



Unpacking Competitive Bidding Methods

Unpacking Competitive Bidding Methods:

The Essential ABCs of the Various
RFX Methods

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EXECUTIVE SUMMARY

Everyday hundreds of organizations conduct competitive bids to pick the best supplier to meet their needs. Unfortunately, too many organizations are using the wrong tools for the wrong job – often resulting in selecting the wrong supplier or developing a contract that is misaligned with the organization’s objectives. Simply put, using the wrong competitive bidding method is like putting a square peg in a round hole. Forcing it to fit is myopic and inefficient.

To further complicate things, newer more collaborative approaches have emerged which tout the benefit of allowing buyers to gain insight and improved supplier innovation. The question arises – which tool is the right tool for my situation? We believe today’s sourcing professional should understand and enthusiastically embrace the entire suite of tools in their sourcing toolkit to carefully select the technique that is most appropriate for their situation.

Purpose of this Paper

This paper is a collaboration between several experts in both private and public procurement. It is not an academic paper—rather it is a practitioner’s guide to help procurement professionals better understand each of the various competitive bidding methods and when the use of each are most appropriate. We have one goal: to help bring awareness to procurement professionals throughout the world of the various tools and when to use them. In short, we are “unpacking” competitive bidding methods—referred to in shorthand terms as RFX processes.

Structure of this Paper

This white paper explores the various solicitation techniques. We review six different methods – ranging from those to be used in a highly competitive commodity “market” such as electronic auctions to highly collaborative requests for solution and requests for partner techniques. It has four sections:

- **Part 1 provides insights into the changing landscape of strategic sourcing.** In this section we explore some of the most prevalent trends that are impacting strategic sourcing and show why procurement professionals need to insist on challenging their thinking and embracing more collaborative techniques
- **Part 2 is an introduction to the RFX methods** where we provide a high level overview of each of the various RFX methods most commonly used in practice today.
- **Part 3 “unpacks” the various RFX methods in more detail**, reviewing what, why, when and how each method is used.
- **Part 4 offers a conclusion and a challenge** for procurement professionals to embrace more collaborative methods when appropriate.

We hope you’ll find this white paper a valuable resource to help you shift your thinking to an environment that demands strategic sourcing in a new economy.



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PART 1: CHANGING LANDSCAPE OF STRATEGIC SOURCING

For centuries, organizations have thought of procurement as a “make vs. buy” decision. This is especially true as organizations began to explore outsourcing. Many falsely assume if they “buy,” they should use competitive “market” forces to ensure they are getting the best deal. In doing so the default approach is to use a transaction-based model. This works well for simple transactions with abundant supply and low complexity where the “market” can correct itself. After all, if a supplier does not perform, just rebid the work.

However, as organizations outsource and procure more complex goods and services, this logic no longer works. All too often buyers become co-dependent on suppliers, switching costs are high, and suppliers have a “locked-in” position. Take the movement of Global Business Services (GBS) as an example, where organizations create operating models in which for example, IT, Finance and Procurement are being bundled and provided by one supplier in collaboration with the buyer’s demand organization. Sourcing this type of business is very intrusive and complex and when done in the wrong way the risks simply become too big.

Moving beyond transaction-based sourcing models is not only a way to manage complex goods and services; it is also a means to unlock value. In a transaction-based model it is unlikely that the buyer will get any value beyond cost cuts, as only price according to specification is asked for. And as the specification needs to be fairly narrow, even cost cuts are deemed to be limited in the long run. In an increasingly globalized and competitive world companies are indeed looking for value beyond cost when it comes to complex goods and services, such as innovation and flexibility, and benefit from recognizing alternative sourcing models. Furthermore moving towards more strategic sourcing and partnership models will enable a more distinct and direct connection to corporate strategy. As a result the sourcing/outsourcing deals get higher CxO attention and in some cases their ownership. Most importantly, this enables support organizations to create real value for the core business.

Dr. Oliver E. Williamson – professor of economics at the University of California, Berkeley – challenged the traditional view of sourcing practice with his work in Transaction Cost Economics. Williamson received the Nobel Prize for his work in 2009. One of Williamson’s key lessons is that organizations should view sourcing as a continuum rather than a simple market-based make vs. buy decision.

Perhaps the best way to think of Williamson’s work is to consider (**Figure 1** following page) free-market forces on one side and what Williamson refers to as “corporate hierarchies” on the other. In the middle, Williamson advocated that organizations should use a “hybrid” approach for complex contracts.

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Figure 1: A Continuum of Sourcing Solutions



Strategic Sourcing in the New Economy

The book *Strategic Sourcing in the New Economy: Harnessing the Potential of Sourcing Business Models in Modern Procurement* links seven Sourcing Business Models that fall into the three categories along Oliver Williamson's sourcing continuum.

- Transactional (Williamson's "Market" category)
 - Basic Provider Model
 - Approved Provider Model
- Relational (Williamson's "Hybrid" category)
 - Preferred Provider Model
 - Performance-Based/Managed Services Model
 - Vested Business Model
- Investment (Williamson's "Hierarchy" category)
 - Shared Services Model
 - Equity Partnerships (e.g. joint ventures)

The models differ from a risk/reward perspective and should be evaluated in the context of what is being procured. The characteristics and attributes for each of these approaches are reviewed in detail below. **Figure 2** shows how the Sourcing Business Models fall along the sourcing continuum.

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Figure 2: Sourcing Business Models on the Sourcing Continuum



RFxs in Context

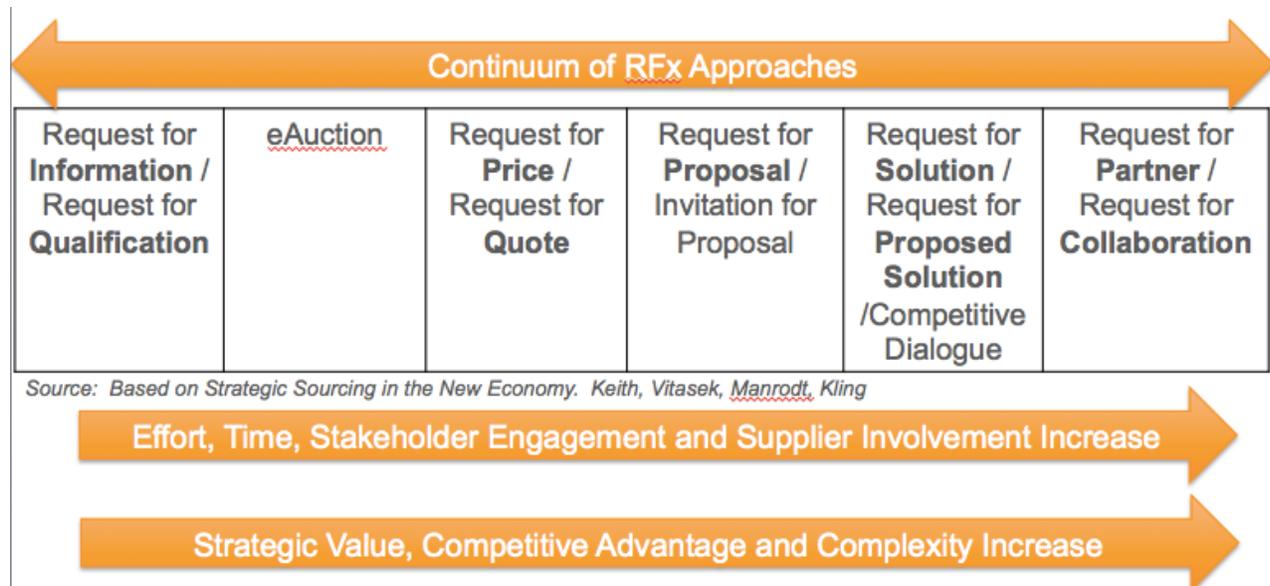
There is a clear shift occurring in strategic sourcing to more strategic, performance-based and “Vested” outcome-based supplier solutions. This has resulted in organizations needing to use more sophisticated and collaborative RFX approaches that seek to buy “solutions,” “strategic partnerships” or “alliances.”

Today, organizations are turning to more collaborative types of approaches designed to help buyers and suppliers evaluate “solutions”—not just a supplier’s price bid for a standard commodity or service specification. These more collaborative techniques are essential when an organization strategically moves to more value-based Sourcing Business Models.

Unfortunately, many practitioners get confused on when to use each RFX method. We suggest thinking of the various methods along the sourcing continuum - with very basic sourcing initiatives requiring RFX methods that require little effort, time and stakeholder involvement and highly complex or strategic sourcing initiatives demanding more sophisticated approaches. Figure 3 maps the various types of RFX methods along a continuum. You should think of direct correlation with your effort and the desire of your organization to shift to more strategic Sourcing Business Models that have a goal of creating value and driving a competitive advantage through supplier collaboration and innovation.

