

Keys to an Effective RFP

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As PMs, we are sometimes asked to lead or participate in the RFP process. For those not familiar with this process, it is a formal process used to select a particular vendor (or sometimes vendors) for the purchase of specific products or services. So what makes an effective RFP process? Well, first we need to answer the question 'What is the impact of running an ineffective RFP process?' It is the same as making a bad investment decision, because you have to live with the consequences of your actions. The main reason for these ineffective processes is bad evaluation criteria. Too many companies spend little to no time up front in determining the appropriate evaluation criteria and identifying the appropriate team members to evaluate RFP proposals. An effective RFP process will lead to increased value for your organization and ensures that you are selecting the best strategic partners for your organization. There are three things to focus on to run an effective process:

Focus on Value

The biggest mistake most companies make is that they focus very heavily on cost. This mindset needs to be changed. That is not to say that cost is not an important element of any RFP decision, but it should not necessarily be the most important element. Would you rather have the cheapest product that is going to break in a few months, requiring another purchasing process to replace it, or a quality product that will last longer and work better?

Engage Your Stakeholders

In most cases where the wrong supplier is selected it is because the wrong criteria were used. Procurement departments are generally measured on unit cost savings and are not always aware of the impact their decisions have on the rest of the organization (additional downstream costs, poor quality, lack of support, impacts on timelines), yet they typically determine the evaluation criteria. For items where specific requirements need to be met, the stakeholders most impacted by the decision need to have input into the decision-making process.

Formalize the Process

Too many companies have informal evaluation processes where changes are made as they go along. They do not follow the identified criteria; they do not formalize the scoring of the criteria, and they allow outside factors to influence their decisions. The evaluation process needs to be formalized and managed.

The RFP process can be a very complicated one and leads to important decisions, which is why I am staggered by the number of companies that do it so poorly. It requires a significant amount of resource time and effort so why not take the extra time to do it right. Too often organizations do not plan appropriately and need to rush through the RFP process. If you implement the success factors mentioned above, you will see increased value being driven from your RFP processes.

Good luck!