



CMC-Canada Position Paper:

*The Effective Use of Price as a Criterion in Proposal Assessment for
Management Consulting Services*

Issue

There are currently varied approaches to the use of price as a criterion in the assessment of proposals by public sector entities for the procurement of management consulting services. Practices vary by purchaser and the nature of services being procured. Too often, however, price as a criterion in the selection process is weighted too significantly.

Background

A current leading procurement practice is to achieve value for money (also referred to as value-based procurement). This principle emphasizes that the least cost solution may not necessarily offer the greatest value since there is potential for lower quality work to be performed for the lower price.

Price can be assessed by different mechanisms. This includes fixed price (where services are provided at a total fixed fee), time and materials (where services are provided typically on a per diem basis), and quality-based selection (where price is negotiated after the best qualified proponent is selected).

There are several ways to evaluate fixed price proposals. They include¹:

- Lowest price that achieves the minimum technical score.
- Highest technical score within budget.
- A weighted score based on a proportion for price and a proportion for technical score (e.g., 30% price and 70% technical score).
- Lowest price per point.

While the intent is to achieve best value for money, these evaluation approaches instead serve to commoditize professional services by awarding the contract to the lowest cost supplier with potentially the lowest technical score. Use of the lowest price that achieves the minimum technical score and lowest price per point evaluation approaches in particular contribute to this commoditization.

The price offered by one consultant compared to another is a poor indicator of quality or effectiveness given the market for consultants is unregulated and it is difficult to measure the performance of a consultant.

The other two evaluation approaches, highest technical score within budget and weighted score, can similarly place too much emphasis on price.

When considering the highest technical score within budget, the technical score can be driven by how much work each proponent is willing to do for the budget outlined. A bidder with higher per diems may be able to allocate fewer days to provide the services than a bidder with lower per diems.

When using weighted score to evaluate proposals, commoditization occurs when the weight assigned to the price component is very high – over 20%, for example.

Quality-based selection (QBS) is a selection approach where price is not considered until after the most qualified supplier has been selected (based on a set of criteria tailored to the project).

QBS was codified into law in 1972 by the United States Congress for the procurement of architectural and engineering services on publicly funded projects (*Brooks Act*).² The law requires architects and engineers to be selected for all federal government projects based on qualifications, subject to negotiation of fair and reasonable compensation.

There is evidence that QBS is more efficient and less costly than evaluation approaches that use price as a primary criterion.

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In Canada, many professional bodies recommend QBS and Public Works and Government Services Canada and Industry Canada have, in the past, confirmed their support for QBS. Many Canadian public sector purchasers of architectural and engineering services use QBS already.

Federal contracting policy in Canada currently states that proposal competitions -- in which price is not included as a criterion -- do not meet the definition of a valid bid. This policy would need to be clarified if QBS is used for the procurement of professional services.

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1. There are other evaluation approaches, but these are the most commonly used by public sector organizations in Canada.
 2. In addition to federal procurements, most state and numerous local government procurements use this approach.

Recommendation

CMC-Canada recommends public sector organizations adopt the following policies regarding the use of price as a criterion in the procurement of management consulting services:

1. Discontinue use of lowest price that achieves the minimum technical score or lowest price per point as mechanisms to procure management consulting services as these do not contribute to achieving value for money.
2. The use of weighted score or highest score within budget should be used to procure management consulting services only in the following circumstances:
 - Weighted score assessment of price is appropriate for services that involve innovation and/or tailored solutions.
 - This evaluation approach allows proponents to provide a creative solution and to demonstrate how value will be delivered.
 - Highest score within budget assessment is appropriate when the terms of reference are clearly articulated and there is unlikely to be discrepancy in the work to be carried out.
3. Government entities should consider the use of QBS in public sector procurements. CMC-Canada would welcome a dialogue on this issue.
4. Regardless of how price is used as a criterion in the evaluation process, budget should be disclosed in order for proponents to understand the scope of services requested and to better respond with a relevant solution.

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