

## THE PROBLEM WITH RFPs

Are they an essential tool or are we limiting the potential that the supply base can offer?

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Category Management

RFP's (Request for Proposal) and, indeed, RFQs (Request for Quotation) are key tools in a buyer's toolkit. These are almost certainly managed through an online platform and have become increasingly routine where there is an opportunity to run a competitive process. But do they really help bring advantage? And are these tools being used effectively throughout the procurement community?

Where we have choice in the market, an RFP can provide vital intelligence on available options whilst creating a competitive tension amongst suppliers to claim the best offer available in that market place. An RFP is a form of negotiation; one that puts the buyer more in control through process and prevents relationship-based selling. At the turn of the century, these were the key selling points expounded by the many eSourcing solution providers that had just exploded on to the scene. Today, most procurement functions will have an established approach and access to an RFP platform.

Furthermore, most modern procurement practitioners tend to be familiar with the basics of how to run RFPs (ie: use only where there is market choice, provide clear instructions, process and timeline, get the supplier on board early, share questions and responses, ensure timely follow-up and feedback, etc). But despite this, is the RFP tool being used to the best advantage by the procurement community?

### THE PROBLEM WITH RFPs

As with any tool, results are dependent upon how the tool is used and the competency of those using it. Buyers get trained on the mechanics of using a particular platform, but training and knowledge sharing around creating quality RFPs seems, if the various online forums and commentaries are to be taken seriously, to be lacking. There are several common problems here:

### IGNORANCE IS BLISS - PRESUMING WE KNOW THE SOLUTION

If we are completely clear about what we need to go to market for, and we can articulate our requirements precisely, then the RFP – or, perhaps more pertinently, the RFQ – is the perfect means to solicit the best offer. However, often it is the possibilities that exist in the supply base, and of which we may be unaware, that can offer the greatest potential to bring us value or competitive advantage. After all, our suppliers are the experts at what they do! Yet the nature of modern RFP design is such that buyers will seek to utilize as many set answer or narrowed response questions to facilitate automatic results processing and comparison. Whilst this serves to make the job of the buyer easier, it tends to drive a mode of mechanical question setting that provides little room for the supplier to break open the discussion and share what they think or to provide alternative solutions that could be more effective. Added to this is the fact that few suppliers will risk a 'non-compliant bid' or losing valuable scores and thus err towards a submission that answers the questions rather than expresses what they could do.

The modern process for building RFPs all too easily creates a blissful ignorance that the buyer knows the solution and tends to kill innovation and new ideas. That said, there are situations where there is less scope to ask the supplier for their ideas within an RFP process, particularly in the public sector, to comply with the different public procurement legislation around the world. This doesn't mean the RFP is not a suitable tool; instead, it drives the discipline to do as much as possible to work up the right set of requirements before going to the market.

### DE-HUMANIZING DOESN'T ALWAYS MEAN MORE EFFECTIVE

The RFP process de-humanizes the relationship between buyer and seller by minimizing the need for

personal interaction. This is deliberate and can be advantageous in eliminating the risk of relationship bias. After all, sellers will always seek to build relationships to help secure a sale. A well-defined RFP can be a good pre-selection tool to find a shortlist of suppliers, yet the problem comes when the RFP tool is used to do most or all of the selection activity. No matter how good an RFP might be, human interaction and the discussion around the intricacies of how the requirement will be fulfilled is essential. Often, it is only through such discussion that the real solution emerges. If the selection process overly prevents this, by excluding suppliers too early for example, or stage-managing a final supplier presentation too much, then opportunities could be missed.

## USING RFPs TO QUALIFY SUPPLIERS

The activities of requesting a proposal and that of qualifying a supplier as suitable are, in fact, quite separate and the RFP tool is not necessarily a suitable shortcut to do both. RFPs are more effective if the shortlist of suppliers who will participate have already been qualified, perhaps through an initial Request for Information (RFI) activity. Alternatively, this qualification might be something that happens post-RFP involving an audit or assessment for example.

## SIZE MATTERS

Designing a short RFP can feel like the job hasn't been done properly. It is all too tempting to fill RFPs with comprehensive question sets about company history, requests for detailed financial information, organization structure, internal procedures and so on, just because that is what others seem to do. However, the reality is that such information rarely gets used when the returns are received. The bigger the RFP, the more time and effort the supplier must invest in producing a good quality response, thus the greater the likelihood of a supplier declining to participate – or worse, they give a half-hearted response. When suppliers decline to participate, it tends to be the best suppliers who may have enough work to stay busy, leaving the lesser and more desperate suppliers to invest the time. In short, excessively long RFPs serve little purpose other than to discourage responses from the best suppliers.

