



EVERSIGHT

Transforming the RFP Into a Powerful 21st Century Tool

You may be feeling skeptical upon reading the title of this white paper. We can appreciate that. Few business acronyms conjure up more feelings of frustration – even outright hatred – than the RFP, or Request For Proposal. Search online for reasons why people don't like the traditional RFP process, and you will quickly lose count of how many you find.

A traditional RFP is something an overly zealous (or overly cautious) customer imposes on its network of suppliers, as this anecdote from a major B2B manufacturer succinctly describes.

“Let's say that one of our customers wants to buy potatoes. They would send an exhaustive and exhausting 70-page questionnaire to every potato grower of a minimum size (often in multiple languages), initiate a formal review process of all submissions to narrow the field to a few finalists, send the finalists follow-up questions, arrange interviews, request samples and have a third party analyze them, and then take some time to make a final decision using a set of rigorous criteria, often with the help of an outside consultant.

“But our more efficient customers? They would figure out who sells potatoes, who meets quality standards, who can ship sufficient quantities, and who has a good reputation. Then they would get a few bids quickly – often by phone call or maybe a personal visit – then make a decision, and buy.

“What's the difference? The more efficient customers are cooking up tasty French fries and vats of potato salad and may have already placed follow-up orders, while the 'high-maintenance' ones are still on their global quest for the perfect potato from the perfect vendor.”



It's almost as if the RFP process has been immune to the waves of technological progress that have characterized the last two decades. It seems like a pure, unadulterated vestige of the pre-internet era in which it originated. That era that peaked at a time when sending a document by overnight courier was state-of-the-art communication and when the marvelous fax machine was such an impressive breakthrough that Hollywood thought we'd still be using them in our homes and offices in 2015 (see *Back to the Future – Part 2*).

Today's instantaneous communication technologies seem destined to dooming the RFP to extinction. But we feel there is still a sweet spot where the RFP can serve as an ideal means to connect buyers with the suppliers they need and connect suppliers with the vetted, attractive selling and partnership opportunities they need. We envision that a modern-day RFP, done properly, could make procurement processes more efficient, ensure better quality for products and services, and generally make businesses more productive.

But before we offer our suggestions on how that leap into the 21st century can take place, we need to know a little more about the issues many people currently have with the traditional RFP process. What makes the RFP so onerous? Let's take a brief step back and appreciate what people find so frustrating.

Why the Typical RFP Process Drives People Crazy

We can't cite an exhaustive quantitative study that reveals exactly how much dissatisfaction and frustration the typical RFP process causes. But we are confident that such a study isn't necessary to support our main point: if any business process is in desperate need of a modern makeover, it's the Request For Proposal (RFP) process.

If you nodded when you read that sentence, you are in agreement with the vast majority of people we have spoken with over the last several weeks. The preponderance of anecdotal evidence speaks volumes. Ideally, the RFP process should be a quick, straightforward, objective, and powerful way for an organization to find the right external resources to solve a problem it can't solve on its own. **Far too often, however, it seems as if the process takes place in the world of *Dr. Jekyll and Mr. Hyde*.** The reasons for winning or losing the RFP competition seem baffling and contradictory. It's as if companies issuing an RFP:

- want someone with years of proven experience, but reject them because they fear the solution will be cookie cutter
- want a small company with fresh ideas, but fear that such a company may not have a deep bench

- trust a large company to get the job done, but fear they will get the B or C team because their business isn't a priority
- define a problem so small that nearly anyone can solve it, or so large that even the best partner will fail to solve it
- want a company that is 100% customer-centric, but go with the lowest bid

From the perspective of potential vendors, suppliers, or partners, this madness extends far beyond the actual outcome and the justification behind it. Even the 'winners' in the RFP process are frustrated by how the RFP game is played. While this frustration seems fairly universal, the sources of it – and thus the motivations behind a process makeover – aren't always obvious.

