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Introduction to Writing RFPs

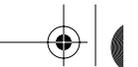
Introduction

This is a guidebook for writing a request for proposal (RFP). An RFP is a standard tool used by governments and businesses to purchase equipment and services by promoting competitive proposals among suppliers.¹ Through this competitive process, suppliers offer a wide array of potential solutions and prices and compete with one another to win the business. Buyers evaluate the many different supplier solutions and pick the one that most closely fits their needs and budgets.

The RFP becomes a vehicle that allows both the buyer and the supplier to establish a dialogue and to work from the same set of rules, requirements, schedules, and information. The opportunity to have this dialogue is an important element in the process, because RFP requirements are often not clear and the supplier, as the expert on the particular product or service, is allowed to question and interpret what is being requested. Conversely, the buyer has the opportunity to clarify issues in supplier proposals.

Proposals, by their very nature, are a supplier's interpretation of an RFP's requirements. RFPs, therefore, promote a diversity of thinking among suppliers and encourage them to provide unique solutions based on their products and services. RFPs are used when the following conditions apply:

1. For the sake of establishing a standard terminology, the term "supplier" is used here to mean a vendor of equipment, hardware, software, services, or whatever else is being purchased. A "buyer" is the company or government agency that is writing the RFP.



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RFPs encourage creative thinking by suppliers.

- Multiple solutions are available that will fit the need.
- Multiple suppliers can provide the same solution.
- Buyers seek to determine the “best value” of suppliers’ solutions.
- Products for the project cannot be clearly specified.
- The project requires different skills, expertise, and technical capabilities from suppliers.
- The problem requires suppliers to combine and subcontract products and services.
- Lowest price is not the determining criterion for awarding the contract.
- Final pricing is negotiated with the supplier.

When a supplier responds to an RFP, both the RFP and the proposal become the foundation for a working relationship between the two companies. This relationship allows both companies to operate against the same agreed-upon requirements, schedules, and understandings, based on the RFP and the proposal. It also provides both parties with a starting place when the requirements or schedule need to be modified once the contract has started.

The RFP process typically requires that a buyer establish a budget for the project. This budget is based on supplier research, supplier interviews, the requirements for the project, and the RFP team’s understanding of the various solutions. (The RFP team and organization are discussed later in the section titled RFP Project Development.) The establishment of the requirements is the primary task that allows a budget to be built and verified. How closely the estimated budget matches proposals that are submitted depends entirely on how much product research has been performed by the RFP team. Figure 1.1 shows the interrelationships necessary for constructing the project budget. The process of establishing the project budget is discussed in more detail in Appendix D, Budget Planning and Investment Analysis.

Internally, RFPs require buyers to examine their needs and translate those needs into measurable requirements. In the process of developing requirements,



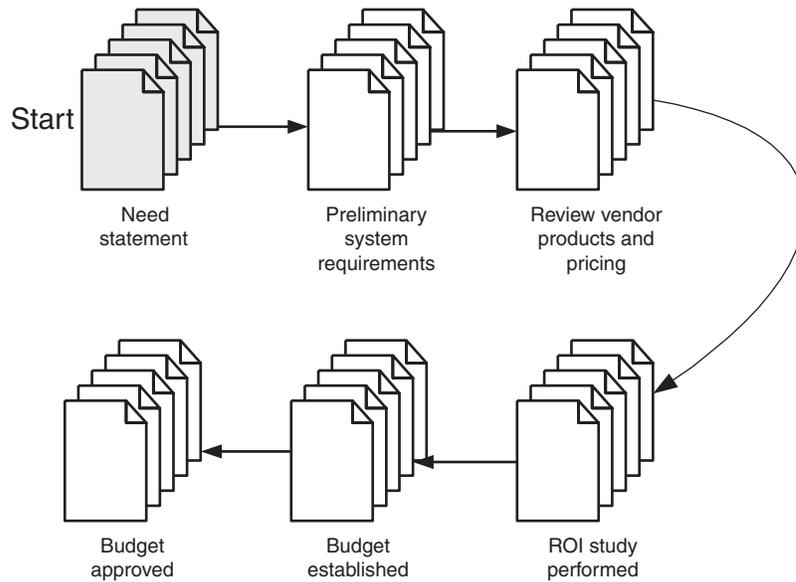


Figure 1.1 Budget Development Process

an RFP team often discovers divergent interests that must be resolved, so that a requirement actually represents a consensus of opinion, not a single view.

RFP requirements must also take into consideration the technical, implementation, and project management requirements; the project budget; and company contract provisions. Getting agreement on these requirements means that those departments within a buyer's organization must work together, in addition to working with the chosen supplier.

~~✎~~ An RFP must represent all views of the issue.

Properly developed and written, RFPs are powerful tools for selecting the most appropriate solution and developing straightforward relationships with suppliers. A successful RFP process requires us to do the following:

- ❑ Formally recognize a deficiency or need in current operations that could be resolved through the purchase of equipment or services.
- ❑ Develop and implement a plan for understanding the problem.





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- Identify appropriate potential suppliers and solutions.
- Gain visibility for internal acceptance of the identified need and potential solutions.
- Establish the project budget.
- Develop a project schedule.
- Organize project personnel.
- Evolve real requirements and ensure that they are clearly stated and measurable.
- Develop rigorous evaluation criteria, thus ensuring an objective evaluation.

A less successful RFP process may include the following issues:

- Not enough time has been allocated for the RFP process.
- Requirements are overly restrictive and limit suppliers to a predetermined solution.
- Requirements unfairly limit the range of suppliers who may participate.
- Requirements are either not clear or downright ambiguous.
- Project deadlines are too short to allow for reasonable project development by suppliers.
- The project team has not been fully educated about available technologies.
- A budget has not been established, or has been based on unverified data and is not sufficient for the project.

These issues create the risk of a problem contract or no contract. The risks, if large enough, can be very costly, leading suppliers to refrain from bidding on the project, or to submit proposals that are overly conservative as they add in money or equipment to cover all possible contingencies.

Strong leadership, dedicated resources, and management commitment are critical to a successful RFP and a successful relationship with the chosen supplier.





What Is Presented in *Request for Proposal Book*?