## QUESTIONS THAT TEST ABILITY TO ANSWER QUESTIONS

Every freeform response question asked will mean a supplier has to compose the answer, and this takes time. So these must count and ideally provide the opportunity for the supplier to present creative proposals. Asking seemingly smart questions can be counter-productive. For example, asking “who are your most worthy competitors?” is a popular question, and on the face of it, might suggest responses would help better understand the market place. However, suppliers might seek to avoid answering this question or will position themselves against upper tier or other providers only to deflect attention from real competitors. This serves no purpose. “How will you ensure that we secure the

ROI from this service?” could be an impossible question for a supplier to answer unless the circumstances are completely under their control, which is unlikely. Yet giving no answer would lose points, compelling suppliers to provide a puffed-up response just to satisfy the question. If in doubt, ask yourself “does this question help us understand the supplier’s capability to meet our requirements, or their ability to give smart answers?”.

## FAILURE TO SELL IT TO THE SUPPLIER

It seems there is a misconception amongst the buying community that if you issue an RFP the supply base will fall over themselves to respond on whatever terms you impose. This is misguided and the reality here is that quality responses come by stimulating interest within a supplier, preparing them ahead of time and keeping in contact with them along the way to ensure they will respond. Just sending out an email and sitting back and waiting might not even make it past the spam folder, let alone get the supplier interested. If you don't engage, the supplier may feel you are not really interested in them, and if they feel that they are just there to make up the numbers they might question whether it is worth making the effort. And if the RFP is unnecessarily lengthy, then this could tip the balance.

## THE SUPPLIER'S PERSPECTIVE

Suppliers will adopt various strategies in response to RFPs. There are a small number of suppliers who simply refuse to participate, but most will and recognize it is part of how business gets done. Increasingly, suppliers are being more selective about how and where they will expend their valuable resources and will apply qualification criteria to determine whether to participate and how much effort to put into it. Suppliers can choose if they will commit the time of their best people to craft a winning response, or if it will be passed to someone junior to use standard answers from an RFP answer bank (a key modern tool in the supplier's sales team's arsenal).

Suppliers tend to start from a position of mistrust with RFPs, around whether the requirement is real, whether they truly have a fair chance (despite the rhetoric from the buyer), and the risk of providing lots of information and great ideas that will end up laying the groundwork for a competitor to pick up.

Therefore, suppliers will consider their position carefully before responding, which means that certain measures need to be put in place to secure a quality response.

## SUCCESS FACTORS FOR GOOD RFPs

There are 10 key success factors for good RFPs:

1. Expert capability – Invest in honing the skills of those who create RFPs. This needs to extend beyond using the online platform to designing high quality question sets and creating RFPs that are sharp, focused and achieve specific deliverables.

2. Road test them – An RFP is a key communications and solicitation tool. The quality of responses depends upon the quality of the RFP. If the RFP is designed in isolation and run by one individual it will be good to a degree, but it is likely to benefit more if others also provide input, review and road test it.
3. Sell it – Don't assume suppliers will naturally want to participate or put their best effort into it. Instead sell participation to them, before and during the RFP. Work to get suppliers to believe the opportunity is real and their pitch is worthwhile.
4. Work to build confidence with the supplier that the RFP process doesn't seek to exploit their ideas and contributions for the benefit of a competitor.
5. Decouple qualification of the supplier (eg: in terms of size, financial position, processes and procedures) from the RFP.
6. Do you really know what you need for certain, with no scope for alternatives? If so, define it and have the supplier answer questions around how they can fulfil this. If not, don't constrain your thinking and give scope for the supplier to open your eyes.

7. Try to include questions around how a supplier can solve a problem or give ideas in response to a need. Provide as much scope as possible for the supplier to present their solution or challenge your preconceptions.
8. Design questions to solicit the information you need about how the supplier can meet your requirements.
9. Short is good – design it as if questions are scarce.
10. Remember RFPs are also part of a negotiation approach. Ensure some of the questions seek to solicit responses that compel the supplier to put some stakes in the ground.

The RFP is, without question, a great tool – but it is how this tool is used that makes the difference. Poor quality RFPs limit potential and curb engagement from the suppliers you most want, whilst quality RFPs can bring value and help build competitive advantage.

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