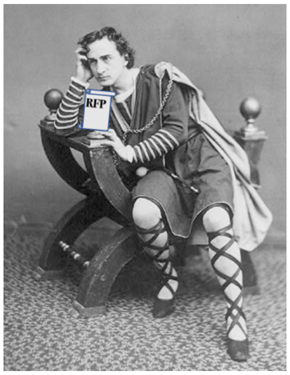
The RFP - To Bid or Not to Bid?

This is a 5 minute read about the dangers and inefficiencies of the usual procurement process.



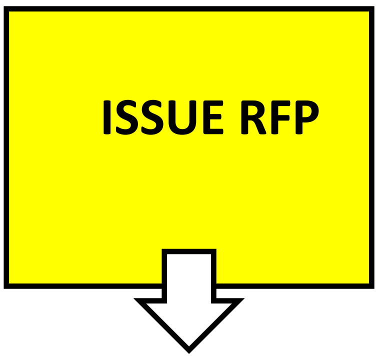
To bid or not to bid? That is indeed the question!

Whatever side you are on in the commercial divide – seller or buyer - the expectation is that of course you will bid. Even though the inherent inefficiencies in the process creates aggregate losses that impact project, corporate, government, and national productivity, the process proceeds unchanged.

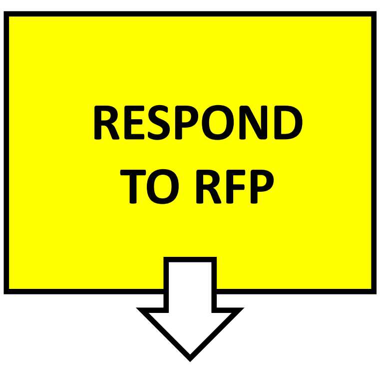
But occasionally you win and life is good, unless you underbid!

The Way Procurement Works

This is the way it is, with woefully few exceptions.



The client (buyer) gathers requirements and distributes to the preferred list of vendor firms (sellers) in a Request for Proposal (RFP). There are no standards that govern this. Occasionally a client will have his budget checked by a third-party consultant who will be privy to client details, but forbidden from bidding. Very rarely, vendor feedback will be solicited and incorporated prior to issuance. Losses occur due to failure to filter unqualified candidates, misrepresentations, and incorrect estimates.



The vendors work to prepare a proposal that is fully compliant with requirements. Alternatives are usually disqualified. Proposal formats are often dictated by the client, but there is no standard for clients to follow. RFP clarifications may be provided, usually in open forum at a bidders' conference. Inconsistencies (e.g. need for high quality <u>and</u> rapid delivery) are seldom discussed in order to avoid competitive disclosures or client antagonism, and are therefore unresolved. Losses arise from lack of RFP clarity, discarded responses, cancellations, or withdrawals and re-issues.

Clients use a variety of techniques and processes to arrive at a winning bid. Although there is no standard, there is a degree of consistency (short lists, decision matrices, presentation formats, references, T&C negotiation) usually found in the market place. Losses can arise as a result of pre-judged preferences by clients and unwarranted assumptions by vendors.

The adversarial system governs contract law, and that is generally the underlying tone of the contracting phase. This can easily permeate into the delivery phase, which is rarely seen as representing a significant client responsibility as the vendor has signed up, and usually for a fixed price too! Losses can arise from selection of the incorrect contract type, inefficient terms, and excessive start-up delay.

More often than not, after a few drinks at the vendor's Friday night stress-reliever, someone will say "You know, if it wasn't for the client, this would be a good project!" Not really funny. Seeking false productivity, buyers and sellers tend to operate as silos. Communications get tangled, misunderstood, and complex. During delivery, the contractual relationship introduces brand new causes for failure, and amplifies the traditional ones.

