



ASSISTANCE FOR SMALL BUSINESS

Strategies for Response to Sources Sought Notices

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The purpose of a Sources Sought Notice is to determine if there are two (2) or more capable Small Businesses that can perform the requirements of a planned contract. For this reason, it is vitally important for Small Businesses to respond to Sources Sought Notices with highly effective Capability Statements. The purpose of this document is to provide guidance in preparing effective Capability Statements. This document is advisory only and should not be interpreted as modifying any existing law, rule, regulation, Government-wide, Department of Defense, or Department of the Navy policy. It is incumbent on you to use your best judgment in responding to Sources Sought Notices.

The Capability Statements received by a contracting office in response to a Sources Sought Notice may lead to a **Small Business set-aside** if two (2) or more Small Businesses can be determined by the Government to be capable of performing the tasking. If a set aside is achieved, the huge benefit to Small Business is competition that is restricted to **only** Small Businesses.

There has been a recent change to the Sources Sought Notice posted by the Port Hueneeme Division/Corona Division, Naval Surface Warfare Center, regarding “existing capability” and “potential capability.” The concept of “potential capability” greatly improves a Small Business’ chances of being found “capable,” so Small Businesses need to take full advantage of this development. Sources Sought Notices are posted by a contracts office on one or more of the Government’s solicitation web sites prior to posting a solicitation. You will typically have 10 days to respond to a Sources Sought Notice. You will need to submit a concise Capability Statement which is usually restricted to no more than two 8.5 X 11 inch pages, in a font no smaller than 10 point (sometimes more pages are allowed, depending on the size and complexity of the procurement). The challenge is to **demonstrate** capability to perform the requirements listed in the Sources Sought Notice. Sometimes a copy of the draft Statement of Work/Performance Work Statement (SOW/PWS) is also posted. In that case, the requirements listed in the SOW/PWS must be addressed as well. (**Note:** In the current revision of this paper, you may wonder why I emphasize **demonstrate** so often. The reason is **because Small Businesses still are not doing it, or are still not doing it very well.**)

The bottom line in making capabilities assessments is a determination by the Government’s technical reviewer(s) that a Small Business is either “capable” or “not capable” of performing the requirements of a solicitation. The information provided in this strategy paper is based on examples of types of possible shortcomings that might be cited by a Government technical reviewer. Keep in mind that

Government technical personnel have a very strong drive to meet and exceed their mission's goals. They want to reduce and/or eliminate all forms of risk – risk of delay, of cost overruns, of poor or only average performance of services or products provided by contractors, of poor or only average performance of their Government team as a result of contractor problems, of any kind of a stumble or failure in the pursuit of their mission. **The overriding goal of your Capability Statement is therefore to overcome this natural aversion to risk.** The technical reviewer will be making mental risk assessments at every point in his/her review process. Like a college professor, he or she will probably be underlining your “correct answers” and noting “deficiencies” (apparent lack of capability) in the margins of your Capability Statement.

The Sources Sought Notice used by one agency may be different from one used by another agency. Your response must meet the requirements stated in the Sources Sought Notice. For the Sources Sought Notice used at Port Hueneme Division/Corona Division, Naval Surface Warfare Center, the following is the main criteria of the Notice:

(Beginning of Quotation)

“The Capability Statement shall succinctly address the following three items to demonstrate the contractor's capability to perform the requirements of this Performance Work Statement:

- (1) The contractor's **ability to manage**, as prime contractor, the types and magnitude of tasking in the PWS; and
- (2) The contractor's **technical ability**, or potential approach to achieving technical ability, to perform at least 50% of the cost of the contract/SeaPort-e task order incurred for personnel with its own employees; and
- (3) The contractor's **capacity**, or potential approach to achieving capacity, to conduct the requirements of the PWS. For the purposes of this Capability Statement, **capacity** shall refer to matters such as the magnitude of the tasking, the amount of equipment or facilities involved, and the size of the staff needed.

