

SDW Best Practices Discussion Paper

The RFP Process Assessing a Collateral Valuation Partner

Participating in a successful RFP process requires development of a detailed document that supplies a focused statement to vendors regarding the project at hand. Its purpose is to ensure that everyone on both the lender and vendor sides of the agreement fully understands the customer's needs and the vendor's ability to perform to meet those needs. The lender client has a responsibility to investigate the project alternatives in the most organized and efficient way possible. One of the methods of information gathering is the RFP (Request for Proposal). This SDW Best Practices document is designed to help the lender identify the best methods that can be used to gather the information for a successful project and vendor relationship.

What are the alternatives?

There are three alternatives that can be used for efficient information gathering. The choice of which to use is driven by how much information is needed to decide on a vendor. If the lender has already designed the solution and all that is needed are comparative fee quotes, then the RFQ (Request for Quote) may be the most efficient way to gather the information needed. This process is best used for products or services that are highly commoditized and when no process discussion with the vendors being considered is needed.

The RFI (Request for Information) process is best suited for initial project planning and to determine which vendors would best be included in more detailed information gathering. It can provide information as to what services are offered by the vendors and, in effect, prequalify them for the next step. It is important at this point that the vendors have some knowledge of the requestor's end goal so that they may supply the relevant information.

The RFP (Request for Proposal) is designed for more detail than the RFQ or RFI, and requires a more extensive time commitment both to design and manage the RFP and to respond to it. It should outline the business requirements and provide all necessary information for the vendors to respond with information adequate for the lender to make a decision. As this type of document requires a dedicated commitment to design, it also helps to clarify the project in the minds of the lender stakeholders.

The benefit of supplying all vendors with the same project requirements document is that all the responses will be comparable when returned. Frequently when vendor decisions are made exclusively through an interview and site

visit process, the discussions are diverted and all the necessary information may not be gathered. Site visits can often become a sales pitch for the vendor's products and services and not directly related to the project at hand. If all vendors are completing the same documents, not only is the lender assured of having all the important points addressed, but also the information can be used on a comparison basis to schedule vendor interviews around specific topics for expanded discussion.

It is important to recognize at the onset that the RFP process is time consuming and needs dedicated resources to take full advantage of the opportunities it presents. The stages of the process all require a commitment on the part of the project manager and participants. Dedicated time and thought to each step is essential to its success:

- ◆ Initial organization of the RFP – Initial information gathering, project group planning, internal customer management
- ◆ RFP Content Management – putting the info together. Managing the group meetings, designing the document
- ◆ Analysis of the information – initial and in depth review of responses, collection, analysis and scoring of responses
- ◆ Focus of the site visit – scheduling meetings with both project participants and vendors, in depth project discussions
- ◆ Final vendor decisions – gathering of RFP and site visit responses, project group final discussions

Initial organization of the RFP

Before putting a successful document together, it is imperative that all the parties/departments involved be included in initial discussions. While it is not necessary for all the groups to be involved in the final vendor decision, it is wise to understand what each of the internal customers expect from the services or products to be contracted for. Managing internal customer expectations will provide the basis for a more successful project in the long run.

Along with identifying the various stakeholders, these initial discussions will result in determining both the organizational goals and objectives as well as those specific to the project. Identification of this information is important for two reasons. First it will provide internal agreement as to expectations of the final outcome. Second, it will be important to include these goals and objectives as part of the RFP so that the vendors will have a clear picture of the general project direction.

It is evident when looking at some RFP documents that different stakeholders in the project have each written the sections that directly pertain to them. The document flow becomes confusing and there are frequently inconsistencies as well as contradictory information. In order to avoid confusion, it is best to gather the information centrally from each of the participating groups and then put the RFP together. If there are several different departments supplying information a project manager who oversees the completed document should be tasked with the information integration.

If a template is being used, make sure that it suits the needs of this specific project. Requesting information or leaving requests out in order to accommodate the template format will result in inaccurate or unnecessary responses. The RFP document should be a reflection of the organization and project specifically rather than trying to fit the purpose into a generic form.

If the RFP is not being sent to a large number of vendors, it might be wise to speak with the vendors before the document is sent out. In this way, the vendor will know to expect it and have assembled the team ready to respond within the specified time frame. It will also serve to eliminate from the mailing any vendors who will not be able to respond. In order to expedite the process, the initial phone call can supply information such as who the vendor contact will be so that it does not get waylaid in the vendor organization. In addition, it will also supply the vendor with up front information as to who the contact at the lender will be if there are any questions once are working on responses.

RFP Content Management

One of the most important things to remember when designing an RFP is that clarity and accuracy are paramount to the success of the process. Involving the right people within the organization and communicating the needs of the different stakeholders will go far to obtaining the information needed to make the correct vendor decision. The more accurately the needs and requirements are expressed, the more accurate the responses from the vendors will be.