This book was written to help clarify the basic operating principles of an RFP and to provide not only a suggested structure for an RFP but also examples of individual RFP sections. *Therefore, this material provides an RFP framework that you can use to create, strengthen, or improve your company's RFP.* It contains many examples that you can reuse and edit to fit your needs or use as templates to build your own RFP.

The methods and structure suggested here apply to RFPs written for products ranging from computer systems to services such as training, consulting, or outsourcing. This guide stresses the organizational aspects of writing RFPs, the need for a standard organization of the RFP, and the processes that need to be attended to before and after the RFP is produced.

 This guide stresses the organizational aspects of an RFP.

For our readers who work for the federal government, this book is not meant to supplant the Federal Acquisition Regulations (FARs), but rather to supplement them in the areas of developing and writing requirements, working with suppliers during the “educational phase” of the project, and beginning the post-RFP work. Indeed, our commercial readers should take note that the FARs are a tremendous resource for ideas and procedures.

Many of the examples used in this book are from the computer technology sector, and many of those examples are based on purchasing computer products, not building systems from the ground up. For example, a typical accounting system example will be based on buying an existing accounting software package rather than designing one from scratch.

While there are considerable differences between building systems from the ground up and buying a ready-made product, in both cases there is the need to develop technical and management requirements, organize the project, and write the RFP.

This book covers a wide variety of RFP types and situations, and not all of the material, tasks, and advice may be applicable to a particular situation.





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Readers should not feel compelled to incorporate all of the ideas presented here but rather should feel free to build upon what is presented in the book.

Different Types of RFPs

To enable suppliers to offer their best solutions, an RFP must represent a clear understanding of all the technical issues (technical section), must provide a method for implementing and managing those issues (management section), and must provide the supplier with an acceptable method for doing business (contracts and price section). Many RFPs are not successful because they fail to communicate one or more of the above requirements properly.

 The type of RFP used depends on your understanding of the technology.

Buyers often find new products and technologies hard to understand. Typically, the RFP team will read white papers, brochures, and datasheets; attend conferences and demonstrations; and invite the supplier to give a presentation or demonstration. Even with all of this research, the RFP team may *still not fully understand* how the technology will fit and work within their project. When more information is needed than is publicly available, the RFP team may use a “pre-RFP” request for information (RFI).

Request for Information (RFI)

An RFI is a way for buyers to determine what is available from suppliers who respond to its requirements. It is also a way for the buyer to determine whether the requested requirements are reasonable and whether appropriate technology is available. Suppliers are encouraged to respond to the requirements and also to spell out where there may be potential problems, areas in which technology may not exist, or unrealistic project goals and schedules. The information gleaned from proposals may help guide the subsequent RFP or cause it to be canceled if suppliers do not respond.

An RFI is not a mandatory prerequisite to writing an RFP; many companies write RFPs without going through the RFI stage. RFIs may be considered when the goals of the project are in question or when the technology for the





Different Types of RFPs

project is new to the industry or your company—or when you would like to explore a variety of potential solutions.

Figure 1.2 shows that an RFP is dependent on both the team's education concerning suppliers and on the available products and suppliers' responses to the RFI. Responses to the RFI may show that (1) the technology mandated by the requirements is not available, (2) the technology is available but far more costly than originally anticipated, or (3) suppliers do not understand the RFI requirements. If the suppliers are not responsive, it could mean either going back to the requirements analysis phase or stopping further work on the project.

If suppliers' proposals are responsive to an RFI, the requirements are first reviewed according to the information gained by reading these proposals. These requirements then become part of the RFP, and finally the RFP is developed and released.

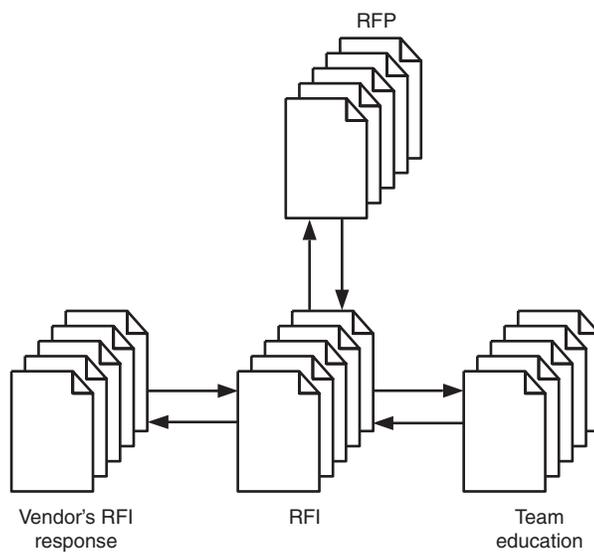


Figure 1.2 RFI/RFP Development Cycle





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✍ Use RFIs when you need to validate technology and requirements.

Typically, an RFI encompasses all of the requirements and is structured just like an RFP. It is important to list not only the technical issues but also the requirements for project management, maintenance, training, and support. Thus, potential suppliers are allowed to comment on all aspects of the procurement and to establish what is possible and not possible—from their point of view. Of course, the RFP team will have to separate the wheat from the chaff—since suppliers may try to say that technology other than their own does not exist. (However, it is important not to combine competing technologies within a single requirement when rewriting requirements based on multiple suppliers' proposals.)

The following paragraphs were taken directly from an RFI:

[Our company] is in the process of researching corporate Intranet technology and systems that will support our internal Intranet, public site, and an extranet for The objective of this RFI is to obtain information about systems that are available from suppliers.

It must be clearly understood that this RFI is being used as a vehicle to obtain information about Intranet technologies and potential system suppliers. This RFI should not be interpreted as a contract (implicit, explicit, or implied), nor does it imply any form of an agreement to candidate suppliers. In addition, no inference should be made that we will purchase and/or implement in the future any of the technology or systems proposed by the suppliers responding to this RFI.

We will, however, use responses to this RFI to build and fine-tune our RFP.

In this case the buyer is making it very clear that the purpose of the RFI is to gain an understanding of a specific technology and to develop a list of the potential suppliers.