Demonstrated **ability to manage**, **technical ability** and **capacity** may include citing and describing the same or similar relevant performance, but does not limit the interested contractor's approach to demonstrate capability.” (End of Quotation)

Notice that number 2 and 3 above allow for demonstration of “potential” capability to perform the requirements by the first day of the period of performance, but the Notice **does not** allow for demonstration of “potential” **capability to manage**. You must demonstrate **existing** capability to manage. See below for more distinctions on ability to manage a **business** versus manage **tasking**.

When you submit your response to the Sources Sought Notice, make sure it is clear how all requirements listed in both the Sources Sought Notice and SOW/PWS will be met by your company. It is recommended that you use ALL of the space allowed for listing **relevant** information about your **specific** capabilities to manage the tasking, to perform the **specific** tasking, and to achieve the **required** capacity. Review your response for any weak areas and strengthen them. Your response should provide **evidence** on how your company can meet the requirements. Try to make your statement “bullet-proof.” Generalizing will get you no “credit.” And remember that it may be nice that your company won an award, but the technical reviewer only wants to know if you are **capable of successfully performing the requirements** of the future contract.

If the Notice includes a requirement like the one shown immediately below, be sure to address every specific requirement in the list of special requirements:

“Interested concerns are requested to address the following specific requirements from the PWS.” (This statement, if included in the notice, will be followed by a short list of special requirements that are mandatory, “GO” or “NO GO.” You must demonstrate your existing capability, or your potential to acquire capability, to meet this list of requirements by the time of the contract award date, or your company will most certainly be found “not capable.”)

Here are some suggestions to consider:

Do not waste valuable space on a nice appearance or presentation; instead, use as much of the allowed space for high-quality content and exposition as possible. (If allowed 4 pages, use all 4 pages, not 3 ½.) Emphasize your company’s technical capabilities, staffing plan, transition plan/risk mitigation plan, employees’ relevant qualifications, etc. Explain how you will meet the 50% or more requirement to perform the tasking with your own employees and new hires, the labor categories you plan to use within your company and the relevant experience and credentials your employees have to offer. Explain what labor categories will be covered via subcontracting and the relevant experience and credentials your subcontractor(s) will supply. (Think of a Capability Statement as an extremely condensed technical and management proposal, with evidence of past performance, but with no cost section, and pretend the goal is to win a contract! That kind of goal will make sure your team does a great job building this statement!)

Organize the Capability Statement so that it addresses requirements in the same order that they are provided in the Sources Sought Notice and SOW/PWS. Use bold subtitles to make it clear what requirement you are addressing in each section.

If a SOW/PWS is provided, list each of the major requirements by its SOW/PWS paragraph number, follow it with a sentence or two to demonstrate how you meet the requirements, and how your company/team is capable and qualified to perform the effort described for each technical or management requirement. (That is, briefly indicate company’s past experience, past contracts, and the relevant work experience of your employees. If you will use subcontractors, say so, and include a description of the relevant work experience of subcontractor employees as well. Doing this by labor category under each of the major requirements of the SOW/PWS is even better.)

SOW/PWS response examples:

“PWS 3.10 AAA AAA - Our key personnel (list by labor category to be used) possess a thorough knowledge of AAA AAA tasking and related support services (name the related support services) -- very recent work under Contract 123, ending July 1, 2008, required a very similar capability (briefly describe the capability). (Discuss personnel by their designated labor category and provide their relevant education, qualifications, and experience that demonstrates their expertise to perform the specific tasking. State that the contract was successfully completed. Mention - “Received letter of appreciation from Mr. Y, dated 1 Dec 2008,” or something else to show excellent performance.

PWS 3.20 BBB BBB - (demonstrate capability as above for **BBB BBB** kind of tasking)

PWS 3.30 CCC CCC - (demonstrate capability as above for **CCC CCC** kind of tasking)”

Demonstrated capability, demonstrated knowledge, and demonstrated experience for each requirement is required if your company is to be found capable. Technical reviewers will disregard claims; they want to see evidence of capability. A common mistake is to think that some **GENERAL** activity or capability of the company/team demonstrates the ability to do some area of the tasking, but to not actually demonstrate that your team has done or has the experience to do the

SPECIFIC tasking. Generalities like flattery will get you nothing. This is where you need to give **relevant** examples of experience with the same or very similar tasking, or explain logically how you will acquire/develop the missing capability and be ready on “day one” of the contract. A reasonable plan to power up will be accepted by the technical reviewer if you explain how you powered up for the same or very similar capability in the past. Show the reviewer that you know how to power up for **this** specific type of tasking.