The document should be well structured and provide project background, specifications, budgetary constraints and other requirements. Group meetings and discussion with internal stakeholders should bring to light a basic project plan and specifics of the end goal.

Keep in mind that the information requested at the front end will have to be gathered and analyzed at the back end when the response documents are submitted. Information requested should be specifically pertinent to the project so that the analysis of responses received will be possible within a reasonable time frame.

On the other hand, the information requests should allow the vendor room to propose what they think is the best alternative for tackling the project and obtaining the desired customer goals. While it is necessary for the lender to have a design in mind for project success, one of the advantages of sending out the proposal to a variety of vendors is that they may have solutions that have not been considered by the project group. The means to the end should not be so steadfast that alternate solutions cannot be provided by the vendors if they see a better way of doing things. These alternate solutions can be further explored with the vendors selected to move to the interview process. Vendor creativity can be an important part of the discovery process.

The RFP should be designed and written by someone who understands the business rather than a more generic business analyst who interviews each of the business groups involved but does not grasp the specifics. Use of an uninvolved business analyst tends to produce a document with questions and requirements that are unspecific and not necessarily important to the overall goal. It can also create conflicting information that would not be obvious to someone not directly involved in the project. However, when the project manager takes on the design, the business understanding does not necessarily ensure that he will also understand how to organize and write a coherent RFP.

The following checklist provides some of the information that should be included for the vendor to understand both the organization and project needs:

- ◆ Company background – A few introductory sentences about the organization and departments that the project will serve
- ◆ Project description – Basic description to include final goals and objectives. A statement of what the problem is and the expected end results will help the vendor to provide solutions for how to get there
- ◆ Design or technical requirements – Any specifics that may be provided by the technical stakeholders in the group
- ◆ Budgetary constraints – Helps the vendor understand the project parameters
- ◆ Time frame – Milestones including proposal responses, expected decisions for narrowing the number of participating vendors, scheduled site visits, final decision, project start and finish.
- ◆ Assumptions and agreements – Anything the vendors must know as rules of the game.
- ◆ Vendor selection criteria - Should include submission information such as contact person, submission deadlines, and details on the vendor selection process.

It is always a good idea to have the different RFP project members review the document before it goes out. In addition, having someone outside the project group go over the completed document will supply feedback regarding clarity.

Gathering the Information

Once the RFP has been sent out, a system should be in place to respond to any questions or additional information that the vendors may need. If several vendors request the same information or a question arises that provides information that all the vendors should consider, it may be necessary to disseminate additional information to the entire vendor list. A supplement to the initial RFP can serve to provide the information to the vendors. This is a concise way to correct any issues within the RFP that have not been clearly thought out or defined.

Any questions that the vendors have should be submitted to the RFP project manager to respond either directly or through one of the group experts on the RFP team. It is a good way to begin to assess the individual vendors as to their ability to understand the project and their capability to handle it organizationally and functionally.

As part of the development of the RFP, the organization of the responses must be considered. Detailed data should be put together in such a way that a comparison can be made accurately to fully understand each vendor response.

Some type of scoring method for comparison is always useful for making objective decisions about the information received.

The review of responses should be done both as a project group effort and divided individually for the project members to review based on their expertise and business needs. An initial review of the RFPs returned should provide some ability to weed out any vendors who will obviously not suit the project, do not meet basic criteria, or that contain significant errors. Ultimately the project manager should decide, based on feedback from project members, which vendors should move on to the next step in the process.

There may be instances where clarification is needed from one or more of the vendors to understand their response or make a decision. The requests for additional vendor information should be done in writing to be included with the initial RFP responses so that the group can review that information as well. It may seem more time consuming to request the responses in writing, but ultimately it maintains the clarity of the process both with regard to the lender business needs and the vendor's ability to supply what is being requested.

Focus of the Site Visit

Keep in mind that the RFP will most likely not supply the final vendor decision. Rather it will serve to narrow the field to the most likely candidates who will move on to the next step in the process, which will be site visits and interviews.

Besides the purpose of narrowing the field, the RFP responses will also supply information to focus the discussion with those vendors who will be invited on site. Any ideas or suggestions that a vendor has can serve as a discussion point with that vendor and may also supply material for asking additional questions of the other vendors who will be interviewed as well. The site visits will take on a narrower focus and need not review the entire RFP document when sufficient responses have already been made.

An interview outline should be put together to keep the discussion on track, particularly since the vendors are now in a position to provide presentations that will be sales oriented.

An additional benefit to the site visit is the ability to analyze the culture of the vendor organization and get a feel as to the fit for the project. The successful vendor must have the ability to work within the lender's group, not just on a technical expertise basis, but also on a personal basis to ensure cooperation, understanding, and ability to communicate.