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Figure 3: Continuum of RFX Approaches



Factors to Consider in a Solicitation

While the procurement cycle does not start with the RFX/solicitation, virtually all strategic sourcing processes include a competitive bidding step. As you manage your solicitation process and develop your solicitation plan, there are several factors to consider. First, you need to determine the most appropriate solicitation process to use. Buyers have a range of competitive bidding options and it is important to align the appropriate method with your sourcing situation. When dealing with a complex situation a set of RFX methods are commonly needed. Limited market maturity can, for example, constitute a complex situation resulting in the need for an RFI to understand the market capability. Parts 2 and 3 of this white paper provide more insight into the various RFX methods and when to use them.

Another factor to consider is how frequently you bid out the spend category. As a general rule, you bid out a spend category less frequently as you move along the sourcing continuum to more sophisticated Sourcing Business Models. This makes sense because it takes more time and diligence to conduct a solicitation for a more complex and higher-risk spend category. If it takes six months to do a source selection, you shouldn't be bidding out the spend category every six months. Another way to find the appropriate bid frequency is analyzing the payback time. As an example a complex spend category normally requires higher investments from the supplier and buyer, hence a longer contract period is needed. The potential annual savings made by the buyer will affect the contract length. The implementation time will also affect the appropriate contract length.



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A third factor is to decide what you will emphasize in the solicitation. For example, will you seek lowest price or best value for your sourcing decision? Will you seek to buy transactions, buy supplier outputs or buy broader achievement of business outcomes? Perhaps you are looking to shift risk and want a performance-based agreement? Your solicitation must align with the Sourcing Business Model in place; if not, you risk creating a Sourcing Business Model mismatch.

The last factor a buyer should consider is the level of effort necessary for the solicitation and how long the process should take. For example, how much detail do you need to capture from suppliers to feel comfortable making your final supply base decision? This factor also includes identifying the most appropriate internal resources that must be involved in the preparation and review process. As you move along the sourcing continuum, you should involve more stakeholders and take more time for the solicitation process. It is also important to take market maturity and the nature of the scope into consideration when estimating the required effort of a sourcing process. Highly complex relational Sourcing Business Model solicitations can take up to six months and involve a dozen or more people (think of a large IT outsourcing initiative).

Part 3 goes into detail about each of the solicitation methods and addresses each of the above factors you will need to consider. The goal to help you put each of the methods in context and learn when it is most appropriate to use each of the various methods.

PART 2: HIGH LEVEL OVERVIEW OF RFx METHODS

A key part of selecting the appropriate RFx approach is understanding the various types of methods that can be utilized.

Every type of RFx is a solicitation for some sort of “quote” from a potential supplier. The quote may be for a “price,” a “solution,” a “proposal” or some other offering in response to the company’s business requirements and specifications. The term “request for quote” is commonly used for a variety of solicitation types but this white paper intends to more closely address the types of solicitations and the objectives they are each seeking to achieve.

The objectives of each RFx type change across the continuum of the Sourcing Business Models. Starting with market driven business models such as Basic Provider or Approved Provider, the objective of the solicitation is to get a price. While price is still important in the balance of the Sourcing Business Models, as you advance on the continuum, the emphasis changes to include other objectives, such as integration into the buyer's business process to gain efficiencies and continuous improvements. As the buyer and the potential supplier seek to find a mutual value from their engagement, the solicitation changes to include strategic objectives and innovation for both parties and seeks a collaborative business relationship.

An important dimension in embarking on a strategic sourcing journey is to “know what you want” and be concise. In the beginning of a process it must be clear what the intentions from the buyer



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are, and that the intentions stay intact throughout the sourcing process and the prolongation of the future agreement. For example: Company A issues a RFI to the global Real Estate and Facilities Management market describing their intentions to find and form a strategic partnership, however when supplier B is in final negotiations Company A acts and behaves as they are looking for a Request for Price.

Types of RFx methods

There are six primary types of RFx methods – but often these methods have different names/terms. We have chosen to use the term that is most popular, but also list alternative names used to describe the same or roughly similar concept.

1. Request for Information (RFI) (also referred to as a *request for qualification*) - used to obtain general information about products, services or suppliers. An RFI is sometimes used to gather benchmark information and general market data from the marketplace. Buyers rarely if ever pick a supplier based on RFI information rather they use the information to help them further refine the RFx approach. As such, an RFI typically precedes other RFx processes and often is used to help a buyer to down-select the number of potential suppliers it will evaluate. An RFI can be used with any of the RFx processes, but it is almost always used with a request for proposed solution and a request for partner process. Note that an RFI is not binding for either buyer or supplier. RFIs range from simple requests aimed at gathering market intelligence to more comprehensive requests asking suppliers to answer detailed questions about their qualifications. Organizations that are seeking to understand supplier qualifications from an RFI will often use it to down-select suppliers to a smaller list that will be asked to move to a more comprehensive stage of the competitive bidding process.

2. Electronic auction (e-auction) — an online, price-centric auction where purchasers specify what they are interested in buying and prospective suppliers respond by entering competing bids. Often suppliers are pre-qualified to participate in an e-auction. There are various types of e-auctions including a *reverse auction* where a single buyer uses a fixed-duration bidding event in which multiple prequalified and invited suppliers compete for business. Potential suppliers review the requirements, choose to bid and enter their selling price(s) and other qualifying criteria as requested. Suppliers' prices are visible to other competitive bidders, often resulting in successively lower prices. A seller-driven e-auction is an electronic, online auction where suppliers post items for sale and buyers bid on the items.

3. Request for Price (also referred to as a *Request for Quote*) – used to obtain price offers for a specified product or service. These are used for more standard acquisitions that are based on price or cost considerations. Buyers using a request for price must be sure to properly define the requirements so there is no ambiguity for the supplier. The law may or may not treat a quotation as a binding offer.



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4. Request for Proposal (also referred to as an *invitation for proposal [IFP]*) — used to obtain pricing as well as detailed descriptions of services, methodologies, program management, cost and other support provided by the supplier. Request for proposals are used for larger, more complex and technical acquisitions where selection is based on factors beyond just price or cost, such as technical capability, capacity and potential shared design with the supplier. A request for proposal is often a follow-up to an earlier request for information (RFI). A request for proposal allows a buyer to specify requirements and allows suppliers to begin to define some of the “how.” For example, a buyer may ask a supplier to outline how it proposes to manage quality.

5. Request for Solution (*RFS*; also known as *request for proposed solution*) — a collaborative process in which a buying organization has a dialogue with potential down-selected suppliers with the intent of collaborating to determine the best solution to meet the buyer’s needs. A request for solution is different from a request for proposal because the buyer does not know the solution; rather it is asking suppliers to propose the most appropriate solution. The buyer gives limited direction on what the solution may be, and instead requests the suppliers involved to design a solution to meet business requirements. The European Commission’s competitive dialogue process is one form of a collaborative request for solution.¹

6. Request for Partner – (also known as a Request for Collaboration or a Request for Mutual Value Solution) — a highly interactive process used when a buyer is actively seeking not just a solution from a supplier but also compatibility across multiple providers’ cultures, mindsets and willingness to engage in a collaborative relational contract. A key part of this process is a request for proposed solution, which is used when selecting a supplier for a Vested model. A request for partner is typically focused on supply solutions that include joint investment or collaboration between the buyer/company and the supplier(s) selected over a longer time horizon.

RFx Processes in Context – The Key Factors to Consider

Prior to launching any RFx, an organization should do their homework by completing an assessment and analyzing their needs. The book *Strategic Sourcing in the New Economy* outlined 20 key sourcing considerations organizations should make as they approach any sourcing initiative. A typical strategic sourcing initiative includes an “Assess” phase where buyers seek to link requirements to business objectives. In addition, organizations perform various types of analysis (external market analysis, costs analysis, supply market analysis, benchmarking, etc.). Buyers also need to assess the level of risk associated with the sourcing initiative and determine how to balance value between the business and suppliers’ organizations.

From a macro view, regardless of the RFx technique used, common themes emerge in considering key factors. These are addressed below.

Sourcing Governance and Stakeholder Involvement

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A key difference in each of the solicitation processes is the level of effort in terms of business stakeholder and supplier involvement. As you shift across the sourcing continuum, you will use a more sophisticated RFX process and spend more time in preparation and evaluation of the RFX proposals. The business stakeholders will be heavily involved in determining the specific final selection criteria and will participate in determining the weight factor assigned to each criterion based on its importance to the business. In addition, suppliers will play a bigger role in both helping to determine potential specifications as well as in preparing their responses. (See Figure 4 on the following page).