First, RFPs create huge and often hidden opportunity costs on *both* sides. On the supplier side, crafting and submitting a viable competitive response usually takes longer than anticipated and requires extensive input from many people who have better things to do than answer lengthy, tedious, and sometimes cryptic questions. The RFP document itself is often unclear in many ways, making it difficult for prospective vendors, suppliers, or partners to discern not only what the issuing company wants, but 'whom they want' and 'why they want them.' On the buyer side, reviewing these lengthy submissions and filtering through to a list of viable candidates can likewise become unexpectedly cumbersome.

We could continue this list *ad nauseum*, but let's just say that even at their best, today's typical RFP processes fall short of the ideal. At their worst, they are neither quick, nor straightforward, nor objective. They are neither efficient, nor quality-enhancing, nor productive.

And that is a shame, because these shortfalls rob the RFP process of its inherent power. An RFP process, executed well, can considerably lower a firm's search costs for a supplier, increase the odds that the buyer finds an optimal partner, and allow the buyer and partner to get started on a solution quickly without letting precious time slip away.



So we are raising these frustrating issues and highlighting these pervasive complaints so that we can make some suggestions on how to improve the process for both sides in the pursuit of an effective, impactful version of the RFP. People shouldn't feel the need to roll their eyes or use phrases like "necessary evil" when they receive an RFP. They should feel empowered to seize the chance to find a customer who needs a partner to solve a problem. An RFP should be an opportunity for a potential partner to shine. In the rest of this paper, we will offer our thoughts on how companies can transform their RFP processes into the powerful 21st century tools they should be.

- What changes will help make the RFP process a powerful and efficient means to match buyers and partners?
- How can companies who issue an RFP behave more like focused and efficient partners and less like 'high maintenance' ones?

We'll make a few recommendations on what the RFP process should look like when the makeover is all said and done, and offer guidance on how a company can implement that new process. For simplicity's sake, we will refer the company issuing an RFP as a "buyer" and the pool of potential suppliers, vendors, and partners as "respondents."

Defining the makeover: What an efficient RFP accomplishes

What is an RFP? We don't mean the letters; we are thinking for now in a more abstract sense. If we take a step back, we can see that an RFP is ultimately two things. First and foremost, it is a **tool**, or a means to an end. When a company's teams sit down to draft an RFP, they should have one end in mind: to attract a great partner, vendor, or supplier to solve a well-defined problem. These problems can be chronic or acute.

At the same time, the RFP is an important **form of communication** between a buyer and the respondents. This works on two levels, the literal level and the meta-level. The literal level includes the nuts and bolts of structuring and writing any form of communication. The meta-level – the one that so many people neglect when they communicate – is the impression that the RFP leaves on potential respondents.

If we consider an RFP as both a tool and a form of communication, the logical assumption is that the RFP process should be governed by the same principles that make tools useful and that make communication effective. That is where we find our basis for improvement.

Making the RFP a better tool

In the case of the tool, one vital criterion for success is that it can be used easily, efficiently, and willingly. The more complex a tool is, the more the user needs to invest upfront in order to understand how it works. Will they engage themselves with the tool, perhaps to such a degree that the tool becomes an extension of themselves? Probably not.

Believe it or not, the same questions apply to an RFP. A respondent needs to understand how to 'use' it properly in order to complete it. Because the purpose of a company's RFP is to attract a great partner to solve a well-defined problem, the RFP should provide the respondents with opportunities to explain why they should win. Respondents need to present their best side to the buyer and prove to the greatest extent possible that they are the best candidate to solve the problem at hand. In fact, most respondents *want* to make the strongest case they can. The RFP should encourage that rather than hinder it. Anything that prevents respondents from doing that makes the RFP process inefficient. If respondents get frustrated – and that frustration impairs their ability to qualify themselves properly – the buyer could easily end up selecting a sub-optimal partner. That outcome does no one any good, including and especially the buyer and its own customers.

Do your current RFPs allow your potential partners to shine? There is an easy way to find out. You can try to complete your own RFP! How long did it take? What was your excitement level? We realize that business is not supposed to be fun, but come on! You want a partner that wants to work with you to solve your problem, right? Don't make it so hard.