Why would a supplier respond to this type of request when there may be many other RFPs in the hopper? One reason is that an RFI gives them a chance to participate in the early planning stages of a project and to try to influence the RFP's strategy and direction. It allows suppliers to provide information about their products so that the RFP team members are better





Different Types of RFPs

informed by the time they release an RFP. Also, many companies send the subsequent RFP only to those suppliers who responded to the RFI. Therefore, the RFI becomes an important tool for determining who should be on the bidders' list for the RFP.

A note of caution: If an RFI is poorly put together, has little focus, and demonstrates a fundamentally poor grasp of the technology, many suppliers will respond with datasheets and boilerplate text, or else not at all. Many potential RFPs are not released after an RFI, because the RFP team has severely misjudged the technology, the implementation, and the cost. Suppliers are quick to grasp which projects are likely to move forward and which appear to be misguided "fishing expeditions."

~~✎~~ An RFI should not be a fishing expedition.

On the other hand, an RFI is the best place for a supplier to try to influence the requirements and therefore have the inside track if and when the RFP is released. As an old supplier proverb goes, "If you didn't help write the RFI, don't bother with the RFP." So, in the spirit of team education, let suppliers provide you with as much information, help, support, and interaction as appropriate to your needs.

Request for Proposal (RFP)

An RFP is a formal request for proposals from suppliers, and such proposals often become part of the resulting contract. An RFP may be the result of an RFI that tested the technical waters, or it may be written based on current knowledge of products and suppliers.

The following is taken from the Proposal Preparation Instructions of an RFP:

[This company] reserves the right to award the contract according to the evaluation criteria. . . . The supplier chosen for award should be prepared to have the proposal incorporated, along with all other written correspondence concerning this RFP, into the contract. Any false or misleading statements found in the proposal will be grounds for disqualification.





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RFPs becomes the basis for the contract.

Unlike an RFI, in which the RFP team is still fact-finding, the RFP represents a decision to buy technology or services. Proposals submitted in response to an RFP are incorporated into the contract as an addendum or exhibit. This procedure allows the company to obligate the supplier contractually to comply with statements made in the proposal, and to seek legal recourse if the supplier cannot meet the requirements as stated.

An RFP represents a significant opportunity for suppliers to sell their products, systems, or services:

- It provides a stable set of specifications and requirements for suppliers to work from.
- It provides a platform for describing and promoting products.
- It allows suppliers a chance to interact with the buyer organization.
- It demonstrates a buyer's commitment to the project and indicates that funding is available.

In summary, we can say that an RFP is a written document that represents a certain amount of time, resources, and money in order to communicate an understanding of the business needs of a company. Resulting proposals represent an interpretation of those needs and involve the expenditure of a commensurate amount of time and resources on the supplier's part.

Why Write an RFP?

An RFP fills an important gap between the initial project definition phase and the implementation phase of the project. The RFP provides the structure that allows you to take the project requirements that have been developed and put them into a form that suppliers can use, understand, and respond to. The RFP also spells out how the project is to be implemented (the next phase), what the first steps will be, and how success will be measured.

The RFP is an intermediate, but important, step in a project. It facilitates someone's wish to buy new technology or replace old technology, but the





Why Write an RFP?

RFP is a means to an end, not the end itself. On the other side of the fence, the RFP lays the groundwork for the project but is not the project itself. As with any undertaking, if the foundation is not solid, the project will more than likely not be successful. An RFP allows you to state the project management requirements and to get the supplier's buy-in (in writing) thus ensuring that you will have good project controls when the project begins.

Why write an RFP? It allows you to gather and develop the essential components of a project as shown in Figure 1.3. Each of the four wings in the illustration represents a major concept in an RFP. The RFP itself is the unifying document that will lay the groundwork for how the project will be controlled from the time the contract is awarded to, perhaps, when the contract is finished and the project is no longer operational.

Once a contract has been awarded to a supplier, the agreed-upon project plan and schedule will become the primary method for organizing and controlling the project implementation and, perhaps, the life cycle of the project itself.

As with the saying, "If you don't know where you are going, any road will get you there," the RFP not only tells suppliers where you are going but also selects the road on which they will travel.

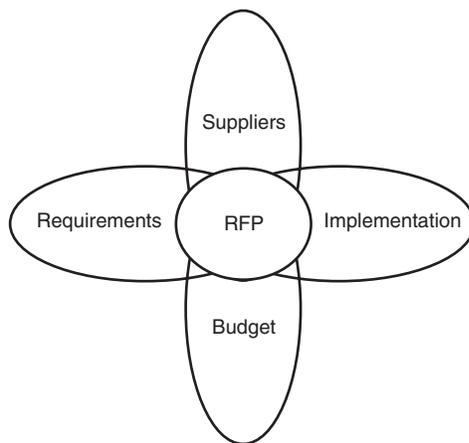


Figure 1.3 Essential components of an RFP





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The advantages of using an RFP far outweigh the potential problems of dealing directly with suppliers and of not having a formal set of requirements to work from.

- An RFP requires the RFP team to examine the problems and issues concerning the project in greater detail than would normally occur.
- An RFP forces suppliers to create competitive solutions that not only respond to the RFP requirements but go beyond them, thus providing additional value for a given price.
- An RFP does not favor one supplier over another, but allows all to compete fairly based on the same set of rules and requirements.
- Because suppliers are working from the same set of rules and requirements, it will be easier to understand the differences between proposed solutions.
- Having similar, but different, proposed solutions facilitates the evaluation.

RFP Development and Preparation

RFP Project Development

The request to buy technology or services can come from almost any department within a company. It may initially come from workers who are unable to keep pace with their work and know that there is technology available to help them. Alternatively, the request may come from the information technology (IT) group, which may want to build a corporate Intranet to share information more easily with employees.

 Users buy tactical; IT buys strategic.

Most often, the “users” in a company are the force behind RFPs that involves buying products to increase or enhance the efficiency of a department or a business process. IT buyers are the drivers for companywide products that add to or enhance existing IT services or provide corporate infrastructure such as a corporate Intranet or Internet site. It is important to have both the users and the IT group participate in an RFP effort when it is appropriate.