Due to this increased level of involvement of stakeholders (internal and suppliers), the buyer may need to utilize a more collaborative RFX technique. These methods will also require a longer time frame to structure, select and implement. *Thus, the importance of a well-balanced and adequately represented steering group for governing the process increases with complexity.*

Figure 4: Stakeholder Involvement along the Sourcing Continuum



Competitiveness of Approach

A second key difference is in the competitive nature of the approaches. While all of the processes strive to create a competitive environment aimed at fairly selecting a supplier, the level of interaction with suppliers is different. As you shift along the sourcing continuum, you will need to rely on RFX approaches that use more collaborative approaches purposely designed to build interaction with suppliers and create a conducive environment for suppliers to develop an output or outcome-based solution. Competitiveness is measured more by the value of the potential solution, ability to drive transformation or innovation and supplier fit than price alone.

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Frequency of Bidding

A third key theme that evolves is that buyers consciously choose to use bidding cycles that are longer term in nature as they shift along the sourcing continuum. This makes sense because more comprehensive and complex sourcing situations require increased preparation and negotiation time due to the scope of the solution and the length of the intended supply term. These agreements are typically costly to switch and require increased stakeholder engagement. More strategic categories are usually competitively bid via a request for proposal or request for solution approach, whereas categories with significant leverage either in volume or in the competitiveness of the supply market may be sourced via a request for price or request for proposal. Let's use the United States Navy contract for Auxiliary Power Suppliers as an example. An APU is a device that supplies power to weapon systems such as aircraft when they are "on the ground." The Navy chose to create a 10-year contract due to the complexity of the performance-based solution they were working to develop and the criticality of the product.

Part 3 of this white paper is devoted to "unpacking" each of the RFX methods in greater detail. We provide insights into how each of the RFX methods vary for each of these factors.

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PART 3: UNPACKING RFX METHODS

This section is devoted to providing a structured approach to help procurement professionals understand each of the RFX methods. For each of the six RFX methods we explore, we share:

- Similar Terms/Synonyms
- Definition
- Purpose/When to Use
- Overview of the Process
- Suggested Stakeholder Involvement
- Suggested Supplier Involvement
- Appropriate Timeframe
- Recommended Frequency of Use

Request for Information

Similar Terms/Synonym

Request for Qualification

Definition

An RFI is a non-binding process that buyers use to gather written information from potential suppliers to help a buyer either complete a market assessment or down-select the number of suppliers it will work with based on the suppliers' qualifications.

Purpose/When to Use

An RFI is used to obtain general information about products, services, or suppliers. It is sometimes also used to down-select the number of suppliers that will progress to a second and more formalized bidding step (such as an e-auction, request for proposal, request for solution or request for partner).

Buyers use RFIs for one of two reasons. One is to gather benchmark information and general market data from the marketplace as part of a buyer's market assessment phase of sourcing cycle. The result of an RFI may actually help determine the RFX method used in the next step of the sourcing process. RFIs are often also used to prequalify and down-select the number of suppliers that the buyer will work with using a more formal competitive bidding process.

It is important to note that buyers rarely if ever pick a supplier based on RFI information. Rather they use the information to help them further refine their RFX approach. Often RFI information is used in developing a sourcing strategy, building a supplier database for future needs, or in



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preparing the buyer with the needed information to create a more formal RFx step. As such, an RFI typically precedes other RFx processes. An RFI can be used with any of the RFx processes, but it is almost always used with a request for proposed solution and a request for partner process (discussed later).

It is important to note that in virtually all countries known by the authors an RFI is not binding for either buyer or supplier. In short, buyers are not obligated to purchase goods or services simply because they issued an RFI. Thus it is very important for buyers to be specific as to the purpose of the RFI (generating general market data or using the information to down-select suppliers). Clearly stating the purpose of the RFI will allow the supplier to make a good judgment about how much time to invest in the RFI process. The stronger the buy signal, the more effort the supplier will put into the RFI response.

Overview of the Process

Buyers typically develop a set of standardized questions that potential suppliers are asked to respond to. Requests are made typically during the Assess and/or Analyze phase of a sourcing cycle where a procurement professional cannot clearly identify requirements, specifications or supplier capabilities.

Normally an RFI is designed with a format that allows for easy comparison of key data. For example, a logistics supplier may fill in a table that indicates the countries where it offers services.

For more complex sourcing situations, it is important for RFIs to focus on requirements that are unique to their business needs that are less likely to be addressed by every potential supplier.

Ideally, an RFI identifies the requirements or expectations of the organization and requests specific answers for how potential suppliers will meet them. For example, an RFI for logistics support may ask if suppliers have certifications to handle hazardous material or have experience in pharmaceutical distribution with specific cold storage and tracking needs.

A good example of an RFI in action is the Minnesota Department of Transportation (MnDOT). MnDOT used an RFI (what they termed a request for qualification) to down-select the supplier finalists who were invited to bid on the I-35 Bridge rebuild.

To ensure fairness, the process involved multiple committees and advisory groups that used a clearly defined best value formula for selecting the winning bidder. By law, MnDOT was required to publicly disclose the selection criteria, which included:

- Proposer's experience as a constructor, designer or design-builder
- Key personnel
- Technical competence
- Past performance on similar projects
- Safety record
- Availability to and familiarity with the project locale

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As part of the RFI, a technical review committee reviewed the responses and five suppliers were invited to participate in a formalized public procurement tender process. The RFI was designed to offer a quick turnaround from suppliers – offering suppliers only three days to respond. The intent was to identify qualified suppliers who would be good candidates for taking on the complex bridge clean up and rebuild project.

With competent suppliers in the pool, MnDOT then moved on to the second phase of their procurement process and issued a formal request for proposal.

Another very common use of the RFI is in the early stages of IT/Business Systems procurement where the very long and confusing list of potential system capabilities of major systems needs to be refined to reflect the buyer's particular needs.

Suggested Stakeholder Involvement

In building the request for information document, stakeholders are critical to defining and validating the business requirements for which the supply base gives input. While stakeholders may have a limited role on the back end of the process in evaluating the RFI responses, they are critical on the front end in ensuring that the requirements and/or market data being requested are relevant and in line with changing business objectives. Stakeholders may also have a role in identifying the targeted supplier list to which the RFI is published. It is important to review the targeted supplier list with key stakeholders to make sure that all potential suppliers (both new and incumbent) are included.

Suggested Supplier Involvement

Buyers who use an RFI may enter into discussions with suppliers as part of their market intelligence efforts. While supplier interaction may exist prior to issuing the RFI, typically there is little or no physical interaction outside of the supplier responding to an RFI.

Unfortunately, far too many public procurement professionals fear that talking to suppliers will give an impression of unfair competition. While public procurement policies vary across countries, the US government policy is “Prior to issuance of the solicitation, government officials – including the program manager, users, or contracting officer – may meet with potential offerors to exchange general information and conduct market research related to an acquisition. In fact, the FAR, in Part 15, encourages exchanges of information with interested parties during the solicitation process, ending with the receipt of proposals. There is no requirement that the meetings include all possible offerors, nor is there a prohibition on one-on-one meetings. Any information that is shared in a meeting that could directly affect proposal preparation must be shared in a timely manner with all potential offerors to avoid providing any offeror with an unfair advantage (FAR 15.201(f)).”²

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Appropriate Timeframe

There is no supplier selection as part of an RFI. However, it is common to give suppliers between one and four weeks to complete an RFI. The timeframe varies based on complexity of what is being sourced.

Recommended Frequency of Use

There is no rule of thumb for how frequently an RFI should be conducted. Rather, the frequency should be coordinated with the issuance of a more formal competitive bidding process such as an RFPrice, RFProposal, RFSolution or RFPartner process.

RFIs that are used for benchmarking are typically conducted at periodic intervals based on the nature of the goods or services that are being conducted. For example, some IT outsourcing agreements have formal clauses that allow buyers to perform price benchmarking annually. However, RFIs should not be done repeatedly without the intent to buy. Suppliers that learn buyers are simply “price checking” become leery of participating and pay less attention to RFI requests. They ultimately wind up not responding or submit less valuable data when they do not feel their data is being used in a way that maintains their competitiveness and opportunity to win the business.