It's also important to remember that people – not companies – complete an RFP. Have you made their job easier? Do you come across as a difficult buyer or a buyer that is easy to work with? Being more empathetic in the RFP process not only enhances your reputation as a buyer that is eager to find the right partner in an efficient way, it also makes your own internal processes go more smoothly. You need less time and far less tedium to make a decision. When every question counts, the quality of the responses improves.

One way to generate better and more competitive responses to an RFP – to make it a more effective tool – is to clearly define and express what you think would make a great partner. The more unequivocally the respondents know what 'great' means in the context of the RFP, the greater the chances are that they can provide their best answers. This means aligning expectations and setting a high bar that people want to live up to.



You can facilitate this by providing respondents with different profiles of the kind of partner you would accept, and have them self-select and explain why they belong in that category. This alleviates the need for partners to describe and define themselves exhaustively on a standardized form, and likewise alleviates the need for the buyer's team to review all of that material, cluster it, and compare it. You could also define a scope in terms of 'good/better/best' instead of one single take-it-or-leave-it scope. In the end, you might be better off with an affordable, implementable 'good' solution than with a top-shelf but expensive 'best' solution. Wouldn't it be better to have an RFP designed to guide you to that solution?

Using a 'good/better/best' approach can also serve as a powerful filter. If a responding company struggles to self-select, that company probably doesn't have a clear value proposition and you don't want to waste your time on them anyway.

Making the RFP a better form of communication

We'll start with communication at the literal level. Every form of communication – whether it is a resume, a speech, a postcard, or an RFP – starts with two central questions:

- What do I want exactly?
- Whom do I want it from?

The question of "*What do I want exactly?*" is very nuanced. As the esteemed author and educator E.B. White once said: "*Make sure you have said what you meant. The chances that you have are low.*"

One reliable way to make sure that you have said what you meant is to put yourself in the respondent's position. You can ask yourself whether what you are asking for is realistic and feasible, and whether all of your questions and desired qualifications are truly relevant.

Another reliable tactic is to make sure that your problem statement and your requests are as compact and succinct as possible. Put another way: ask yourself “What is the tightest possible definition of the problem I need to solve?”

Thinking along those lines prevents you from overloading the RFP. What do we mean by that? When a buyer plans to issue an RFP, teams within the organization swarm to it like a bear to honey. They all want to get their hands in the pot. They all they want their problems solved too.

The challenge is to remain focused on solving one problem with one RFP!

Of course, no company today is still so siloed that the actions of one unit have no effect on the other units. There is a lot of interdependence among business units, which means the problems of one unit may indeed have some overlap or commonalities with the problems that another unit or team might want solved. But the greater and more complex the problem statement becomes, the harder it is to define it succinctly, and the harder it will be to attract a pool of great respondents that can solve it. We have seen problem statements so broad and exhaustive that the demands and requests obscure, or even smother, the original, narrower objective.

Some ways to maintain the focus on one problem for one RFP is to keep the following questions in mind:

- **What is the absolute minimum amount of information we need to find someone to solve our problem?** This is where each stakeholder in the organization (IT, production, marketing, sales, finance, procurement) has the opportunity to provide input to the RFP on what they *need*, not a laundry list of what they *want*. If someone wants to cram something into the RFP that does not serve the end, the buyer’s teams are justified in rejecting the inclusion or at least challenging why it should be included.
- **How can I get the right set of suppliers interested in responding?** This gets back to your definition of ‘great.’ You can offer the respondents leeway to supply their view on your problem, not merely their view on how well they match up against it. You can describe how winning the RFP can offer other benefits to the successful respondent.
- **What criteria will I use to make my decision?** Not only should these be made clear within the RFP, they should also be aligned with your answers to the other two questions above. Only then does your RFP make intrinsic sense. You have a compact problem worth solving, and respondents know how you will decide whether they measure up, so that they can harness their persuasive powers.

Remembering the meta-level

The “*whom do I want it from?*” question essentially asks who the audience is. In the case of an RFP, the audience is more than a dry list of target companies or a high-level industry segment well suited to solve the problem. The buyer needs to gather more information about who is on the receiving end of the RFP. Who are the companies and people who would be great respondents?

