



RFP's & Professional Services:
Finding A Better Way

BEYOND
Referrals



Strategic procurement delivers value
straight to the bottom line.

BEYOND
Referrals



Especially when procuring professional services.

BEYOND
Referrals



Strategic advantage
cannot be achieved with an RFP*
(Rarely Functional Process)



The Three Tragic Faults of A Professional
Services RFP



1. The Lawsuit Fault



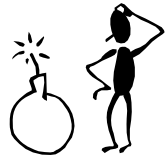
Remember the 1981 Ron Engineering Case?



By writing an RFP you are essentially writing a contract before you know or understand the best approach to solving it.



2. The Inaccuracy Fault



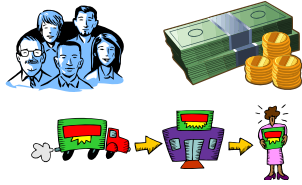
Most RFP's Evaluate the Wrong Things



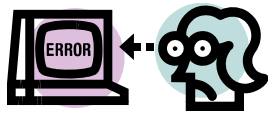
People



People, Process



People, Process, Cost



Using Flawed Measurement



"For many years our firm has been exceeding client expectations blah, blah, blah, yadda, yadda, yadda"

- Generic Statement of Every Firm

Like Scoring Subjective Statements
(Chris Jones FCAMC - Summit Magazine March 2006)



Or Using Measurement Scales That Could Arbitrarily Generate Different Results

(Alex Zhykharyev PhD - Summit Magazine December 2006)





3. The Inefficiency Fault



9.0 CONDITIONS OF SUBMISSION

9.1 "The purchaser shall bear no costs incurred in the preparation and submission of proposals in response to this request."

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The "Big Lie" buyers tell themselves.



"There is no such thing as the cost of selling.
Only the cost of buying."

Blair Enns, President Enmark Performance Development

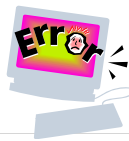




An Audit of MERX
Sunday April 6, 2008 9:00 AM CST



What's more expensive?
The fees for the winner to do the actual work?
Or the cost of finding a professional services supplier?



(Hint: It should never be the latter.)



Methodology:
Assigned RFP response costs based \$250/hour
Budget up to \$100k = \$10,000
Budget \$100k to \$1 Million = \$20,000
Budget \$1 Million plus = \$40,000



Methodology:
Calculated industry costs for proposal response
at RFP response rates of 15%, 25% and 50% of all
downloaded RFP's



The Result: Disastrous

PAMSS

| Proposal Prep Cost as % Fees | Over 25% of Fees Available | Over 50% of Fees Available | Over 100% of Fees Available |
|---|---|---|--|
| At 15% Response Rate | 17% | 0% | 0% |
| At 25% Response Rate | 33% | 17% | 0% |
| At 50% Response Rate | 50% | 33% | 17% |

A&E

| Proposal Prep Cost as % Fees | Over 25% of Fees Available | Over 50% of Fees Available | Over 100% of Fees Available |
|------------------------------|----------------------------|----------------------------|-----------------------------|
| At 15% Response Rate | 67% | 33% | 0% |
| At 25% Response Rate | 100% | 100% | 67% |
| At 50% Response Rate | 100% | 100% | 67% |

IT&Telcom

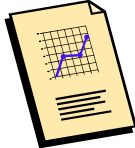
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How do we stop the madness?



Change the way we procure consultants, accountants, architects, engineers, lawyers



1. Reduce The Demands of The Initial Submission
Invite all interested firms to provide you with a one-page explanation of why they are the best firm to solve your very specific challenge.



2. Eliminate "Hail Mary" Proposals
Based only on EXPERTISE, select three firms to meet with you. In advance provide each with your budget, a brief overview of your challenge, deadlines, and relevant issues.



3. Shift From Confrontation to Collaboration

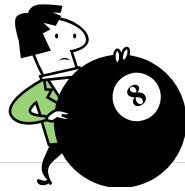
Provide one hour to discuss their relevant functional and category expertise.
Be open and answer every question honestly and completely.



NEVER share one vendor's questions with any other vendor.



NEVER ask them to solve your problem before you have hired them.



These are both unethical AND improper business practices.

PMAC Code of Ethics Section B.6.

To subscribe to and work for honesty in buying and selling and to denounce all forms of improper business practice.



4. Invite The Best Firm To Write An Accurate and Meaningful Proposal

This agreement becomes the basis for your contract. You can now write an informed, accurate contract, instead of a speculative RFP.



The Benefits of This Process

1. Reduced vendor costs - which you can share
2. Reduced buyer costs – which you will keep
3. More accurate selection of vendors
4. More participation by better vendors
5. Integrity and responsibility



“In recent years, instead of issuing an RFP, we invited only the preferred insurance provider in our sector to meet with us and discuss our coverage needs and challenges. The process was quicker and less costly for our firm than previous RFP’s, and the result was better insurance advice and coverage at a significantly lower cost.”

Kevin Klippenstein, CA, CFO Parrish & Heimbecker, Limited
Winnipeg, Manitoba



“What an RFP measures, is the ability of a consulting firm to respond to an RFP. That may – or may not – have anything to do with their ability to help resolve the particular issue your organization is facing.”

Bob Brown, Managing Director, Consulting Intelligence LLC
Tampa, Florida, USA



Given that many firms hire an outside firm to write their proposals for them, what - or who - is an RFP really evaluating?



But the real question is...



Are you adding value, or just adding paper,
when you procure professional services?

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Referrals
RFP'S

www.BeyondReferrals.com

Cover illustration by Mike Constable