E-Auctions

Similar Terms/Synonyms

Electronic Auction, Reverse Auction, Seller-Driven Auction, Online Negotiation

Definition

An auction is a price-centric bidding event. Procurement organizations using auctions typically use **e-auctions** (electronic auctions). E-auctions are transparent and bidders and sellers see the price in real or near real time. Many procurement professionals view an e-auction as a form of a request for price. We view this as a separate process because the nature of the process is different than a standard request for price process. In addition, e-auctions can involve suppliers initiating the buying process, which is different than a request for price.

Purpose/When to Use

The purpose of an e-auction is typically to get the **best price** for the good/service that is specified in the e-auction, although they are sometimes used to get the best total cost, which includes non-price criteria as well. E-auctions are most appropriate for goods/services that are generic in nature and have very clear specifications and multiple suppliers in the marketplace. This approach also

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works more effectively for buyers where supply exceeds demand. As a general rule, e-auctions become less appropriate for more sophisticated Sourcing Business Models.

Overview of the Process

The two most common types of e-auctions are forward auctions and reverse auctions. A **forward auction** (also referred to as **seller-driven auction**) is an electronic, online auction where several buyers bid for one supplier's goods. Most forward auctions are for consumer items (think of e-Bay, which allows individuals and companies to post their products for sale where buyers "bid" on their various items). While forward auctions are used in procuring goods and services for businesses, the most common type of auction used in modern procurement is a reverse auction.

A **reverse auction** is a buyer-driven auction where a single buyer uses a fixed-duration bidding event in which multiple pre-qualified and invited suppliers compete for business. Reverse auctions are the most common type of e-auction used for business purposes. Typically suppliers are pre-qualified to participate in the auction. Potential suppliers review the requirements, including the buyer's terms and conditions. Approved suppliers are given instructions for bidding. During the course of the actual reverse auction event, suppliers bid against one another. Suppliers' prices are visible to competitors, often resulting in successively lower prices as the suppliers compete to win the buyer's business. The winning bidder is the supplier who offers the lowest price. Buyers are typically required to create a contract and the suppliers are typically required to deliver the goods. Renegotiations should generally have been excluded in advance.³

Reverse auctions became popular in the 1990s – but their popularity has waned since.

A well-run auction establishes clearly defined rules that are obeyed by all market participants. The following seven success factors are openly promoted as best practice:

1. Define Requirements and Goals - As with every other step of the sourcing process, good requirements, along with clear goals, are key. Be sure to understand what the strategy is for lowering or controlling costs, for optimizing the supply base and for process improvements.
2. Invite all Potential Suppliers to an Open RFI - Do not limit the organization's supply base to current suppliers as sometimes the best process and cost savings can come from new suppliers with streamlined processes, innovative production technologies and lower production costs.
3. Pre-Qualify Capable Suppliers - It is critical to not invite suppliers to an auction that are not capable of meeting the organization's needs. This will only garner resentment from other suppliers and possibly cause significant production delays if it is not discovered until after the award that the supplier cannot deliver.
4. Clearly Document All Requirements - Good documentation is the key to a successful sourcing project in general. With a global supply base staffed by individuals of distinct

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cultures, each with their own internal understanding of what a (foreign) term or requirement could mean, there are really no common terms or definitions – but detailed documentation can avoid this problem and avert potentially costly misunderstandings.

5. Hold a Q&A Training Session - Don't assume the auction tool is easy or natural for your supplier. Whereas your buyers have probably been trained on it, used it, and are accustomed to using it as part of the process, it might be a new tool, concept or even business paradigm for one or more of your suppliers.
6. Monitor the Auction - It's important to make sure that things run smoothly. If one or more suppliers fail to bid relatively promptly or the refresh rate is sluggish or non-existent, either the buying organization or one or more supplying organizations might be experiencing problems. A buyer should be ready to step in and offer help or remedy the situation in an instant.
7. Follow Through and Award Promptly - It's important to be prepared to allocate awards and follow through on negotiations promptly and within the promised timeframe.⁴

Suggested Stakeholder Involvement

The very nature of an e-auction implies multiple approved suppliers compete on volume, price and schedules. As such, it is critical to gain stakeholder alignment on final selection criteria prior to the auction. Procurement professionals running e-auctions should seek out stakeholders to define the criteria. The stakeholder group will vary based on the nature of what is being procured, but often involves individuals from engineering, quality, manufacturing, master scheduling and customer service.

Suggested Supplier Involvement

Suppliers are typically pre-approved to be on the e-auction list. This is usually done through an RFI prior to the e-auction. Participating suppliers receive a formal notification indicating how to participate in the e-auction. Procurement professionals need to factor in timing for suppliers to ask questions in the bid before, during and even after the event.

Appropriate Timeframe

E-auctions will vary in time. In order to have a successful e-auction, the buyer (team) will need to have all information to the participating suppliers. E-auctions typically last 1-4 hours, depending on the amount of information in the bid package, the questions that may be asked and the final selection criteria from the buying organization.

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Recommended Frequency of Use

The frequency of a reverse auction will depend on the commodity or product being sourced, the complexity of the product, the supplier “change frequency” that the buying organization can manage, as well as other factors. For example, having a reverse auction for a standard “off the shelf” chemical or resin used in chemical production with a market price fluctuation that changes monthly, may warrant an e-auction every 3 or 6 months. Yet, an electronic product, used in the manufacturing of a control unit for a locomotive, may warrant an e-auction for a 1-year supply. The buying team will need to determine this factor PRIOR to the auction event.

Request for Price

Similar Terms/Synonyms

Request for Quote, Request for Price Quotation

Definition

A **request for price** is a highly competitive bidding technique where buyers seek competitive pricing for a good or service. While pricing is the main selection criteria, price may not be the only factor a buyer considers. When quality, delivery or other criteria are important, buyers must design the request for price in a way that “designs in” the required specifications using a tightly written list of requirements and specifications upon which suppliers are invited to place bids.

Purpose/When to Use

A request for price is best used when selecting a standardized good or service based on price.

For example, let’s say you are the buyer for a large oil and gas company. You are assigned to support a particular business unit that is doing an exploration project in a remote region of the world. A key piece of equipment goes down and needs a bearing. A team member from the business unit calls in a panic. They let you know the part is an SKF 7322 BEGAM. Your existing approved suppliers do not ship to this part of the world. You go online to find authorized SKF distributors closest to the exploration site and request a price for delivery to the exploration site. You’re in luck. One of the distributors can deliver the part within 24 hours. You make the purchase online with a corporate procurement card (or electronic funds transfer).

Request for price methods are ideal for transactional business models where you are buying a standardized part or service. The beauty lies in the simplicity because transactional models work best when significant numbers of capable sources provide market competition to keep prices low. More complex goods and services should use a request for proposal, request for solution or a request for partner.



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A request for price is often used in conjunction with other RFX methods. For example, a request for price may come after a request for information (RFI), once the buyer has a good understanding of the specifications and market capabilities.

In other cases a request for price is used prior to issuing a more comprehensive request for proposal to determine general price ranges. In this scenario, products, services or suppliers may be selected from the request for price results to bring in to further research in order to write a more fully fleshed out request for proposal.

In addition, many organizations use a request for price in conjunction with their Approved Provider program. Take for example an organization that has sourced travel services and has contracts in place to work exclusively with two airline carriers. They use a request for price through an automated search program that compares the airline carriers' price for a trip from Amsterdam to Seattle, WA. Even though the supplier is under contract, the actual "buy" signal is not sent until there is a need and at that time the supplier quotes the price.

In most cases, the law does not treat a quotation as a binding offer until the supplier places the order (a purchase order or official tender).

Overview of the Process

Buyers using a request for price must be sure to properly define requirements so there is no ambiguity for the supplier. A request for price is ideally designed so that buyers can compare suppliers' goods or services "apples to apples" on price alone. As such, it is important to write the specifications in such a manner that bids can be compared equally, without making adjustments among them. For example, an RFP for floor covering might specify the exact maker and pattern name for a carpet, or it might specify a generic carpet of a certain weight, with or without a pattern, and with or without a pad of a specified thickness. It would include scale drawings of the space to be carpeted so that waste could be calculated, and it would include special instructions such as the need for installation to take place between certain dates or over a weekend.⁵

A request for price can be managed in many different ways. More and more businesses are adopting highly automated procurement platforms that ensure they leverage their buying power for the best price among willing suppliers. For example, SAP's Ariba platform provides a shared applications structure where buyers can access global supplier pools and catalogues through a cloud-based service. Ariba likens its service to an "Amazon for business."⁶ Another good example is Transplace's Transportation Management System. The Transplace automated and dynamic bidding system, called the Freight Allocation Module, allows shippers and carriers to connect in a real-time, online marketplace for efficient spot bidding. The web-based system of automating the bidding process enables transportation managers to efficiently broadcast their specific freight needs to all carriers.⁷

Another benefit of automated systems for large global procurement organizations with dispersed teams is that the processes employed by their teams can be controlled and regulated. The

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structure of the system allows the desired 'global' decision criteria to be hardwired into the process, whether it is focusing on price or other factors. Any deviation from the nominated criteria requires escalation for approval. For example many organizations mandate that competitive quotations be obtained for purchases above a certain value. If the buyer obtains the required number then the system will process the RFQ, if not then the sourcing decision is escalated for higher approval.