It is crucial to give brief (a line or two), **relevant** citations of your Past Performance **and tie them** to the technical requirements in the SOW/PWS. Citing **relevant** Past Performance means citing contracts your company has performed which involved the same or very similar tasking. Don’t even bother to cite non-relevant past performance or experience.

Because the Government technical reviewer is concerned about risk of interruption of services, risk of delay in powering up to full speed and to full effectiveness when changing contractors, and risk of not receiving superior services/products/deliverables, you should provide a short paragraph on your “Transition Plan” or “Start Up Plan,” i.e., how your company will mitigate, reduce, or eliminate start-up risk. You need to show that you have thought about the challenges of the start-up period, and by citing other contracts, that you have experience with risk mitigation and contract transition.

The following is so important it is worth providing an example. ***Demonstrating*** a fact requires the offeror to present substantiating detail, not just assert the required skill, experience or ability. For example, a Sources Sought Notice posted for testing services might reasonably require the offerors to demonstrate the same or very similar **testing experience**. If a Small Business states:

“Our company has 37 years’ experience carrying out a variety of rigorous testing programs for the U.S. Navy and has always satisfied its customers’ requirements,” they are merely making an assertion that is the functional equivalent of “We can do that.”

However, if the offeror states something like the following, they are presenting facts that address the requirement ***to have the requisite testing experience***.

“Our company has 37 years’ experience carrying out surface warfare systems testing at the platform, system, and equipment level. This includes radar systems integration, system design and test agent services for USS *NEVERSAILED-NEVERWILL* class; prime contractor for *NEVERSAILED-NEVERWILL* EMI testing; directing the live-fire portions of Project XYZ; and modernization test program development and execution for AN/WSN-XYZ installations.”

The key distinction is that in the first case, the company is merely asserting they can do the work. In the second case they are demonstrating that they have done the same and/or similar and **relevant** work. The first is the statement of an opinion; the second is providing substantiating information.

In responding to the **ability to manage section** of the Sources Sought Notice, here you must demonstrate that your company is capable of managing a business and managing the specific kind of tasking rather than just performing the tasking. Stating that your company has performed 75% of the effort under one of your other contracts does not demonstrate that your company can **manage** the effort. **Performing** the tasking and **managing** the tasking are very different. Most capability statements recently submitted by Small Businesses spend 100% of the space for this part of the response demonstrating that their team can manage a business, but not demonstrating what is actually wanted by technical reviewers -- demonstration that you can manage this specific kind of tasking. What a waste of space! The reviewer takes it for granted that you can manage a business!

Recommend 25% of the space to be used for business management experience, and 75% for specific tasking management experience. Again, you need to show how using your company will entail no or very little risk in task management by demonstrating experience with this specific kind of tasking or very similar tasking.

Stating in this section of your capabilities statement that you will hire a program manager (PM) who is experienced in this type of tasking by the date of award will not get any credit. That constitutes “ramping up” as a way of demonstrating ability to acquire a missing task management capability.

Remember this quotation from the Sources Sought Notice?

“The Capability Statement shall succinctly address the following three items to demonstrate the contractor’s capability to perform the requirements of this Performance Work Statement.” The Notice allows “ramping up” under number 2 and 3, but not under 1 in the list of requirements. So under the “**Ability to Manage**” section, you might simply acknowledge that you currently lack a PM with this specific task management experience, and then refer the reviewer to the “**Technical Ability**” section. In that section you could state you will hire a PM who is experienced in this specific type of tasking by the date of award. Under the “**Ability to Manage**” section, you would then proceed to demonstrate your company’s existing experience in hiring/building a technical team, citing other contracts you successfully did this under, and giving a concrete example of at least one success story doing this, and also highlighting your existing personnel management/hiring capabilities. In this way, you have shown how you possess the capability to manage the tasking as a prime contractor. (If you will use subcontractors for some of the effort, demonstrate your company’s experience with managing subcontracts as well, doing the same or very similar tasking.)