The site visit gives the different project participants the opportunity to meet the vendors and possibly better ascertain the personality and culture of that vendor organization. It should be requested that vendor representatives attending the meeting include others as well as the inevitable sales people who will do the presentation or the upper management group who are there to close the deal. Operations or technical people within the vendor organization

will be more important to the project success than the sales person who will no longer be engaged once the contract is signed. While it is complementary to have high-level management on the vendor side attending the meeting, they will also not be the ones to actually get the job done. It is important to ask who will be doing the work and what level they are within the organization.

Some vendors use the site visit opportunity to solidify the relationship through dinner or entertainment after work hours. This situation should be evaluated based on the lender's corporate culture with regard to socializing with vendors. There is always the opportunity to be swayed by extra curricular activities that other vendors may not have the opportunity to pursue. On the other hand, it will provide the opportunity for additional insight into that vendor. It should be mentioned that socializing with the sales group will not necessarily provide the cultural insight into the rest of the organization, however, if operations or other hands on people are in the group the additional time may be well spent.

Making the Final Decision

Once you have been through the process and have met the vendors with the best potential for success with the project, it is helpful for internal buy-in of the project to hold a final group meeting with the people who are the internal customers for the project.

A documented analysis of the final contestants and the pros and cons of each will go a long way to provide back up for the decisions being made if issues arise at a later date. Using the RFP document as a backbone for the final analysis ties in the important factors that were initially considered as well as any additional that may have come out in discussions during the process. Documentation of this kind helps the group to think through the process one final time and come to agreement through weighting of the factors considered to be most important.

In addition, once the project has begun, if the chosen vendor does not perform as promised or is for some other reason unable to complete the project, the final analysis documentation will serve to validate a replacement vendor based on specifics that were discussed in these wrap up meetings.

View From the Other Side of the Isle

In preparation for this SDW Best Practices document, interviews with both lenders and vendors were held to get feedback on the RFP process and its pitfalls. The vendor comments all seemed to indicate that many RFP requests made the process unnecessarily difficult in a variety of ways.

The most frequently mentioned issues that the vendors contended with all seemed to focus around the organizational process, or lack thereof. Vendors complained that many times the RFPs were not on focus with the project and tended to ask questions that did not appear to be necessary. This seems to be a bit of "scope creep" on the lenders part and may come from involving too many people in the design process without having a project manager who pulls it all together. Vendors complain that "design by committee" is not an effective way to produce a coherent

RFP. The questions submitted may actually be irrelevant to the project or, due to being poorly organized, the relevance may not be obvious to the respondent. The result will be that the answers will not necessarily address what is really being requested because the vendor does not understand how it fits.

In addition, the vendors state that clearly defined sections for the requirements would be helpful for better understanding of the project. Keeping all the requirements together without any organizational methodology makes it difficult to tell where one requirement ends and another begins.

Another comment from the vendors is that it is apparent from some RFP's that the project committee has not delved far enough into the process and, as a result, the questions lack specificity. Vendors are looking for an RFP to be clear and concise with regard to intended use and user. It sometimes appears to the vendors that the lender considers the project plan to be proprietary and they are not willing to provide enough information due to fear of tipping their hand. While this can be appreciated, it makes things difficult for vendor responses. Ultimately it is the vendor's goal to put their best foot forward so they need to understand what the problem that they are trying to solve.

As one vendor put it, what the lender should communicate is that they want to go from "A to B" and they are looking for the vendor to tell them the best way to get there. Vendors also said that they would like the RFP to provide a spot to communicate any additional information that would be helpful to the lender. This is particularly important with vendors who have specialized tools that do not necessarily fit into an RFP designed for the larger group.

Final Conclusions

It cannot be overemphasized that the RFP process, when done correctly, is an elaborate project that must be managed well from the start in order to take full advantage of its potential. Managing this process on a part time basis by an employee who has other full time responsibilities may extend the project indefinitely, not only keeping the final vendor decision from happening, but also holding up the ultimate goal of the project. Understanding the importance of gathering and analyzing the information in an organized fashion is the key to success. There are any number of ways that the RFP process can be made more difficult than it need be.

Listed below are some quick tips that touch on many of the discussion points covered in detail above. This list can serve as a reminder of important factors that need to be continually reinforced throughout the RFP process in order to not lose sight of organizational expectations:

10 Tips for a Successful RFP

1. Designate an RFP manager to ensure that the project is organized
2. Gather complete information internally before the RFP is written
3. Be clear about the desired end result
4. Be open to suggestions on the ways to get there
5. Focus on the relevant questions

6. Keep in mind that the responses will need to be correlated – beware of scope creep
7. Provide for a line of communication for the vendors questions
8. Design an interview process for the site visit
9. Pay attention to the company cultures and potential working relationships
10. Make sure you have the resources to get through the entire process successfully