In many cases, suppliers do not have a "standard" price list that falls neatly into a sourcing catalogue. In this case, buyers must default to a more conventional request for price to get pricing. A good example is IBM, which designates certain products components with a "request price quotation" designation, meaning that the item is potentially available, but that it is not on the "standard" price list and a buyer will need to request a price quote.⁸ As such, the prices for these items are not listed in pre-published catalogues.

The University of Central Oklahoma provides a real world example in action of how it manages the request for price (referred to as request for price quotation) process. It uses a simple one page form (access the form at <https://www.uco.edu/administration/pur-pay-trav/files/files-pur-forms-docs/request-for-quote-rfq-form.pdf>).

The form has a space where buyers write in the scope of work for good/services required. The instructions ask buyers to "Please provide Brand/Manufacturer/Model Number as necessary. If additional space is needed please attach additional pages as necessary." As you can see from the example, the price requirements are quite specific, asking for exact details for including the model number for what is being purchased.

The form – which is sent to potential suppliers – asks suppliers to provide firm pricing and delivery information on the goods and/or services specified. It instructs suppliers to "Please note the following when providing this pricing and delivery quotation:

- All pricing must be inclusive of any and all shipping, handling, installation and delivery charges, including travel expenses, unless this request for quotation indicates otherwise.
- All products must be quoted F.O.B. Destination, which will be UCO, Edmond, OK unless otherwise indicated.
- Unless otherwise stated, all purchases resulting from acceptance of this quotation are subject to the UCO Purchase Order Standard Terms & Conditions located at: http://administration.ucok.edu/purchasingpayables/s/solicitation_documentation.htm.

In most cases, general procurement policies require buyers to get price quotes from three different suppliers. Comparing suppliers is easy because the bids are all "apples to apples" due to tightly written specifications.

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Suggested Stakeholder Involvement

Because a request for price is usually done for standardized goods and services, typically a buyer manages bid and supplier selection with limited input by stakeholder. The request for price may come from an internal specification or catalogue that is maintained by stakeholders such as Engineering, Facilities or Operations. For example, in the earlier case about the SKF part, an operational team member in the field provided the part number. Likewise, in the carpet example the specifications come from the organization's facilities management team.

Suggested Supplier Involvement

A request for price can include both existing and new suppliers. For existing suppliers, the quote may come from an existing catalogue or negotiated pricing schedule that the supplier maintains. For new suppliers, discussions should occur to make sure that the price quoted is for a good or service that matches well with the specification. Because requests for price are typically followed up with a purchase, supplier(s) will be involved with the initial product or service set up protocol so that the purchase can occur electronically.

Appropriate Timeframe

The timeframe for getting a price quote can range from virtually instant (if an item is in an electronic catalogue), or up to 3 – 4 weeks to research and select a supplier. Therefore it is becoming more common for buyers to shift up the sourcing continuum to establish a small number of “approved” providers that are committed to turning around fast price quotes.

Recommended Frequency of Use

Selection of approved suppliers are often on a 1-2 years solicitation cycle. However, just because a firm has contracted with a supplier does not mean the prices are established. Often buyers still require a request for price for each purchase order it issues to a supplier.

Request for Proposal

Similar Terms/Synonyms

Invitation for Proposal, Request for Tender (used primarily in public procurement)

Definition

A ***request for proposal*** is a solicitation that expresses the intent of an organization to buy a good or service. A request for proposal sends a strong buying signal and encourages suppliers to put forth their best effort in a competitive bidding process. Organizations that are not ready to buy

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should use a request for information to gather market intelligence and other supplier capability information.

A key difference between a request for price and a request for proposal is that a request for proposal is more open-ended and asks the supplier to provide a proposal that addresses more than just price. Buyers still provide requirements specifications, but they allow suppliers to begin to define some of the “how” -- how the specification is met. For example, a buyer may request the supplier to meet a certain quality level, but ask a supplier to outline how it proposes to manage quality. A request for proposal may therefore ask a supplier to provide methodologies, program management, quality processes, or other support provided by the supplier.

In the public sector, the request for proposal most closely aligns with a formal term in the public sector know as a request for tender (RFT).

The bid process—often called 'going out to tender'—involves a formal, structured process where suppliers are invited to develop a proposal to a formal tender. Public procurement tenders, by law are designed so the competitive bid process is open, fair and free from bribery and nepotism. Sometimes tenders are distributed to potential bidders through a tender service. The process typically involves a rigorous supplier selection process by an evaluation team that goes through the bids to decide which supplier will get the contract.

Because of the formality, an RFT – like a request for proposal – asks suppliers to respond to specified requirements. RFTs – like a request for proposal – often follow a request for information (RFI).

Purpose / When to Use

A request for proposal is best used when the buyer seeks value-added capabilities or business suitability at best value. It should also be used when the buyer views that suppliers may have various levels of expertise and they want to evaluate various supplier selection criteria. Think of a request for proposal as a buyer wanting to compare apples to apples – but that there are multiple criteria for determining the “best” apple.

Overview of the Process

A request for proposal should provide the supplier with both the buyer’s short term and long term business objectives so it can create a response that most appropriately supports the business objectives in context.

Request for proposal processes often include multiple steps or “rounds.” The goal is to create a “short list” of pre-qualified suppliers. Typically buyers follow a detailed pre-qualification process to “short list” the suppliers who are formally invited to submit a proposal. Short listing can be done through the RFI process or as part of a multi-step RFP process where the number of suppliers is reduced in each round of the RFP based on screening criteria.

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Supplier selection criteria vary based on the sourcing situation, but as a general rule should be shared with suppliers. The down-select process also varies, but should be transparently communicated to potential suppliers with the conscious goal of helping them build trust in the bidding process. Scoring is typically done through formalized scoring models or with internal discussions within the buyer organization. Public procurement initiatives – by law – must follow a very formal selection process for down-selecting suppliers.

RFPs should include the buyer's specification of what is being purchased. In addition to the specifications, buyers typically ask a variety of other questions they would like to learn about potential suppliers as they seek to identify suppliers that are best suitable to meet their needs. Requested information often includes:

- Basic corporate information and history
- Financial information (e.g., can the company deliver without risk of [bankruptcy](#))
- Technical capability
- Quality certifications
- Product/services offering information
- Production limitations
- Insurance/liability
- Delivery information (e.g., estimated completion period of a project)
- Customer references (which should be checked to determine a company's suitability)
- Case studies of other offerings meeting similar requirements for other customers
- Program management expertise (including educational and expertise background of those that will work with the supplier)
- Initial implementation plan, timeline and resource requirements
- Other factors (e.g., is the supplier certified as a small or minority owned business)
- A description of critical processes that are important to the buyer (e.g., systems integration or quality control processes)

Early rounds of a request for proposal process may or may not ask a supplier to provide pricing.

Typically buyers create a standardized format for suppliers to follow so they can best compare bids in an impartial manner. Supplier proposals are evaluated for the overall suitability to the buyer's needs and the most appropriate suppliers are selected to move forward as part of the request for proposal process. Supplier selection criteria should be well defined and measured for each proposal via a scorecard or other similar technique developed by the buyer team of stakeholders. More complex sourcing situations should use collaborative techniques to work with suppliers to clarify technical capabilities. In most instances, a smaller number of selected suppliers are invited to participate in subsequent bids.

At some point, the request for proposal process yields a winning bidder. When this happens the buyer and supplier agree to move forward and create a formal contract.



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There is a trend for organizations to use more collaborative approaches for working with suppliers during a request for proposal. Many buyers find it advantageous to have suppliers conduct demonstrations and other presentations where they can improve their understanding of each supplier's product or service offering before making the final selection.

Suggested Stakeholder Involvement

Request for proposals should be managed by a cross-functional team that includes stakeholders who are either responsible for the requirements definition or who will be impacted by the supply solution. Stakeholders, including functional, regional or business partners, should be included in defining the targeted supplier list, supplier selection criteria and ultimately the final supplier selection. If relevant to the process the suppliers may be invited to tour facilities or factories to gain a solid understanding of the potential customer's requirements.