I repeat myself because I see firms not changing/improving their “**Ability to Manage**” section in capabilities statement after statement, that I have reviewed since producing this strategy paper.

To help demonstrate ability to manage the contract, companies that have had or now have Government or private industry contracts should list those contracts with similar scopes, discuss similarities to the present requirements, and state the size of the similar contracts. Evaluators will compare the contract size (in terms of total dollars awarded and of complexity) as a means to determine capability to manage a contract of the same or similar size and complexity. Therefore, emphasize past experience at managing large, complex, high-dollar value contracts if you are targeting a large, complex, high-dollar value contract. Makes sense doesn’t it, but firms don’t do it!

For the “**Technical Ability**” section, you must describe your specific approach to how you will meet requirements described in the SOW/PWS. It is recommended that on scratch paper you assess the percentages of the total effort dedicated to each type of required technical capability as best you can. This will help you to not overlook responding to all of the areas of technical capability, and to figure out how you will demonstrate that 51% of the performance will be done by your company’s employees. By estimating percentages of the total effort, you can add up the percentages that you discussed and make sure it adds up to 100%. Yes, people actually do get mixed up and leave out portions of the tasking requirement. The technical reviewer -- using a checklist -- will catch this error -- equals “not capable.”

Example of an incomplete technical capability response: You address business administrative/task management and test & evaluation, and you demonstrate how you have those capabilities expertly covered by your own employees or you demonstrate potential to acquire capability by the time of the contract award date using new hires). You then address engineering services and logistics support, and you state that this effort represents 50% of the effort, and you demonstrate how you have those

capabilities expertly covered by well-described subcontractors' capabilities/experience. (Notice – subcontractors will perform 50% of the effort with their employees, not your company). BUT 10% was range operations and you have forgotten to address this small portion and to demonstrate how you will cover this particular technical area with your own employees, and you also, therefore, failed to demonstrate how your company will provide **50%** of the total tasking using your own employees. Determination: NOT CAPABLE.

Here's another tip: if you see a "thread" running through a section of the requirements in the PWS; for example, the acronym "PICR" keeps cropping up over and over again, make sure you address your company's experience with PICR and/or existing capability to perform PICR and/or potential to acquire PICR capability by the time of the contract award date. If you don't address PICR capability, chances are good to certain that your company will be found "not capable." It happens!

Government reviewers will ONLY consider information provided in your response, so everything needed to assess capability must be provided in the capability statement. Don't expect the reviewer to look up a contract you mentioned so he can determine the dollar value that you failed to provide, even if the contract is from his own department! They are only allowed to evaluate what you provide in the capability statement. Even if he knows the dollar value of your sample contract by heart, he cannot use that information because it was not cited in the capability statement.

For the "**Capacity**" section, you must demonstrate capacity to perform the requirements of the SOW/PWS. The Notice defines capacity as the ability to handle the magnitude of the tasking, the amount of equipment or facilities involved, and the size of the staff needed. If you state that you will hire the needed personnel, be specific. Do not simply paste in your standard, non-specific-to-this-required-capacity, untailed company boilerplate -- this will be interpreted as a "boilerplate response" that could not be correlated to the specific capacity requirements. Generic, non-specific statements on how you will ensure "the right people in the right places" gets zero credit. Example: If you say you currently have 42 employees and they are covering 5 contracts, explain how you can add another contract to the existing work load. Which labor categories will be available from the existing labor pool of 42? Which labor categories will you hire? Explain your plan to find and attract contingent hires. Explain what talent exists "out there" that your company knows about and plans to bring on board for this contract, and state the labor category in your briefly delineated staffing-up plan that the talent will cover. (Do not provide individuals' names, but do provide the names of labor categories and correlate these positions to the experience/education of the existing employees who you will use to fill the positions, and/or who you will hire to fill the positions.)