The project team should include an equal balance of skills among the following three departments:

Operations, or system users. Users, whether claims adjusters, customer service, or a supporting service such as human resources, perform the work of the business. Users know what they do now, as well as what they want to do but cannot currently do, and they can develop the operational and functional requirements for the system. Users are typically not strong on the underlying technology of systems, such as how a network connects to servers, how to set up and run an acceptance test, or how to pass data through a firewall. They depend on the IT group for those aspects of the technology requirements.

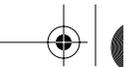
Information technology. IT staff are typically knowledgeable about whether a product will technically fit into existing technical infrastructures and what those requirements will be, what is needed to support the product, and what is needed to support the users when the product is installed. IT staff typically do not know how a department works on a business level or how to specify those business requirements.

Procurement (purchasing office). Procurement personnel understand what type of contract should be provided with the proposal (hardware versus software versus services) and can help in identifying suppliers, requesting D&Bs to ascertain financial stability, and reviewing and negotiating supplier contracts. It is vital to involve procurement personnel early in the RFP process so that they become familiar with the project and can lend their contract expertise to the effort. Procurement personnel typically are familiar neither with underlying technologies nor with project organization requirements and will depend on the RFP team for those decisions.

The planning phase of the RFP should include the following key areas:

1. RFP project personnel and organization.
2. Project schedule.





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3. Technology and supplier education.
4. Budget estimation and development.
5. Return on investment (ROI) analysis (if required).
6. RFP development.
7. Proposal evaluation.
8. Contracts and awards.
9. Post-RFP activities.
10. Project personnel and organization for the new product.

Planning should be a team activity and all parties should be part of each planning session. Depending on the company culture, one person should become the project leader and manager. If the project is to purchase a new business application, the project leader may come from the user community, which is the primary driver for the project. Depending on the company culture and history, the project leader may be from the user community or the IT community. In many companies, IT takes the lead on major acquisition projects because IT staff have the knowledge of technology, project management skills, and experience dealing with suppliers. Other companies may not have a strong IT department, in which case the user community becomes the lead, tapping the IT resources when needed.

More detailed information on RFP planning activities and developing project budgets can be found in Chapter 2, “RFP Planning and Preparation,” and in Appendix D, “Budget Planning and Investment Analysis.”

Evaluation Criteria

 Evaluation criteria provide the method for measuring proposals.

As the project requirements are confirmed and agreed upon, the method for evaluating requirements must also be established. Requirements can range from hard technical requirements to more subjective ones such as a supplier’s references. Chapter 7, “Evaluation Guidelines” contains more detailed information and examples for the evaluation process.





The following are examples of suitable areas for evaluation:

1. Technical requirements.
2. Management requirements.
3. Price.
4. References.
5. Qualifications/similar projects.
6. Site visits/oral presentations.
7. Product tests or demonstrations.
8. Overall response to the RFP.
9. Ability to work with the supplier's team.

Some requirements will be more difficult to measure than others and will therefore be judged subjectively. Ideally, all requirements should be measured by the same agreed-upon criteria, with subjective requirements being discussed during the evaluation team meetings. Keep in mind that all requirements should have measurable criteria.



An RFP is, in some sense, a collection of requirements. It must be made clear to the suppliers what are requirements and what is simply information. Requirements may be divided between mandatory and optional requirements. Mandatory requirements are those requirements that are essential to meeting the project's needs, and suppliers that take exception to mandatory requirements may be disqualified. Optional requirements are often termed "nice to have but not essential."

Reviewing the RFP

Before an RFP is sent out, it should be reviewed by people outside the primary RFP team. This review group may look at different aspects of the RFP, for example:

 Allow time for an independent review of the RFP.





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- Are the network structures current and accurate?
- Are there any basic system architectural concerns?
- Is the current working environment description accurate?
- Are the functional requirements stated clearly and accurately?
- Does the pricing section meet company standards?
- Is the project plan achievable?

This “objective” review will help team members to see their RFP’s strengths and weaknesses. Once the review is complete and the review issues responded to, the RFP should be a stronger document.

Anatomy of an RFP

An RFP is a tool a buyer uses to purchase from a supplier many types of products or services, such as software programs; corporate computers systems; administrative, technical, or legal services; machinery; medical supplies; and many other types of products. Each type of purchase requires a different RFP. This guide provides a suggested structure for building your RFP.

Broadly speaking, a basic RFP consists of the following sections:

1. A project overview and administrative information section contains an overview or summary statement of the problem, similar to a proposal’s executive summary, as well as the administrative information concerning the management of the RFP.
2. A technical requirements section provides suppliers with technical requirements and enough information to enable them to understand the issues and write a firm proposal.
3. A management requirements section states the conditions for managing and implementing the project.
4. A supplier qualifications and references section asks the supplier to describe qualifications and list references.





5. A suppliers' section allows suppliers to include information they feel is relevant although not required or requested in the RFP.
6. A pricing section specifies how suppliers are to provide pricing information.
7. A contract and license agreement section contains the purchase contract, nondisclosure agreements, and other legal documents.
8. Appendices contain bulky but relevant information such as network diagrams, technical requirements studies, and project plan outlines.

Figure 1.4 provides a "roadmap" to the typical sections of an RFP. This is a suggested roadmap only; you may choose, for example, to fold the supplier's qualifications and references into the management section or not to include a supplier's section. However, Sections 1, 2, 3, and 6 in the figure below should be considered the minimum sections of an RFP. Always consider using appendices when providing additional information that supports the primary sections.

The following paragraphs describe what constitutes an RFP. Subsequent chapters will expand upon the ideas presented below.