Suggested Supplier Involvement

Suppliers often participate in RFIs and/or multi-step request for proposal processes as part of a formal down-select process. It is increasingly common for buyers and suppliers to have some form of personal interaction (either face to face or via webinars) for the buyer to ask questions of the supplier before making their final selection.

Appropriate Timeframe

A request for proposal process can vary based on the type of good or service being procured. A good rule of thumb is 4 - 8 weeks for supplier selection (does not include contracting).

Recommended Frequency of Use

Typically requests for proposals are used for larger projects, more complex goods, or for procuring services where there the buyer wants to increase their comfort level during the supplier selection. As such, goods and services purchased with a request for proposal are typically not as generic in nature and switching costs begin to be a factor in how often it is feasible to switch suppliers. We recommend a request for proposal be associated with a project or with a 2-3 year solicitation cycle for goods or services that are reoccurring by nature.

Request for Solution

Similar Terms/Synonyms

Request for Proposed Solution (RFPS), Competitive Dialogue

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Definition

A **request for solution (RFS)** is a collaborative process used when an organization has an interactive dialogue with potential down-selected suppliers to determine the best possible solution to meet the buying organization's needs. A request for solution is different from a request for proposal because the buyer *does not know the solution*; rather it is asking suppliers to propose the most appropriate solution. Thus, ***the supplier does not provide detailed specifications.*** Rather, the buyer specifies the output it would like the supplier to deliver or the overall outcomes the buying organization is hoping to achieve by working with a potential supplier.

Purpose / When to Use

A common ailment of procurement is what University of Tennessee researchers call the "Outsourcing Paradox."⁹ It occurs when a buying organization procures a good or service from a supplier who is expected to be the expert, and then tells them how to do the work. The Outsourcing Paradox is a key reason why organizations are not seeing the innovation they are hoping for from potential suppliers. After all, how can a supplier be innovative when it is asked to simply provide a good or service based on the specification outlined during the tender process?

Many organizations are shifting to a more collaborative approach known as a request for solution. A key differentiation between a request for solution and a request for proposal is the expressed intent for the supplier to create a solution to deliver client centric output deliverables or more strategic and business focused outcomes.

Under a request for solution, the buyer provides the background and data that shares the characteristics of their existing environment. The buyer also provides its short term objectives and well as longer term vision and desired future state. A key part of the request for solution is to ask the supplier to propose a solution that is unique to solving the buyer's problems and get it to the desired future state. In short – buyers define the what, but not the how. Why focus on the what and not the how? The logic is simple. By asking suppliers for a solution, it encourages fresh thinking and supplier innovation. It also forces the buying organization to realize that it is not the expert, the suppliers are.

A key benefit of a request for solution is that it allows buyers to work collaboratively with suppliers on more complex sourcing initiatives that may not have a single "right" answer. It also challenges suppliers to come up with innovative solutions that can best meet a buyer's needs.

Because solutions are not generic in nature, buyers must use a best value supplier selection process. Buyers often develop a best value formula where various criteria are weighted by importance. Selection criteria are often both quantitative and qualitative in nature.

A request for solution is ideal when looking to develop a Performance-Based contract with a potential supplier that will be responsible for delivering pre-defined outputs such as cost savings

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targets or pre-determined service levels (defined by service level agreements). A request for solution is also a key step in a request for partner process.

Overview of the Process

Typically buyers start a request for solution process after doing a formalized assessment of their current needs and the market. A request for solution almost always includes a request for information to gain insights on best practices in the market and down-select suppliers.

Often the next step includes a short list (typically about 4 - 8) of suppliers that provide a “concept proposal.” As part of this process, buyers should share an information packet with prospective suppliers. The information packet should contain information such as:

- Business goals and objectives
- A description of the desired supplier output or business outcomes
- Any known or perceived constraints
- High-level existing operating data to provide a general landscape of the current situation. This should include relevant operational information (including volumes), existing service levels, high level cost structures or estimated budget and desired legal requirements

Suppliers are encouraged to ask for additional information as part of the process if it will help them develop their proposal. For fairness, if a supplier asks for information, the response and information should be shared with all of the potential bidders. However, it is important to emphasize these are NOT detailed proposals; we encourage suppliers to not get buried in minutiae at this stage, as supplier concept proposals are meant to be *indicative* solutions with *indicative* economics.

The “concept proposal” portion of the request for solution process is not meant to be time consuming. The process opens the field to a diverse group of potential suppliers that may not be considered a “perfect fit” under a conventional request for proposal process. For example, the down-selection process for an outsourced facilities management solution might include a mix of suppliers with different capabilities such as facilities management integrators, single service specialists and suppliers with specific knowledge within a geographical area. By having a low cost of entry for developing a concept proposal, buyers open up the supplier’s view point for a variety of creative solutions.

Suppliers are down-selected based on pre-determined criteria – with a limited number of supplier finalists being asked to develop a more comprehensive solution and proposal tailored to meet the buyers’s output or outcome-based requirements.

Typically a very small number of down-selected suppliers are asked to invest in and develop a formal proposal with a comprehensive solution that will meet the buying organization’s needs. It is critical to do a formal down-select to a small number of suppliers because the final step of the request for solution is often costly for a supplier. Thus it is imperative that only a limited number of

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suppliers with the highest potential are asked to respond with a formalized solution proposal. As a rule of thumb, no more than three supplier finalists should participate in the final stage of a request for solution process.

Buyers using a request for solution process must take great care in developing the supplier selection process. The traditional request for proposal process is designed to enable apples-to-apples comparison of supplier offerings. A request for solution model – by design – compares apples to oranges to bananas because each of the supplier’s solutions will be unique. This requires much more diligence on the buyer’s part when it comes to developing supplier selection criteria and physically evaluating suppliers. Selection criteria that are more qualitative in nature must be factored in.

An effective request for solution process demands a high degree of communication and collaboration during the proposal process. Typically the process is very interactive, involving significant dialogue between a buyer and suppliers as they work to clarify business needs.

It is also important that a request for solution process be transparent. The buyer must share key facts that often are not shared in conventional requests for proposals where the buyer simply shares detailed specifications that the supplier must meet. Transparency is important because it allows the supplier to seek (and get) needed information to properly develop their solution. A key benefit of a request for solution process is that it enables buyers to “test drive” suppliers through the interactive discussions. By simply requiring the buying team and the supplier to work together during the process, they begin to build trust.

A request for solution process is best suited for more complex sourcing initiatives, especially those requiring innovation and transformation. Outsource services (facilities and real estate management, supply chain management, IT outsourcing or business process outsourcing) are good candidates for using a request for solution because often there is more than one “right” answer on how to approach an organization’s problems.

A good example of a request for solution¹ in action is the Minnesota Department of Transportation, which used a two-step process for selecting a contractor to rebuild the I-35 bridge in Minneapolis. As highlighted previously, MnDOT used a request for qualification to help down-select a broad field of potential suppliers to five suppliers who would be invited to develop a formal proposal.

The bidding process set the tone that MnDOT was serious about asking suppliers to provide a solution. MnDOT kept the specifications to the highest level, stipulated only geometric layout, environmental requirements, drainage requirements and a deadline for completion of December 24, 2008. In addition to these high level requirements, the agency also defined six freeway

¹ MnDOT referred to the process as a request for proposal, but the nature of the process aligns tightly to what we describe as a request for solution.

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approach elements to the bridge and invited (but not required) bidders to eliminate them as part of the project.

Rather than provide detailed specification, the request for solution listed MnDOT's six primary Desired Outcomes the potential bidders needed to solve:

1) **Safety**

- a) Provide a safe project area for workers, the traveling public, community, environment and emergency services during the execution of the Project.
- b) Provide a solution consistent with Mn/DOT design and construction standards.
- c) Provide a solution adaptable to the recovery efforts of the collapsed bridge.

2) **Quality**

- a) Implement a quality management system that ensures the requirements of the project will be met or exceeded and ensure public confidence.
- b) Reduce future maintenance costs by providing a high quality project.

3) **Schedule**

- a) Complete construction by December of 2008.

4) **Environmental Compliance**

- a) Provide a quality product with minimal impacts to the environment while using context sensitive solutions.

5) **Budget**

- a) Implement innovative solutions to maximize the return on taxpayer investment by reducing costs and improving quality of the transportation system.

6) **Aesthetics**

- a) Utilize visual quality techniques and context sensitive design to incorporate the bridge into the surrounding environment.