If capacity requirements include a certain type of secure facility, a warehouse, etc., be sure to address these even if at present you don't possess them. Explain your logical and reasonable plan to cover each requirement, and your experience under other contracts with ramping up for the same or similar requirement. Remember, at PHD/Corona Divisions, potential to acquire capability is considered, assessed, and given credit when it is demonstrated. You must describe your specific approach to how you will meet capacity requirements described in the SOW/PWS. Just recently, I reviewed a SOW/PWS that clearly required warehousing and then I reviewed the field of capabilities responses from Small Business, and to my amazement a very successful and experienced Navy contractor did not even mention this requirement. The company was determined to be "probably not capable" of performing successfully, equals NOT CAPABLE. Yet, from extensive procurement history, I knew they were capable! Nothing can be done, however, to change any negative technical assessment because if it is not in writing it does not count. And there is no credit given for potential to ramp up warehousing capability if the potential to ramp up is not addressed and demonstrated.

As a prime contractor, the FAR requires your company to perform at least 50% of the effort with your own employees. If your company does not have the experienced personnel to perform 50% or more of the tasking, it is not enough to state that your company will hire the incumbent's experienced personnel to supplement your workforce, or that you will hire all of the incumbents employees. If that is your game plan, address your company's specific recruiting methods and techniques to attract and hire the incumbent's personnel. You must show that your company has experience in ramping up for an effort and cite examples of when and how you have done so successfully in the past, preferably using contracts as examples that had/have the same type of tasking or a very similar type of tasking. **Giving assurances** alone that you will meet the 50% requirement on this contract and/or that you have done it before on other contracts **will not suffice**, but don't forget to actually make that assurance! **Then show how this will be achieved**. For example, you could use this opportunity to show how well you understand the technical and tasking requirements by citing the specific labor categories for your company's portion of the effort. (Do not address labor hours in a Capability Statement; that should only be done in a formal proposal.) Additionally, you should briefly discuss your company's capabilities/experience in human resources management, recruitment programs or efforts, hiring practices, attractive/competitive benefits program, and your company's knowledge and experience with getting (signed) letters of intent, etc.

In conclusion, these are some suggested strategies, but in the end, you must use your best judgment. General advice to all Small Businesses is to start marketing early, and start watching for Sources Sought Notices early too, because sometimes funding runs out early and some contracts come up for re-solicitation sooner than projected by their contract expiration dates. Also, watch for extensions of contracts. You don't want to give up on a contract because you think it already expired, when in reality it has been extended and there is still time to pursue it!

For the greater good of the entire Small Business Community, writing an effective Capability Statement is crucial because if the Government technical reviewer can determine that two or more of the responders to a Sources Sought Notice are technically capable companies, then the solicitation can be set aside for competition by only Small Businesses. This allows the Small Businesses to compete with companies of similar size and capability, and eliminates having to compete with Large Businesses, greatly leveling the playing field for Small Businesses. It may seem counter-intuitive, but you should first work together with your Small Business competitors to get the solicitation set aside for Small Business competition, then you can start competing with each other. So tell your competitors about the Sources Sought Notice and encourage them to write a solid Capability Statement! Give them this hand-out! **Small Businesses need to help each other get solicitations set aside for Small Business competition!** The Deputy for Small Business cannot get large contracts (over \$150K) set aside for competition, but, working together, Small Businesses can! **Respond to Sources Sought Notices. Write a tailored statement. Don't send in your company's multi-use, one-size-fits-all, canned Capability Statement.** Remember, you will be speaking through your customized Capability Statement directly to the people who own the tasking. Try to show the Government technical reviewer(s) that your company's team really gave the performance of this tasking a lot of thought and consideration, and careful, serious analysis. You only need two (2) companies to be determined "capable" to achieve a competitive set aside. It is worth it to give it everything you've got! **(Food for Thought: most of the concerns discussed in this paper apply equally well to writing effective and successful Technical Proposals.)**

To make suggestions to this paper, contact Tom Winans, Deputy for Small Business, Naval Surface Warfare Center, Port Hueneme Division Small Business Office. Please call (805) 228-0372

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