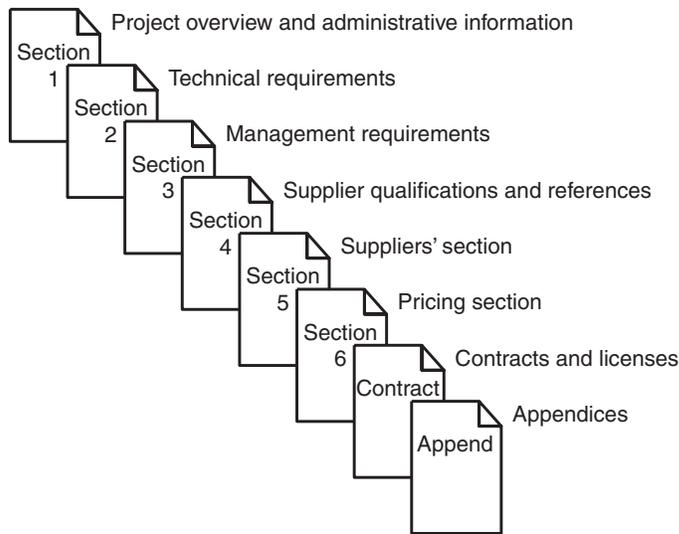


Figure 1.4 RFP Roadmap





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Project Overview and Administrative Information

The first part of this section provides suppliers with an overview of your company and a statement of the problem that you hope to resolve through this RFP. The statement of the problem must be detailed enough for suppliers to grasp both the business issues that are driving the RFP and the technical issues that may have precipitated the problem.

 The administrative section contains the RFP's rules for the road.

The administrative section contains all of the administrative requirements and information with which a supplier must comply in order to submit an acceptable proposal. The administrative section also provides the ground rules for the procurement, from receiving the RFP to awarding the contract. This section should contain the following types of information:

- where and when to submit the proposal
- if and when a bidders' conference will be held
- relevant dates for the procurement
- requirements for preparing proposals
- how proposals will be evaluated
- RFP contact names and addresses
- other information that is required for a supplier to be responsive

Administrative requirements are very important to keep suppliers moving forward with their proposals in a timely manner. If the instructions are missing or not clear, suppliers may overlook important meetings or milestones. For perceptive suppliers, lack of instructions may signal a weak RFP team and a confused or conflicted project. This potential weakness may influence whether they decide to continue with their proposal.

On the other hand, failure to comply with the administrative requirements might be cause for rejecting that supplier's proposal. The purpose of this section is to lay down clear rules for responding to the RFP and to ensure that suppliers are aware of the penalties for not following them. If a





supplier fails to abide by these rules, it may be a sign of carelessness and lack of attention to detail.

Section 3, RFP Administrative Section, covers this topic and provides examples of typical administrative requirements.

Technical Requirements

This section contains all of the information and requirements needed to enable suppliers to respond to your RFP. It should first summarize the problem or issue that is the basis for the RFP. This overview should address both the current business application and the technical environment (hardware, software, communications).

 Requirements are the heart of the technical section.

Following the problem statement, the rest of the section lists the requirements to which a supplier must respond in the proposal, for example:

- goals and objectives for the project
- critical success factors
- functional specifications for the current system
- functional specifications for the projected system
- performance specifications
- hardware requirements (if mandatory)
- software requirements
- communications requirements (if mandatory)

This section must be well documented and complete; otherwise, suppliers will have to ask questions in order to clarify statements or requirements.

Management Requirements

This section provides suppliers with the information they need to develop a project plan that will cover the implementation, installation, training, maintenance, and other aspects of the project. The proposed project plan

 The project plan is the heart of the management section.





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provides the needed assurance that the supplier has the resources required to perform the contract successfully.

The project management plan typically contains the following:

- Functional project requirements.
- Staffing requirements.
- Site preparation responsibilities.
- Delivery and installation schedule and plan.
- System acceptance test requirements.
- System maintenance requirements.
- System training requirements.
- Documentation requirements.

Development of this section is essential for ensuring that suppliers can meet the overall project requirements. It is possible that suppliers can meet the technical requirements but cannot meet the management requirements as evidenced in their poor or inadequate responses to the requirements in this section. It is possible that a company has put all of its energy into product development and little or no effort into determining how the product should be installed and maintained, specifying what type of training is needed, and providing good readable documentation. The management section will help you to differentiate the suppliers with good management capabilities from those with little management capability.

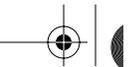
Supplier Qualifications and References

 Supplier qualifications provide financial data, while references provide the “who,” “what,” and “where.”

The supplier’s qualifications and references are as important as the technical and management requirements. This section requires suppliers to provide information about their company and financial status and the customers who will serve as references for their proposal effort.

It is important not to bury this section and to ensure that suppliers do not take it lightly or simply say that the information requested is already provided in their annual report.





The following are examples of what is typically required in this section:

- A brief history of the supplier's firm.
- The supplier's installation and maintenance offerings and capabilities.
- A description of the relationship between the supplier and each manufacturer, and how long this relationship has been in existence.
- Evidence that the supplier has the necessary technical skills, technical staff, and financial resources to perform the contract.
- A list of the currently installed systems.
- Names of customers with similar configurations and/or applications who can provide references, including contact names and telephone numbers.



It is impossible to say how many times I have had to scramble when asked for information about a particular supplier. Invariably, at least one person will ask for information that was not requested or was not provided in the proposals—thus forcing me to read annual reports, search Web sites, or call the suppliers to get the information. Therefore, I encourage you to review Appendix B and add it to the list of questions. Ensure that this type of questionnaire is in your RFP. Consider making it a separate section in the RFP so that the information is consolidated into one area.

Suppliers' Section

This section reserves a place in the RFP for suppliers to provide information that they feel is necessary but was not requested. Suppliers can also discuss potential issues that are relevant to the RFP and to their proposal. For example, a supplier may have additional product features to demonstrate that are outside the scope of the RFP. Suppliers may also comment on requirements they feel are missing from the RFP, or present a unique solution that was not anticipated by the buyer.





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This section is also an appropriate place for suppliers to discuss issues they believe are relevant to the project that have not been covered in the RFP. The RFP's instructions to suppliers will direct them to use the suppliers' section for any additional information outside the scope of the RFP.

Remember to take notes from ideas provided in this section. A supplier might provide a solution to a problem evident in the RFP that other suppliers did not consider. Even if this particular supplier does not win, the explanation of the problem and the potential solution will still be worth considering for use with the winning vendor.

 The pricing section gives suppliers a format to follow when pricing their proposals.

Pricing Section

This section provides a detailed format for suppliers to follow in developing their price proposals. Instructions should be in a clear format to ensure that price proposals from different suppliers can be compared on an equal basis. To facilitate this comparison, you may consider providing a sample spreadsheet that breaks the proposed system into components such as the following:

- Hardware.
- System software.
- Application development software.
- Installation.
- Maintenance.
- Training.
- Documentation.
- Project management.
- Integration of unique hardware or software.
- License fees (ongoing).