With high-level requirements and six Desired Outcomes in mind, Flatiron-Manson and FIGG Engineering teamed to develop a solution that best optimized MnDOT's desired needs. A key benefit of the request for solution process was that it gave them—the experts in bridge design and construction—the flexibility to propose innovative and efficient solutions to meet expectations versus simply performing the task outlined in detailed specification on a cost plus basis. Their bid proposal described the bridge as:

“A Sculptural Bridge -- The Bridge reflects a series of modern arch forms that are softly set in the site to maximize openness and green scape while focusing on the river. The bridge is a concrete functional sculpture with monolithic connections that create fluid lines between all structural elements. The concrete box girders, variable depth shape transitions in a parabolic curve from 25' deep at the pier to 11' feet deep at the center of the 504' river span. This 2.3:1 ratio is an enhancement over the 2:1 ratio stated in the RFP. The span arrangement is 330', 504', 260', 121'

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utilizing 3 pier locations. Two pier locations frame the river with the third pier placed on the south side of the historic wall. This allows preservation of the wall while spanning the north bluff with an 80' clear area completely open without an additional pier. The span over the north bluff frames this area with the same 2.3:1 ratio superstructure variable depth curve. The superstructure concrete box girder is a closed shape with inclined walls and smooth surfaces of continuous flat planes. The appearance underneath is sculptural and the shape and concrete material creates a visually clean and quiet space underneath the bridge.”

MnDOT's technical evaluation was impressed with the level of detail and their overall approach. The Flatiron Manson bid proposal was so complete, it even promised that “an Owner's Manual for Inspection and Maintenance will be provided.” In the bid document, Flatiron Manson identified many structural enhancements offered by their proposal.

“Your new St. Anthony Falls (35W) Bridge will serve as a model of technological advancements for bridges in America. The innovative procedures and materials chosen will minimize life cycle costs, providing a low maintenance structure. This high-tech, high performance smart bridge of the future gives MnDOT many benefits...” and went on to list the specific features and innovations FIGG and Flatiron Manson would bring to the project.

Suggested Stakeholder Involvement

A request for solution process requires a higher level of stakeholder involvement than a traditional request for proposal approach. A cross-functional team representing key business stakeholders and users has responsibility for creating supplier down-select criteria. Subject matter expert stakeholders are also required to participate in proposal review, final supplier selection, negotiations preparation and transition planning. It is particularly important to engage the future process owners and contract management team at an early stage.

Suggested Supplier Involvement

For more complex projects, the request for solution process involves supplier collaboration. Suppliers are typically invited to ask clarifying questions that will help them in preparing the best solution. For example, MnDOT began daily one-on-one meetings with potential suppliers to relay scope decisions and clarifications as decisions were made. Often suppliers are invited to do on site due diligence. For example, Procter & Gamble had suppliers spend three weeks (one week in three different facilities) as part of the facilities management outsourcing effort. Suppliers are often required to participate in face-to-face solution sessions with the buyer where they walk through their solutions and answer questions.

Appropriate Timeframe

The time needed to conduct a request for solution will vary based on the complexity of your sourcing initiative and the level of expertise your sourcing team has in managing a request for solution process. While MnDOT conducted its request for solution process in just three weeks –

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most processes take 2 - 6 months to select the supplier (not including the contract development). Key factors that contribute to a longer sourcing cycle include a large number of suppliers, multiple down-select steps, and the desire for higher stakeholder involvement. Teams with dedicated resources are able to work through the process quicker than those that devote part time resources to the project.

Recommended Frequency of Use

Goods and services purchased with a request for solution are typically asset specific in nature and involve large projects, complex goods and outsourcing agreements that have contract durations of at least three years. As such, we recommend a request for solution process to be associated with a project with a 3 - 5 year solicitation cycle for goods or services that are reoccurring by nature.

Request for Partner

Similar Terms/Synonyms

Request for Collaboration, Request for Mutual Value Solution

Definition

A ***request for partner*** is a highly collaborative process used when a buyer is actively seeking not just a solution from a supplier but also seeks cultural compatibility and fit. A request for partner process uses a request for solution, but adds an element stressing the importance of finding a supplier that will be a good “fit” for their organization.

Purpose / When to Use

A key purpose of a request for partner process is to select a supplier with the intent of creating a highly collaborative environment where cultural fit and a win-win mindset are essential to managing a longer-term supplier relationship in a dynamic environment.¹⁰

A key differentiation between a request for solution and a request for partner is the expressed intent to focus on a sourcing process where the potential success of the relationship is substantially as important as the solution that is being procured. The request for partner process is best suited when the intent is to use a Vested Sourcing Business Model that demands buyers and suppliers establish a highly collaborative and trust-based relational contract, with a purpose of creating a sustainable sourcing solution.

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Overview of the Process

The request for partner process strives to create a highly collaborative environment where a buyer and supplier work together to build a common shared vision and statement of intent that is designed specifically to mutually defined desired outcomes.

The competitive bid process typically begins by using a request for information/request for qualification process to gain insights on best practices in the market and down-select potential suppliers that have sound capabilities to deliver an organization's "bigger picture" desired outcomes.

The request for solution process is embedded into the request for partner process because buyers typically want to work with suppliers that have the capability, capacity and willingness to invest in innovation and help the buyer transform existing operational realities into a desired future state reality.

It is imperative that buyers use a best value down-select process with weighted quantitative and qualitative criteria which includes evaluating a supplier on cultural fit and compatibility. Cultural fit and compatibility are essential because of the longer-term, ongoing nature of Vested supplier relationships. While Vested relationships can apply to many types of sourcing situations, they are most often associated with larger scale outsourcing efforts where a buyer and supplier have a great deal of co-dependency, and when establishing mutual trust is essential for success. They are also associated with strategic alliances where innovation or "bottleneck" suppliers can be optimized with a highly collaborative win-win solution.

Vancouver Coastal Health (VCH) demonstrates an excellent example of using a request for partner process when they sought a strategic supplier relationship for a portfolio of environmental services (EVS) across 34 health sites.

VCH's Business Initiatives and Support Services (BISS) department, representing VCH and Providence Health Care (PHC), did extensive market research and down-selected three potential suppliers as part of a formal RFQ process. On November 15, 2013, BISS issued a "Mutual Value Solution Request for Proposal" for the supply of the Environmental Services – giving suppliers 10 weeks to develop a "concept proposal" that would be due on January 31, 2014. The goal of the concept proposal was to allow suppliers to propose potential solutions that would seek to optimize BISS's six Desired Outcomes. In the past, BISS worked with suppliers on a transactional basis, and a key goal for this sourcing initiative was to move to an outcome based contract. Although a clean building is important to everyone, it is much more important for health organizations such as VCH and PHC, which serve one of the largest health regions in Canada. Therefore BISS and its key stakeholders felt that an outcome-based approach was more appropriately suited to achieving BISS's business objectives, including reducing hospital-acquired infections which can cost lives and millions of dollars.



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Two of the potential suppliers were selected to move forward to the next stage in the competitive bid process. This period lasted between January 31, 2014 and April 16, 2014 and involved two service providers working with BISS and VCH and PHC clinical stakeholders to flesh out and validate the Desired Outcomes and develop a comprehensive solution proposal designed to best meet the two healthcare organization's needs. As part of the process, BISS and the potential suppliers jointly engaged hospital and residential care stakeholders, spending time in stakeholder workshops to determine how cleaning impacted VCH's and PHC's goals, an example being decreasing infection rates.. This enabled the suppliers to develop a comprehensive solution designed to meet the health organizations' outcomes.

BISS reviewed the proposals, using a well thought out and executed supplier selection criteria to select Compass Group Canada, a preferred candidate that would not only offer the best value, but the best overall fit for establishing a long term outsourcing agreement designed to span seven years. The final phase was negotiations between BISS and Compass using the University of Tennessee's collaborative "Vested Outsourcing" process specifically designed to allow buyers and suppliers to use a collaborative "win-win" negotiation process to directly link Compass's performance measures to the business objectives of the health organizations' stakeholders.

Why did BISS choose to use a more collaborative RFPartner process? The collaborative process allowed BISS to work with multiple suppliers to determine the best solution that would help it achieve its Desired Outcomes, not just create a bid where suppliers would compete on price such as cost per housekeeper per hour. The multi-stage process allowed BISS to carefully evaluate and down-select each supplier as it learned more about potential supplier solutions. The final negotiation stage allowed BISS and Compass Group to work in a highly collaborative manner to directly align the contract to VCH's and PHC's business objectives, including the reduction of hospital-acquired infections.

Suggested Stakeholder Involvement

A request for partner process requires the most amount of stakeholder involvement. Cross-functional teams representing key business stakeholders and users should have responsibility for creating supplier down-select criteria. Subject matter expert stakeholders participate in proposal review, negotiations and transition planning – all part of a Vested process.

