Avoiding the Seven Deadly Sins with Services' RFPs

Pierre Mitchell
Chief Research Officer
Spend Matters
pierre@spendmatters.com
+1.617.281.6185

Mark Trowbridge
Principal
Strategic Procurement Solutions, LLC
mtrowbridge@strategicprocurementsolutions.com
+1.209.419.1699
Agenda

• Introductions
• What Makes a Great RFP?
• The Seven Deadly Sins
• Q&A
• Wrap-up
RFPs: What do Stakeholders want?

**Procurement** – an efficient sourcing process that is robust and provides good value (e.g., savings) and minimized risk

**Suppliers** – a clear process that incentivizes effort to compete fairly and win/grow the business

**Budget holder / user** – a supplier that can deliver what is needed to achieve business objectives

There are other stakeholders too:
- Internal partners (e.g., IT, Fin, Legal)
- C-level management
- Regulators
Pre-Requisites to Conduct a RFP

• **Enough Qualified Competitors** (Typically 3+)
• **Sufficient Value to Motivate Competition**
• **Ability to Clearly-Define Requirements**
• **Sufficient Time to Conduct RFx Event, Proposal Evaluation & Subsequent Negotiations**
• **Willingness of Organization to Change Suppliers**

*If All Do Not Exist – Better to Proceed with Direct Negotiations*
Results of a Great RFP

- Quality Supplier Capability Information Structured for Analysis
- Multiple Options for Subsequent Service Model
- Desired Service Levels Priced at Optimal Market TCO Levels
- Core Program Elements and Pricing Pre-Positioned for Shortlist Negotiations (or Auction)
- Sufficient Information to Facilitate Verification of Supplier:
  ✓ Financial Stability
  ✓ Operational Capacity
  ✓ Customer Reference Verification
  ✓ Supplier Site Visits
- Key Legal Issues Decided and Made Ready for Contract Formation

Discussion Topic: When to go “P” versus going “Q” (or other “X”)
Great RFPs are “SMAART”

- Specific about the opportunity (who, what, where, when, how’ish)
- Measurable (clear criteria for winning) and informed
- Achievable for suppliers – justifying their effort
- Attractive and Relevant to multiple stakeholders
- Technology enabled (e.g., “intelligent”)

RFPs “tell a story” about you and not just the opportunity in the RFP
If your typical RFP was a physical product…

Pontiac Aztec? or Tesla Uber X?

A great RFP is designed well from the onset. But, we commit many sins when we develop them. So, let’s try to minimize them where we can…
Agenda

• Introductions
• What Makes a Great RFP?
• The Seven Deadly Sins
• Q&A
• Wrap up
#1 – The “Cold” RFP

- RFP is the first real communication
- No RFI – or equivalent potential input into requirements
- The cryptic eSourcing system link
- Lack of engagement of top supplier management (if applicable)
- No “selling” of buyer beyond the immediate opportunity
- This is a major red flag for the savvy suppliers
- Perception that the supplier is “RFP fodder”...
#2 – The Fishing Expedition RFP

- RFP used for price discovery w/ no buying intent
- RFP favors incumbent/leader
  - requirements
  - language/terminology
  - High switching costs
- Little/no opportunity for supplier to influence requirements
- Large market basket and “winner-take-all”
- RFP is a rush job
#3 – The Rorschach RFP

- Usually “served cold” (see sin #1)
- Hard to discern budget range (or whether budget even exists)
- Project scope is unclear. Business objectives not clear. Evaluation criteria not clear.
- Unclear what’s REALLY valued
- Benefits beyond the proposed business unclear (e.g., capabilities rather than just outcomes)
- No/poor opportunity to clarify questions
- Lack of clarity about subsequent steps (more rounds?)
#4 – The Whale (aka The Death Star) RFP

- “Burying the carrot”
- Death by legalese and CYA
- Over-specification of the approach!
- One size fits all – the sum total of all possible RFPs
- Inclusion of overwrought due diligence activities
- Winner take all and uninformed pre-lotting
- RFP is a rush job – relative to effort
- Result: frightening off most potential suppliers
#5 – The Uninformed RFP

- Buyer seems uneducated about market
- Too many irrelevant suppliers invited
- “Pricing only” focus
- “Functional” rather than “Performance” scope design.
- Often encapsulates “best” practices from decades past
  - *Signal that you’re inviting a ‘disruptive’ player (if applicable)*
- Exact same RFP as previous round
- Using an RFP as an RFQ or RFI (discuss)
- One-size-fits-all (see previous sin)
  - *Copy-paste RFPs will get copy-paste responses*
- No opportunity for the RFP to “learn” – i.e., no subsequent rounds or dialogs
- Supplier does all work (no ‘heavy lifting by sourcing team…e.g. customer reference checks, supplier site visits, etc.)
#6 – The Isolated RFP

- RFP not informed by sourcing strategy and/or RFI
  - No segmentation of RFP content or process. RFP not “rightsized”
  - E.g., tactical spot buy w/ SOW vs. Strategic contract w/ MSA
  - Other sins are a symptom of this
  - Result: too many bidders or not enough bidders (depends)
- Apparent that Procurement is disconnected (major root cause)
- No inclusion of downstream contract terms
- Focus on efficiency/SLAs (e.g., MSP model) – not effectiveness
- No use of eSourcing / contract management tools that promote re-use and integration...
• Using spreadsheets rather than spreadsheet UI in eSourcing
• No storage/re-use of RFx templates
• No use of multi-round eSourcing
• No contract management system ("integrated" to eSourcing)
  • Collaborative redlining; clause library; templates; compliance management
• Future: decent eSourcing!, VMS+ (i.e., beyond P2P), “guided sourcing”, outside-in intelligence, XaaS, expressive bidding, CLM apps. AI... slowly

Applying “Design Thinking” to the sourcing and contracting process
#n – Other Sins?

Thank You!

Pierre Mitchell  
*Chief Research Officer*  
Spend Matters  
*pierre@spendmatters.com*  
+1.617.281.6185

Mark Trowbridge  
*Principal*  
Strategic Procurement Solutions, LLC  
*mtrowbridge@strategicprocurementsolutions.com*  
+1.209.419.1699