An area deserving of particular attention involves onetime costs versus recurring costs. The initial price of a software package is a onetime cost;





annual maintenance and software licensing fees are recurring costs. Recurring costs need to be identified if you are developing a life-cycle cost for a project that is expected to have a valid life of ten years.

Pricing is not usually the sole determinant for winning but should be used to break a tie between two suppliers with equally good technical and management proposals.

Contracts and License Agreements Section

This section provides basic guidance to the supplier on how to respond to contracts and agreements. It can either become part of the pricing section or stand alone.

 Provide contracts in your RFP to get the ball rolling.

Contracts are provided to suppliers, who can begin to study them along with the RFP requirements. If contract provisions are such that suppliers cannot respond, suppliers may either choose not to bid on the RFP or take exception to the contract provision in their proposal. For example, a contract may state that custom software products must pass a 90-day acceptance test period prior to the first payment. A supplier may agree to only a 30-day test, or may not agree to any acceptance test that is tied to payments.

Identify showstopper issues during the proposal evaluation period because it is possible to select a supplier who will not accept your contract. Do not spend time and resources on an unproductive supplier, as this takes time away from working with the potential winners.

Types of contracts can include the following:

- purchase agreement
- maintenance contract
- warranty period
- software license agreement
- performance bonds





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- payment bonds
- nondisclosure agreements

 Place detailed information in an appendix.

Appendices

If the RFP team generates detailed information that is too lengthy for the body of the RFP, place it in an appendix. Examples include the following:

- Workflow diagrams and studies.
- Spreadsheets with statistical information.
- Communications network drawings and plans.
- List of current equipment.
- Standards used within the company.
- Tentative project plan with dates.

The information is then available to the supplier but does not distract from the narrative portion of the RFP. Note: Tell suppliers whether they must use this information when developing their proposals.



Consider making information available to suppliers via a Web site established for your RFP. You may be able to supply more examples of documents, workflow diagrams, network diagrams, and other related information that would be costly to reproduce and bind with the RFP.

RFP Activities

Pre-RFP Activities

Who reads an RFP? How do prospective suppliers receive it? And what do they do with it?

An RFP may take a roundabout route through a supplier's organization before it finally lands on the right desk. Unless specifically addressed to an individual, the RFP package will be opened and given to the appropriate





sales manager, where it may sit because the manager is traveling or too busy to look at a lengthy RFP. When your RFP is finally and *briefly* reviewed by the manager, it is routed to the correct sales representative, who may be traveling or busy working on a big final contract. As you can see, it is advantageous to find the right person in the supplier's organization to whom to send your RFP; otherwise, it is possible that delays will make it impossible for the supplier to respond in time.

Sales personnel typically read the RFP and decide whether to bid on your project. *Most suppliers do not do this scientifically or methodically!* Most suppliers do not evaluate your RFP in a formal manner to determine whether they have the right product, the time, or the resources—rather, the salesperson decides to bid and then obtains the resources and approvals from management. A salesperson who is too busy may actually *not bid* on your project.

It is important to understand this point because you should not confuse the salesperson with his or her product. If the product is right, you may have to work with the salesperson to get your project recognized and put on the priority list. If the salesperson appears indifferent, contact his or her managers and work with them to get your RFP recognized and on the right track. Remember not to confuse the salesperson with the product, especially when dealing with new sales staff or fairly new companies.

 Don't confuse the salesperson with the product.

The pre-RFP activity here is to identify accurately the supplier and the contact within the supplier's organization. Start a list of suppliers and contacts, so that you can establish early contact with suppliers and also send advance messages to them that the RFP will be arriving shortly.

Identifying Suppliers

There are many different ways to gather a list of suppliers for your project. One of the easiest is to work with your procurement or purchasing office,





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which will either have or be able to get a list of suppliers who work in or have products in the subject area of your RFP.

You may also attend conferences and supplier demonstrations to gather information about suppliers. For example, if you are interested in Customer Relations Management (CRM) products, you might look online for conferences about CRM. Typically, an online brochure will list the conference sponsors (who are typically large suppliers) and also provide a supplier list.

Once you have established a list of suppliers, you may consider sending each one a letter or e-mail that briefly describes your project, indicates when you will be ready to send the RFP, and states when it will be due. This information allows suppliers to start organizing their resources, doing their qualifying work on your project, and determining whether they need to team with other suppliers.



If you have set up a Web site for the RFP effort, you may be able to post preliminary information about the RFP and its progress on the site. When you initially contact suppliers, you can provide them with the Web site address (and password, if you don't want the whole world to see your RFP effort).

You may also ask potential suppliers to respond to you if they are interested in receiving the RFP. Make sure they include the name and address of a specific person who should receive the RFP; this might differ from your contact information. Be sure to reestablish this contact just before sending the RFP, as salespeople frequently move within a company or move to new companies.

Now the RFP recipient will, of course, have your name and address and will most likely contact you with various questions such as, "What is the





budget for your project?” or, “Will you buy within six months?” This is a good time to develop a dialogue with the suppliers and answer as many of their questions as possible, without giving away confidential information. Building a relationship early will help your suppliers better understand your project and your company’s needs. This relationship will, in turn, help suppliers write better proposals.

Qualifying Suppliers

Suppliers who receive the RFP should be qualified. First, identify all potential suppliers with the products or services required for the project. Once these suppliers are identified, you should take several steps to ensure that they are qualified:

 Only qualified suppliers should participate in the RFP.

1. Suppliers must be technically qualified. Do they have the correct products, or will they have to subcontract to other suppliers? If they subcontract portions of work, who are their primary subcontractors?
2. Do they have the resources to manage the project properly?
3. Are they considered a “local” company? If not, how will you work with them? Do they need to travel every time a meeting takes place? How do they handle regular maintenance activities?
4. How many people does the supplier employ at how many locations? Where is the nearest location to your project site? If the project is to take place in many locations, can the supplier support multiple locations? Is there a need for international support?
5. How many projects is the supplier currently managing, and will the supplier be stretched too thin? Is the supplier managing other projects similar in size to yours, or are they typically much smaller or bigger?
6. Suppliers must be financially qualified. Is the supplier in good shape financially and certain to remain in business and continue to support the product?