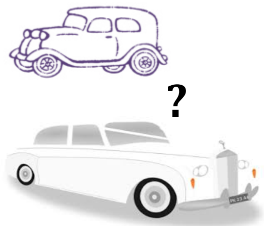
Silos, Scope, Accountabilities, Sign-offs, Process, Quality, Risk, Estimates, Complexity, Distrust . . .

The client is frequently over-dependent on the vendor for risk, quality, and process management. The project environment can be overly complex, slowing things down and requiring political navigation. Clients fail to ask for meaningful status, fail to train their own staff, and often by default let the vendor entirely drive the project. And if they don't do that, then they micro-manage!

The Pains of Experience

You might be thinking "it's not that bad, surely?" Yes, it is. Not all the time, of course, but most of the time. Following are typical experiences, which have been repeated many times:

Very Ambiguous Scope



Exact scope assessment is vital for accurate estimates. A vendor firm will often task their estimators with two independent top-down estimates of a newly issued RFP. Results can be shockingly variable, in one case I recall by an order of magnitude. The boss wisely no-bid. Unfortunately, in that example the client wanted our firm to do the work but didn't even get a bid to evaluate. The project went to a main competitor and was not a success.

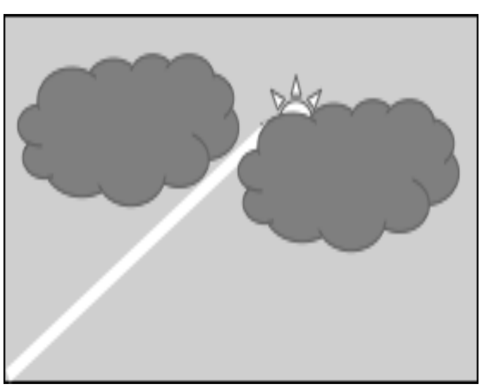
An Inadequate Budget

Large projects are frequently under-estimated by clients and budgeted prior to RFP release. Large bids are very expensive for vendors to assemble, and often require firms to negotiate tentative commitments pending contract award. These scenarios create huge difficulties, sometimes even leading to project cancellation because all bids received were outside the allocated budget.

Best-Price Consortium

In laudable attempts to reduce procurement effort and waste, though retain competitiveness, clients can limit their vendors to 2 or 3 firms and create a consortium, but must strive to keep each minimally employed to retain in the consortium. Inevitably, communication with competitors becomes ritualistic and distrustful, causing projects to operate as silos even more than usual and introducing a new level of finger pointing. Vendor selection for projects, usually based on price, does not always meet the end-users' preferences and as vendors learn the procurement rules inevitably leads to some gaming of the system.

The Thin Ray of Hope



Perhaps the most common and perplexing source of difficulty lies in a client's uncompromising demand for vendor commitment to incompatible objectives or unrealistic requirements. These may relate to T&Cs, but more often involve the triple constraint. At one very memorable short-list presentation, a client demanded commitment to their 'plan' and struggling for the right words I said, "there is a thin ray of hope" their plan could be achieved! My boss gave me a wry smile and some performance feedback over a beer later. A firm who made the commitment was selected and the project was a disaster, running several times over the planned cost.

The Takeaway

All of these outcomes are avoidable. Obviously, bids can be cancelled, scope can change, pricing can be challenged, and schedule needs are important. But if all parties are transparent about the factors in play there is a much better chance of the client getting mostly what she wants and the vendor community left with the knowledge that their efforts were valid and not wasted.

In a future post I will indulge briefly on how this could work (in the ideal world coming to a utopia near you), and use this to outline a handful of techniques that should be used by vendors to make a difference in today's real world.

Robin's new book Commercial Project Management – A Guide for Selling and Delivering Professional Services published by Routledge is a complete exposé for the commercial environment. The complementary 2-day seminar, delivered in Robin's enthusiastic style, is packed with insider tips, techniques, and (mainly) true cautionary tales. Contact Robin at tmi@telus.net. A pdf download of this article can be found at www.tmipm.com

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