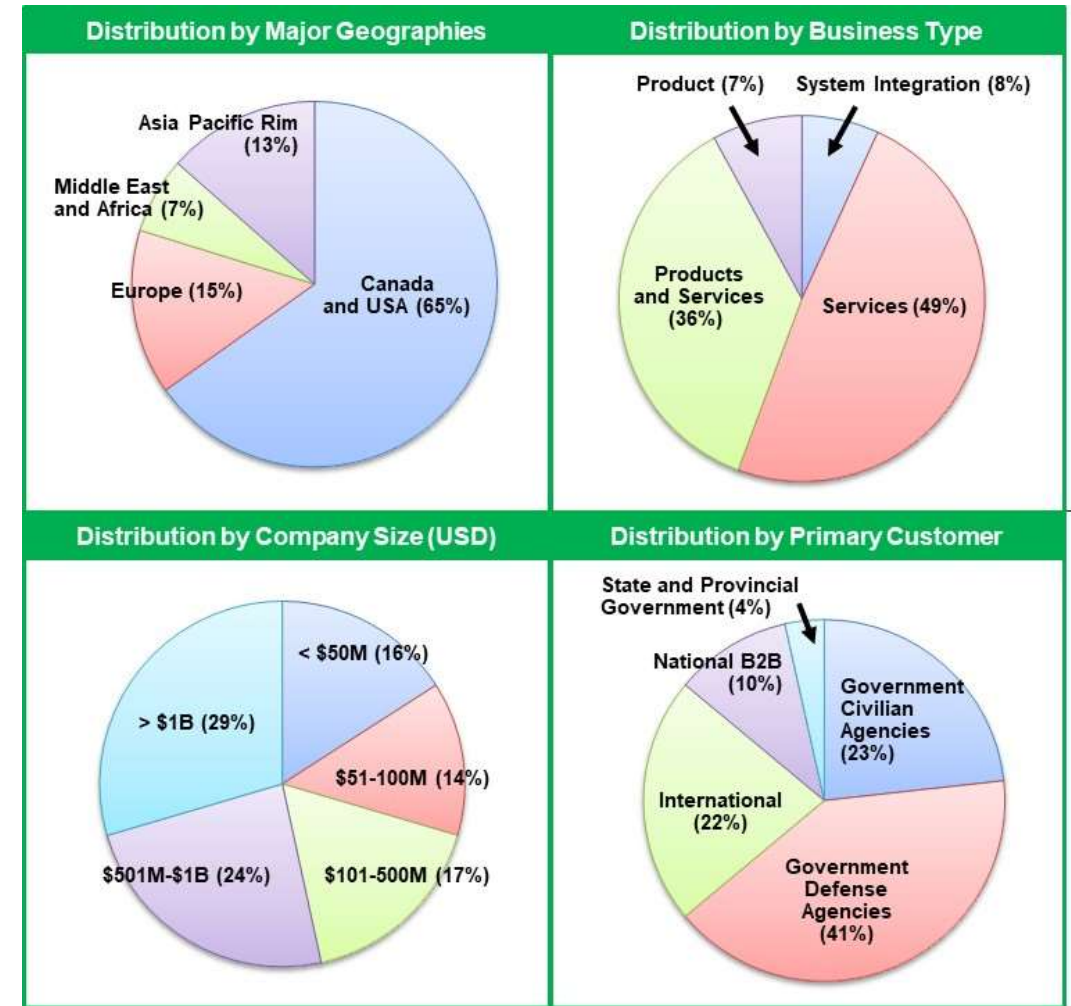
Benefits

- Direct financial benefits
 - Increased win rate (based on numerical gap)
 - Enhanced win value ratio (based on contract value gap)
- Indirect financial benefits
 - Reduced staff turnover
 - Reduced recruitment and training costs
 - Improved team morale and productivity
 - Better decision making
 - Earlier 'no bid'
 - Improved co-ordination

NEXT-GENERATION OPPORTUNITIES

BD Benchmark Study 2017

- Expanded data set that includes four major geographies
- Primary analyses by company size, business type, and primary customers
- Analyses to update performance benchmarks



ADDITIONAL BD-CMM BENCHMARKS TO COME

PARTICIPANT B.1.						
COMPANY PROFILE			REPORTED PERFORMANCE			
Geographic Region	TBD		More than 80% <input type="checkbox"/> <input type="checkbox"/> 66-80 percent <input type="checkbox"/> <input type="checkbox"/> 51-65% <input type="checkbox"/> <input type="checkbox"/> 35-50% <input type="checkbox"/> <input type="checkbox"/> Less than 35% <input type="checkbox"/> <input type="checkbox"/>	<input type="checkbox"/> <input type="checkbox"/>	<input type="checkbox"/> <input type="checkbox"/>	WIN RATE WIN VALUE RATIO
Company Size (USD Equivalent)	TBD					
Number of Employees	TBD					
Primary Business	TBD					
Primary Market	TBD					
SELF-ASSESSED MATURITY						
Capability Categories	Customer	Leadership	People	Process Management	Support	
Themes	Increasing Customer Value	Building Vision and Performance	Expanding Competencies and Teams	Improving Visibility and Accountability	Enhancing Systems and Infrastructure	
Maturity Levels	Process Areas (PAs)					
5 Optimizing	Innovation and Transformation					
4 Quantitatively Managed	Relationship Management	Leadership Integration	Collaborative Teaming	Quantitative Performance Management	Integrated Systems	
3 Defined	Solution Collaboration	Organizational Direction	Organizational Competencies Development	Organizational Process Management	Knowledge and Infrastructure Management	
2 Managed	Response Generation	Sales Management	Individual Skills Development	Project and Quality Control	Work Environment and Tools	
1 Initial	Ad Hoc					
BUSINESS DEVELOPMENT ENVIRONMENT			COMMENTS			
Employees Engaged in BD	TBD		• TBD			
BD/Sales Organization Type	TBD					
BD/Sales Reporting Level	TBD					
Bid Org Reporting Level	TBD					
BD/Sales Process Type	TBD					

- Individual study participant profile
 - Geographic Region
 - Company Size
 - Business Type
 - Primary Market
- Self-assessment against BD-CMM V2.0
- Primary metrics for maturity correlation
- Secondary parameters relevant to performance improvement



CMMI[®] Institute

THANK YOU