Suppliers are qualified for obvious reasons, but there are also some not-so-obvious reasons to consider. After you thoroughly review their capabilities





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and previous projects and resources, you will realize that not all suppliers have the correct product mix and not all will be able to manage a large project.

Some suppliers may be changing their company focus and while they could still bid on your project, would you want to be the last customer to have the last version of a product? In addition, many suppliers may “integrate” the products you need, but do they “own” the primary product being bid? If not, is the supplier who makes the product included in the bidder’s list? Finally, why read and evaluate a proposal that is not from a qualified source? This takes valuable time and resources away from the suppliers who have good, responsive proposals.

Here is a checklist of activities that apply to the pre-RFP period:

1. Develop a list of suppliers.
2. Send a brief pre-RFP introduction letter and request information about the supplier and the product.
3. Hold pre-RFP interviews with suppliers, if appropriate, and request a product demonstration or their basic sales presentation.
4. Attend industry conventions and conferences or local supplier sponsored events.
5. Qualify the potential bidders for your project.
6. Consider holding a conference before the RFP is released with all suppliers to present your project and its principal requirements. Request comments and feedback within a specified time from the suppliers in attendance.
7. Develop a final supplier list with the names and addresses of specific people who should receive the RFP. Let suppliers know when the RFP will be sent.

In the spirit of “measure twice, cut once,” it is important to identify the right suppliers and not spend time on organizations and proposals that are





not right for your project. This approach will not only save you time but will also allow you to spend more time reviewing the right suppliers.

RFP Activities

Once you have identified the suppliers and attended demonstrations and conferences, it is time to write the actual RFP. It is assumed that you have already selected and recruited the core RFP team members and that you are ready to begin work. Below is a recap of the basic RFP writing and releasing activities:

1. Develop a project schedule for the RFP portion of the project (see Appendix K, “RFP Reverse Planning Calendar”). This is a “reverse calendar” in which you start from the date when the project is to be finished and work backward in time. You may be surprised at how long an RFP project will take.
2. Develop a clear and agreed-upon statement of the problem that is causing this RFP to be written. This statement will help everyone on the team not only to grasp the issues but also to agree that the statement accurately reflects the problem. This statement will also be used several times in the RFP itself.
3. Develop a high-level outline of the RFP and have the RFP team agree on it.
4. Once the outline is developed and reviewed by the “writers,” have them revisit and confirm that they can complete their work within the scheduled time.
5. Once requirements have been written, write the evaluation criteria for each requirement. How will you measure a supplier’s response to a requirement?
6. Compare the completed RFP and evaluation criteria to the budget. Have you underestimated the budget or overestimated the requirements?
7. Reestablish contact with suppliers prior to sending out the RFP. Ensure that your contact is still there and that the supplier is still interested—and still in business.





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8. Publish the RFP. You may consider providing an electronic version of the RFP on a Web site for the suppliers to download. You may want to secure the site with passwords if there is sensitive information in the RFP.
9. Be prepared to hold the RFP conference if required. Ensure that you are prepared with a presentation, have the RFP team available, and can produce any other resources that are needed, as promised in the RFP.
10. Be prepared to receive and respond to suppliers' questions as they come in. In some cases suppliers may not be able to move forward until you respond to their questions.
11. Be as helpful to suppliers as possible during this period, but be careful of suppliers who try to work around the RFP team by going to senior management or who try to talk to the RFP team directly without the benefit of written communication.

It is the responsibility of the RFP team leader to ensure that these activities are handled quickly and that the schedule is kept.

Post-RFP Activities

 When proposals have been submitted, the next round of work begins.

Here are examples of activities to be performed once proposals are submitted. Each activity described below is discussed in more detail in Chapter 7, "Evaluation Guidelines" and Chapter 2, "RFP Planning and Preparation."

1. *Evaluate proposals.* The first activity is to evaluate proposals in an effort to separate potentially viable proposals from those that do not meet basic requirements. As little time as possible should be spent on proposals that *obviously* do not meet the RFP requirements. The initial evaluations should consider mechanical elements such as whether the proposal arrived on time, whether it followed the administrative instructions, and whether it took exceptions to major requirements.
2. *Eliminate the first round of suppliers.* The first proposals eliminated may be poorly written, priced significantly above or below other





suppliers by a factor of 50 percent, or on closer review lack the right product. Eliminated suppliers should be notified and should have the opportunity to understand why they were eliminated. Notification need not wait until the contract is awarded. It is important to document the rationale for eliminating a supplier, as this information may be used later when justifying the winning proposal.

3. *Establish a shortlist of suppliers.* The next step is to try to winnow the remaining number of suppliers down to two or three. This shortlist comprises suppliers with the potential to win the contract.
4. *Call references.* For suppliers on the shortlist, it is now time to call references. This call should be scheduled, and all of the RFP team members should participate in it. Only references for the shortlisted suppliers should be called.
5. *Host demonstrations.* The RFP may require that suppliers demonstrate their products, either at the supplier's factory or on site, so that the RFP team and other users in the community can get direct experience with the supplier and the products.
6. *Reference site visits.* If site visits were part of the RFP, these should take place prior to any final evaluation. The site visit is to a reference site designated by the supplier and is generally only for the final two suppliers in the competition. In a very close competition, site visits can make the final difference in the choice of supplier.
7. *Supplier site visit.* In some cases you may want to visit the supplier's factory or headquarters and meet the management team. This allows you to make certain that the supplier is financially sound and that all support groups proposed actually exist.
8. *Best and final offer (BAFO).* As part of the give and take during the evaluation period, there is a reasonable chance that the supplier overestimated a requirement's impact or overscheduled part of the implementation. The BAFO allows suppliers the opportunity to rethink and fine-tune their pricing by submitting their best and final offer.





