Chapter 3

Present Consultant Evaluation & Selection Models

1 Present Consultant Evaluation & Selection Models:

The selection and evaluation methods get converted into the contracts depends upon the risk and type of proposal. The contracts may be of lumps ump, times based retainer and / or success fee, percentage and indefinite delivery. The client PSUs usually use the following type of consultant selection methods, explained as follows.

1. Expertise based (EB):

When PSU decides to hire a consultant purely based on the basis of expertise of the consultant. This is normally used for individual experts of eminence, who would no like to go through any selection process or in case where the PSU is convinced of the credibility of the consultant based on past success that no other basis is required to evaluate the consultant.

For example if the PSU requires services of a consultant for a project involving design of a nuclear power plant, it would be ideal for the client to look at profile of experts who have executed such work in the past and based on his specific experience decide to engage the consultant.

2. Judgment Basis (JB):

When the PSU based on their judgment on the capabilities of the consultant decides to invite the consultant to submit a proposal and based on the single proposal take administrative decision to award the contract. The sole basis of decision making is the scope of work and financial negotiations.
This practice is normally adopted when PSU require the consulting service from a government organization or academic institution of repute. In this case it is always easy to justify award of contract on invitation basis. The sole basis of decision making is the scope of work and financial negotiation.

When PSU is convinced that a particular government organization or academic institution of repute has the capabilities to deliver the assignment it uses the judgmental criteria to award the contract.

For example if a PSU has an assignment in the area of leather technology, it will be right judgment to go to Central leather research institute, Chennai, to be engaged as consultant for the said assignment, since they are the leading institute in the area with total expertise.

3. Fixed Budget Basis (FBB):

When scope of work is clearly defined and PSU is able to quantify the scope of work, effort, time and cost components, then in case PSU is able to clearly say what it is willing to pay for this assignment.

Under these criteria, the prospective consultants are told upfront the value of the consultancy assignment, and only technical bids are invited. The decision to award contract is taken on the basis of technical bid.

The best technical bid based on the score in the TER (Technical Evaluation Report) would be invited to do the assignment at the cost already fixed.

4. Least Cost Basis (LCB):

Under this system, the PSU invites both technical and financial bids. However, technical bid is only used to determine suitability. The technical evaluation would be to qualify those bidders whose financial bids will be opened. Only
those bidders who meet the minimum eligibility criteria (pre determined) would be considered for financial bid opening.

The financial bid of all technically eligible bidders are opened and the bidder who has quoted least price (Lowest One i.e. L1) is awarded the contract.

The decision to award the contract is taken purely on the basis of financial bid. The financial bids of all technically eligible bidders are opened and the bidder who has quoted least price is awarded the contract.

There is a risk in Least cost basis method, that a consultant who may not have the competence to deliver or has suspicious approach or methodology may end up winning the contract, consequently creating difficulties for the PSU either in delivering a poor quality service or may abandon the project midway or may take much larger than planned, hence defeating the purpose of the consultancy assignment.

5. Quality cum Cost Basis (QCB):

In this method, the client PSU predetermines the eligibility criteria for qualifying of bidders for financial bid opening. The TER provides score to bidders and for all those who meet the minimum eligibility criteria, the financial bids are opened.

The technical bid evaluation is only for the purpose of determining eligibility/competence to deliver. The decision on who would get the contract is taken based on L1 out of the bidders, who technically qualify as per minimum eligibility criteria. Here the PSU ensures that the consultants being considered for award of contract have competence to meet the expectations and would be able to accomplish the task.

The PSU through evaluation of documents, presentation on experience, competencies-qualifications and skills and qualification of the team members,
approach, methodology work plan and schedules of deliverables, makes a judgment on the capability of the consultant.

All those who meet the minimum eligibility criteria are eligible for opening of financial bid and award of contract. Contract is awarded to party which has quoted lowest price i.e. L1 or lowest one.

6. Combined Quality cum Cost Basis (CQCB):

This is the most prevalent method in selection of consultants by PSU. Under this method the PSU predetermines the weightage for quality and cost. Mostly the proposals are evaluated on the bases of the quality required and evolved cost in the proposal. Refer to the Figure -3.1, the evaluation block consist of quality and cost of a proposal submitted by a consultant.

The TER awards a score to each bidder based on the quality requirement. Thereafter financial bids of all the bidders who are eligible are opened. Both technical bid scores and financial bid values are subjected to weight ages predetermines and the H1 (Highest one) party – Highest score gets selected.

Let the weighted value of the Quality and Cost be Q and C and Evaluation as E, and relationship can be expressed as

\[ E = xQ + yC \]

Figure – 3.1

Where x, y are percentage weight age provided to Q and C respectively by the customer at the time of evaluation and can be expressed as
The PSU usually fixes the values of x & y as 90:10, 80:20, 70:30 or 60:40

The process of evaluation usually involves three steps as follows

1. Technical Bid score
2. Financial Bid score
3. Net score based on weightage

Take an example here as follows

Suppose there are four bidders namely A, B, C & D and as per CQCB method and the weightage for the quality (or technical) and cost (or financial) is 70:30 then assumed that the technical evaluation TER based on total of 100 marks and to qualify in technical evaluation minimum 70 marks need to be score (or required to open bidder’s financial bid)

Bidder A scored 68
Bidder B scored 75
Bidder C scored 77
Bidder D scored 70

Here bidder A’s bid is rejected as he is unable to qualify in the technical evaluation while bidder B, C and D’s bid is accepted as they are qualify in the technical evaluation by scoring equal to or more than 70 marks.

Now bidders B, C and D’s bid will get open and let assume that

Bidder B’s price is 75 crore
Bidder C’s price is 68 crore
Bidder D’s price is 62 crore
Converting these prices on H1 (Highest one) for getting financial score by dividing the lowest bidder price by the price of respective bidder pricing. So here we have to divide the bidder D’s price by B, C and D’s price to get individual score of bidder B, C and D. So H1 score for the bidders are as follows

Bidder B scored \((\frac{62}{75}) \times 100 = 82\)
Bidder C scored \((\frac{62}{68}) \times 100 = 91\)
Bidder D scored \((\frac{62}{62}) \times 100 = 100\)

Now we have both technical as well as financial score of the bidders B, C and D. In the final calculation it is being now to calculate the net score which is as follows.

Remember the weightage for the quality (or technical) and cost (or financial) is 70:30

Bidder B’s score is \(75 \times 0.7 + 82 \times 0.3 = 77.1\)
Bidder C’s score is \(77 \times 0.7 + 91 \times 0.3 = 81.2\)
Bidder D’s score is \(70 \times 0.7 + 100 \times 0.3 = 79\)

Bidder C’s score is highest one i.e. 81.2 compare to 79 of bidder D and 77.1 of bidder D and hence the contract will be awarded to bidder C.

Here it is also to be here note that though the bidder D’s financial bid was lowest one i.e. 62 Crore but he is unable to get the contract due to unable to score the highest marks combined from the technical bid evaluation for the quality and financial bid evaluation for the cost.

7. Quality Basis (QB):

Here the nature of the project does not permit the PSU to take any risk. The PSU has to go to the best consultant. In such an eventuality the client PSU
organization lays focus on quality of the consultant.

Cost is not important at all. Those who score the H1 (Highest one) party – Highest score in the TER (Technical Evaluation Report) gets selected. In Quality Basis (QB) method, it is only the Quality who mandates the evaluation and selection procedure of the bidder.