In the example of VCH and PHC, there were multiple review meetings where BISS would perform "check point" audits with key stakeholders from each organization to determine if the path was on track for reaching the business goals. Doing so achieved not only "buy-in" early in the process, but team consensus and support for the final decision. This was crucial for this sourcing process and the success of this program.



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Suggested Supplier Involvement

A request for partner also requires the highest amount of supplier Involvement with suppliers. Similar to a request for solution, there is typically a multi-stage down-select process. Suppliers making each “cut” have an increased responsibility and involvement in the process so that buyers can get comfortable with how potential suppliers will “fit” culturally into the organization. Buyers and suppliers are also encouraged to participate in a Compatibility and Trust (CaT) assessment as one of the last components of the competitive bidding process. The CaT is designed to show how closely aligned the buyer and suppliers organization’s cultures are – as well as identify perceived gaps in cultural fit.

This process also involves site visits to assess supplier capabilities and potential meetings with one or more of the supplier’s clients for due diligence purposes. Due diligence meetings might include discussions on performance, validation of information from the RFP about capabilities and observing the supplier “in action.” It can also be value-added to bring key stakeholders to these meetings to gain an understanding of the supplier, processes and procedures.

Appropriate Timeframe

The time needed to conduct a request for partner will vary based on the complexity of your sourcing initiative and the level of expertise your sourcing team has in managing competitive bidding for more complex sourcing initiatives. The process can take as little as 2 months upwards to 6 months. Key factors that contribute to a longer sourcing cycle include a large number of suppliers, multiple down-select steps, and the desire for higher stakeholder involvement. Teams with dedicated resources are able to work through the process quicker than those that devote part time resources to the project.

Recommended Frequency of Use

Products and services purchased with a request for partner have a high degree of asset specificity and are used in a dynamic environment dictated by change and uncontrollable events. As such, supplier agreements are typically longer term in nature, spanning 5 - 7 years or even more. We have even seen 25-year agreements that involved large public-private partnerships and intensive asset investment on the part of the supplier.

Because the contracts are typically longer term in nature, a request for partner is typically conducted on a spend category that aligns with contract expiration dates.



PART 4: CONCLUSION

Sourcing strategies are evolving in response to changing business requirements. Traditional specification and price-focused approaches have been effective tools in enabling competitive pricing for tens – if not hundreds of years. In recent years, organizations and software technology have invested millions of dollars perfecting the art and science of the highly competitive bid. However, new research is showing that transaction-based approaches have limited ability to create value for an organization and only work optimally when there is abundant supply and low complexity where the “market” can correct itself.

As organizations mature and their approaches to sourcing become increasingly sophisticated and ambitious, new models are required to address the need for innovation and more complex sourcing initiatives (such as services that fall under complex outsourcing or alternative procurement methods such as public-private-partnerships). A key trend that is proving successful is the shift to more collaborative approaches with suppliers. Moving beyond transaction-based sourcing models enables organizations to more effectively buy and manage complex goods and services; it is also a means to unlock value. This means not only turning to more collaborative sourcing business models such as Performance Based or Vested supplier relationships – but also includes incorporating more collaborative approaches into the competitive bidding process that enables buyers to work with suppliers on “solutions” – not just on providing a price for a specification.

More modern and collaborative “request for solution” and “request for partner” processes offer a promising approach to enable buyers to tap into the creativity and innovation of potential suppliers while still allowing for a competitive environment. These collaborative approaches allow suppliers to authentically create better solutions that are purpose-built for adding value and driving innovation for buyers. As the business environment evolves, it is imperative that sourcing professionals also evolve.

We hope this paper becomes an important resource for procurement professionals throughout the world for understanding the various competitive bidding methods and when to use them. We also hope that it helps you shift your thinking to an environment that demands strategic sourcing in a new economy. For this reason this white paper is being distributed as an open source white paper under the sponsorship of the University of Tennessee’s Haslam College of Business, the Sourcing Industry Group, American Society of Public Administration and the International Association for Contract and Commercial Management. Enjoy and share shamelessly.

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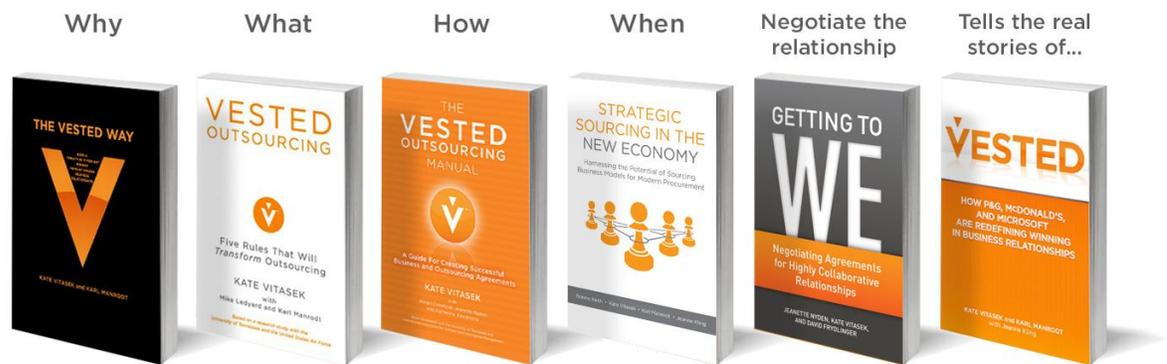


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FOR MORE INFORMATION ABOUT....

The University of Tennessee is highly regarded for its Graduate and Executive Education programs. Ranked #1 in the world in supply chain management research, researchers have authored six books on the Vested business model and it's application in strategic sourcing.



For additional information visit the University of Tennessee's website dedicated to the Vested business model at <http://www.vestedway.com/> where you can download white papers, watch videos, read articles and subscribe to the Vested blog. You can also learn more about our Executive Education courses in the Certified Deal Architect program as well as download the many resources and [tools](#) to help you understand and begin the Vested journey.

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The Sourcing Industry Group (SIG) is a membership organization that provides thought leadership and networking opportunities to executives in sourcing, procurement and outsourcing from Fortune 500 and Global 1000 companies. It has served these professionals and opened dialogues with their counterparts in finance, HR, marketing and other business functions throughout its 25-year history.



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SIG is acknowledged by many as a world leader in providing “next” practices, innovation and networking opportunities through its: global and regional events, online webinars and teleconferences, member peer connection services, content-rich website, SIG University certification program and online Resource Center, which was developed by and for professionals in sourcing and outsourcing. The organization is unique in that it blends practitioners, service providers and advisory firms in a non-commercial environment.

For more information, visit <http://www.sig.org>

The International Association for Contract & Commercial Management’s (IACCM)

provides a global forum for innovation in trading relationships and practices. IACCM enables both public and private sector organizations and professionals to achieve world-class standards in their contracting and relationship management process and skills. With more than 35,000 members representing more than 14,000 corporations across 159 countries, IACCM is leading the way in responding to the demands of global networked markets.

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For more information, visit <https://www.iaccm.com>

The American Society for Public Administration (ASPA) is the largest and most prominent professional association for public administration. It is dedicated to advancing the art, science, teaching and practice of public and non-profit administration. ASPA’s diverse membership includes over 8,000 practitioners, teachers and students who serves the principal arena for linking theory and practice within the field of public administration. □□

ASPA is an advocate for greater effectiveness in government - agents of goodwill and professionalism - publishers of democratic journalism at its very best - purveyors of progressive theory and practice and providers of global citizenship. ASPA leaders believe that by embracing new ideas, addressing key public service issues and promoting change at both the local and international levels, the association can enhance the quality of lives worldwide. In 2014, ASPA celebrates its 75th anniversary as the premiere organization representing public administration professionals and scholars.

For more information, visit <http://www.aspanet.org>

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ENDNOTES

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⁸ Request Price Quotation defined on Wikipedia. Available at https://en.wikipedia.org/wiki/Request_price_quotation

⁹ The Outsourcing Paradox is one 12 ailments that that can disrupt or even destroy a buyer-supplier deal. See [*Vested Outsourcing: Five Rules That Will Transform Outsourcing*](#), by Kate Vitasek with Mike Ledyard and Karl Manrodt. Also see the Vested site: <http://www.vestedway.com/the-outsourcing-paradox/>

¹⁰ See the Vested books [*Vested Outsourcing: Five Rules That Will Transform Outsourcing*](#), [*Vested: How P&G, McDonald’s and Microsoft are Redefining Winning in Business Relationships*](#), and [*Getting to We: Negotiating Agreements for Highly Collaborative Relationships*](#).