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9. *Supplier selection.* Consider this the last step in the RFP process and the first step of the project itself. You have done the homework, selected the best supplier possible, and are now ready to get started.
10. *Review the selection process with management.* It is possible that a formal internal document will need to be generated to explain why suppliers were eliminated and why the winning supplier won. Such a report will draw heavily from the evaluation forms and the notes taken during the meetings to compare evaluations. Remember to keep all of those notes taken during the meeting with suppliers, reference calls, site visits, and any other interaction with suppliers.
11. *Debrief suppliers who did not win.* Many suppliers are truly interested in why they did not win and how they could improve their proposal writing or products and services being proposed. Make room in your schedule to allow for supplier debriefings.
12. *Cleanup and storage of proposals.* It is advisable to keep at least one copy of all proposals in an accessible place for at least six months. While this is not a legal obligation (for commercial companies), it is possible that a losing supplier will question your decision three or four months after the award of the contract. Also, there may be good information in these losing proposals that you may want to review and profit from. Quite often, a supplier may raise a valid point about requirements, contingencies, or scheduling that you will want to incorporate into the final project.

As with any project, these activities must be coordinated and kept moving by the RFP team leader. Most of the RFP team will be off catching up on their “real” jobs, but the above tasks still need to be accomplished.

The Importance of the RFP from a Contract Perspective

The primary purpose of an RFP is to transmit your understanding of the requirements for a project to suppliers who you believe can provide solutions.





The Importance of the RFP from a Contract Perspective

The RFP is a written document that both you and the supplier use to establish your joint understanding of the requirements, which become the project's baseline. This baseline, or the final proposal and RFP as written and agreed to, becomes the statement of work for the contract and is an important historical document if the project begins to experience problems.

Problems can begin at any point in the project and may include any aspect of the project from the schedule to the deliverables. If a problem becomes serious and begins to affect the project itself, the baseline documentation will most likely be used to determine where the problem originated. The origin of the problem must be established before a resolution can be determined.

If we agree that both the buyer and supplier in most cases operate in good faith, we can further agree that if the original cause of the problem can be pinpointed, the party responsible should accept responsibility for the cure. Having the RFP, proposal, and all associated documentation helps avoid the instinctive "finger pointing" when a problem is discovered and further puts the issue on the table in an objective fashion, allowing both buyer and supplier to determine jointly the cause, the potential effect on the project, and the possible resolution.

It is crucial to maintaining this "audit trail" to insist that every change, no matter how small, be put in writing and formally accepted by both parties. This change documentation should become part of the amended contract and should include any changes to the project schedule and other aspects of the original deliverables. For example, a "small" change or addition may affect the initial deliverable schedule, the internal and external testing schedule, the final documentation deliverable, and the final project deliverable itself. Even small additions must be accounted for in all of the areas that may be affected.

If the problem goes beyond the "good faith" mode of operation and the parties end up litigating the issue, the RFP and proposal will become the primary





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documents involved in the effort to establish the root cause of the issue. Maintaining current copies and insisting on documenting every change in writing will provide the detail necessary to determine who is at fault.



One of the more common problems in projects is when two system engineers, one from the supplier and one from the buyer, decide to make an innocent change based on a conversation that goes something like, *Supplier*: “Can we move the text query box from the second page to the first so it can be accessed directly?” *Buyer*: “That’s a good idea and I don’t see why not. What’s involved?” *Supplier*: “Not much. I’ll handle it.”

This change is then discovered during *final testing* by the marketing person, who says, “Who changed my design? The query box is not supposed to be on the first page because . . . so change it back.”

Problems can range from schedule issues to feature issues and can be blamed on either party. While schedule issues may be the more common problem, “schedule creep” is typically the result of changing requirements or adding requirements to the project. Capers Jones, in his paper titled “Conflict and Litigation between Software Clients and Developers,”² states:

Software development has been a difficult technology for many years. Compared to almost any other manufactured object, software development requires more manual labor by skilled craftsmen.

Further, many software applications are designed to automate manual activities that were not often fully understood by clients in sufficient detail. Therefore as software development proceeds, new requirements and new features tend to occur in a continuous stream.

2. Capers Jones. *Conflict and Litigation between Software Clients and Developers*. Copyright © 1996–2001 by Capers Jones.





Conclusion

Software contracting practices have often been highly ambiguous in determining the sizes of various deliverables, development schedules, and other quantitative matters. More often than not, the contract would deal only in generalities or discuss only part of the situation such as the number of staff to be applied. Unfortunately, most software development contracts contain insufficient language and clauses for dealing with changes in the requirements during development.

The most common root cause of contract litigation where we have been expert witnesses are [sic] new or changed requirements added by clients after the basic contract has been signed and agreed to. The clients think these new requirements should be included in the original agreement while the contractor thinks they should be funded separately. Unfortunately, the contract itself is usually ambiguous as to how new requirements should be handled, and hence the contract itself adds to the probability of conflict and litigation.

By maintaining good documentation for the project, you will be able to minimize the “fix the blame, not the problem” mode of operation and be able to assess objectively how to handle project changes. Mutual assessment and agreement are preferable to allowing a problem to become an issue that may impact the schedule or the contract itself.

Jones’ statement, “Unfortunately, the contract itself is usually ambiguous as to how new requirements should be handled. . . .” draws our attention to a potential area of concern over how changes will be handled and how suppliers accept (or reject) changes, track them, and report on the overall project status. Ensure that this topic is covered in your project management requirements section.

Conclusion

Writing an RFP and reviewing proposals are resource- and time-intensive activities. The costs for writing and publishing an RFP may be significant and may span six months (or more). Given the significant investment involved, the RFP process must be thorough and must be allotted sufficient resources and time.





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Sending out an RFP is only the first step in the project: reading proposals, establishing evaluation criteria, visiting reference sites, performing a live test demonstration, and negotiating a contract will all be steps toward a final selection.

Remember that while your project may be significant to you, it may not be to a supplier. Suppliers are under no obligation to respond to your RFP if they feel it is poorly written, a technical “fishing expedition,” not properly funded, irrelevant because they have evidence that you have already “selected” a supplier (“... the RFP is *wired* for such and such” as they say), or if they believe that other opportunities appear to be better than yours. When they have multiple RFPs, suppliers will be selective and will work only on the ones that appear to be winnable.

Finally, the selected supplier becomes another member of your team and part of your company. Build a supplier relationship based on your mutual understanding of, and agreement with, the requirements and the work to be performed.