The word used to describe those parties matters. The terms vendor, supplier, and partner all have fundamentally different meanings in both the literal and connotative sense. This is one area where the meta-level plays an important role. The term you choose conveys how you will treat the other side. Unless you are in a pure commodity business, the terms vendor and supplier can come across as negative or even demeaning. In most cases, a company issuing an RFP in 2019 or beyond needs a *partner*, someone who can apply enough intellectual firepower, emotional intelligence, skills and capabilities to solve the problem rather than someone who can deliver the most units of stuff at the lowest possible price.

The definition of your audience – and how you address it – offers other opportunities to present your company as a desirable partner. Instead, a lot of RFP issuers take a very heavy-handed approach, as if to say “*you are working for me, so of course you should fill this out.*” They also take an all-knowing approach to defining their problem. This makes the RFP come across as *prescriptive* when it should be *descriptive* and allow the respondent to understand how it can contribute to defining the optimal solution.

A 21st century RFP is only successful if it attracts a great partner to solve a company’s well-defined problem. The key word in that sentence is ‘attracts,’ which means that one other important consideration is how the buyer will motivate the respondents. What ‘bait’ is best suited to attract suppliers? This will vary by the nature of products and services, the scope of the project, the industry, and many other factors. But what is common to any RFP is that *how* you express what you want is just as important as *what* you literally want.

Implementing the makeover: How you can start issuing ideal RFPs

The RFP should be a much more powerful, contemporary tool and form of communication. But no matter how much a company modernizes the RFP, at its heart, it will still have some important elements in common with its antiquated 20th century predecessor. Those elements are the motivation, scope, timing, and budget that comprise a solution to a problem. Today and tomorrow, the leanest RFP will still focus on those four areas, but there are ways to modernize them.

Motivation:

How well do the interests of the partner I choose align with mine in getting this particular problem solved?

Scope:

What do I want my partner to do? The answers have several components. You need to decide whether your scope is fixed, or whether you will grant respondents some flexibility in adjusting or redefining the scope. The scope also needs to be realistic. Is there truly a pool of potentially great respondents that can solve it in a timely and affordable way?

Finally, you need to give thought to how a great partner would actually solve the problem. What requirements must a prospective supplier meet? What resources would they need to have to solve the problem? This can serve as an important cross-check on whether the scope is realistic and whether a great partner exists in real life. Too many killer criteria will mortally wound every potential respondent, and your problem will remain unsolved.

Timing:

How fast do I need the solution? That is not an easy question to answer, except in the simplest of situations, such as those we encounter as consumers. In our personal lives, we count on delivery apps to solve our “hunger” problem in half an hour. We expect pre-packaged products to appear on our doorsteps almost as fast we order them.

But business services that warrant an RFP are becoming not only more complex, but also more difficult to define, and in some cases more transitory. Demand a solution too quickly, and quality may suffer. Offer too much time to develop a solution, and you may end up with a partially obsolete solution or losing initiative and a competitive advantage.

Budget:

Do I have any parameters or guidance to offer my potential partners? You don't need to offer an explicit range or threshold. We've included this aspect to help you avoid the frustration of scope creep and the false hopes it creates among respondents. Budget hopes can entice someone to respond, but also create the temptation for the buyer to add elements to the scope while offering little or no increase in budget, which they know is fixed.

To apply what we have described above, of course there will be some experimentation involved. A redesign of anything is an iterative process with constant learning. In this case, we recommend that you select an RFP you were already planning to issue and follow the suggestions we have outlined above. To have a form of control or reference, we recommend that you find a comparable recent RFP to provide some data for comparison. These can include response rates, the depth and quality of those responses, and how well the ultimate “winner” of the RFP actually solved the problem. You can then compare the new approach with the leaner, contemporary, more user-friendly and more efficient RFP process we’ve recommended.

Reach out to info@eversightlabs.com for advice on your retail/CPG pricing and promo RFP development process.