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Unpacking Competitive Bidding Methods (2nd Edition)

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The Essential ABCs of the Various RFx Methods

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EXECUTIVE SUMMARY

Every day, 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 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: what is the right tool for my situation?*** We believe today's sourcing professionals should understand and enthusiastically embrace the entire suite of tools in their sourcing toolkit and carefully select the method that is most appropriate for their situation.

Purpose of this Paper

This white paper – now in its second edition – 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 is 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 methods. We review seven 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 methods. This paper 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 impacting strategic sourcing and show why procurement professionals need to insist on challenging their thinking and embracing more collaborative competitive bidding methods.
- **Part 2 is an introduction to the various RFx methods** where we provide a high-level overview of each of the 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 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

Today's strategic sourcing landscape is changing as the world enters it what many refer to as the fourth industrial revolution. Others refer to the subtle shifts that have taken place as "the "new economy." The first chapter of the book *Strategic Sourcing in the New Economy* provides a compelling overview of why a change to more collaborative supplier relationships is essential for navigating in today's dynamic and increasingly risky business environment.[1]

Whatever it is called, the shifts are clear. Today's procurement professionals must maneuver in a changing environment that is more dynamic than ever. They must embrace and evolve with modern business needs, and more and more this means balancing what seems to be insurmountable, conflicting goals of reducing cost structures while driving innovation and mitigating risks.

Simply put, the tried-and-true tools and tactics adopted over the last 30 years as the "gold standard" are no longer as effective as they once were. One of the gold standards being challenged is the purpose and nature of conventional competitive bidding tools. For centuries, organizations have thought of procurement as a "make vs. buy" decision. This was 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 centralize and often develop large scale outsourcing contracts for Facilities Management, Finance, IT, and Procurement. Often, activities are bundled and provided by a limited number (or even sole source) of suppliers in collaboration in an effort to drive efficiencies, economies of scale, and innovation. Sourcing in this environment is very complex and when done in the wrong way the risks simply become too large.

In a transaction-based model, the buyer likely will not get any value beyond cost savings, as many RFx methods focus only on price according to the specification of what is being asked for. In an increasingly competitive world, companies are indeed looking for value beyond just cost savings when it comes to complex goods and services – including attributes such as innovation and flexibility. This requires moving to more sophisticated sourcing business models such as a performance-based or a Vested model. 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 (**Exhibit 1**) with 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.

Exhibit 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. **Exhibit 2** shows how the sourcing business models fall along the sourcing continuum.

Exhibit 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."

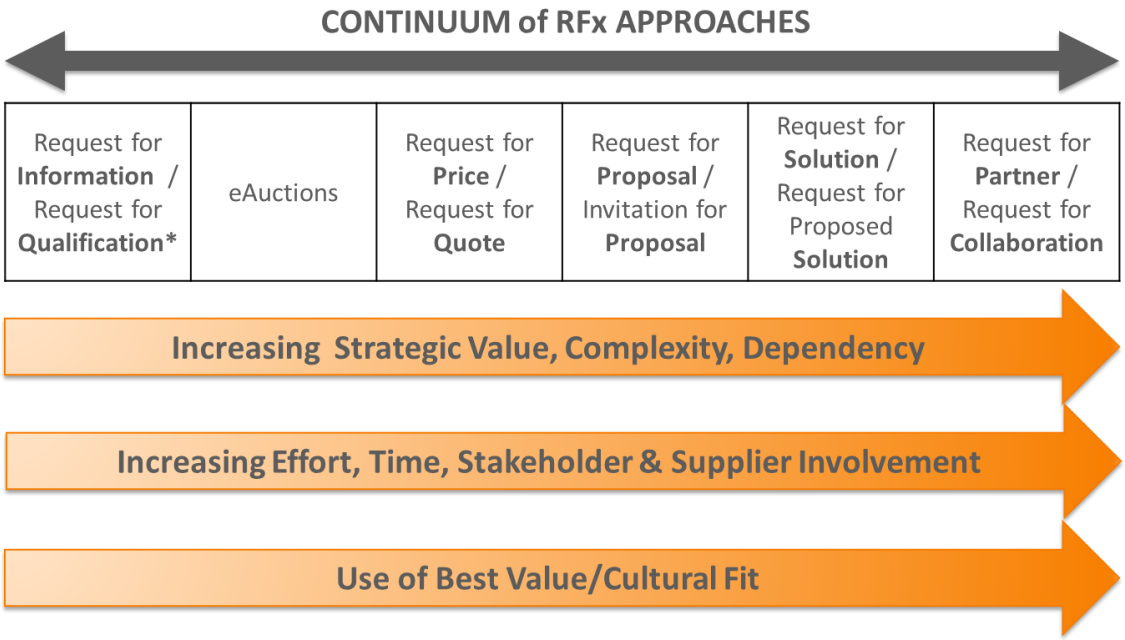
Organizations are turning to more collaborative bidding approaches designed to help buyers and suppliers evaluate "solutions"—not just a supplier's price bid for a standard commodity or service specification. IACCM research has shown that organizations are buying services and sustained relationships rather than products. They are buying outcomes that are only realized through collaborative relationships. These more collaborative methods are essential when an organization strategically moves to more value-based sourcing business models along the sourcing continuum.

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.

Consider WCC's research report on "Overcoming the 10 Pitfalls of Contracting," which examines the leading causes of value leakage in contracting, costing the parties money and compromising the quality of customer and supplier relationships.[2] The first two pitfalls offer evidence that the (1) lack of clear scope and goals, and (2) late involvement of the commercial team are major contributors to suboptimal commercial outcomes. Hence, the appropriate method and level of rigor need to be factored into the RFx strategy as well as ensuring you have internal alignment across key stakeholder groups.

Exhibit 3 maps the various types of RFx methods along a continuum. There is a direct correlation with the level of effort needed to shift to more strategic sourcing business models with a goal of creating value and driving competitive advantage through supplier collaboration and innovation.

Exhibit 3: Continuum of RFx Approaches



It is important to note that not all RFx methods are mutually exclusive. For example, RFI's and RFQ's can be used in conjunction with other RFx's.

Part 3 of this white paper provides insight into the role of best value techniques as you shift along the sourcing continuum to more strategic, complex and even co-dependent relationships.

RFxs and Technology

Like many areas of business, Procurement is being affected by and utilizing Artificial Intelligence (AI) in their processes. This is particularly the case with analyzing suppliers' responses to RFxs. Tatini PR (2025)[3] found that Procurement processing moved from 14 days to 2 to 3 days, an 85% reduction, with the application of AI. These sorts of improvements can dramatically alter the workload of analyzing multiple supplier responses. Particularly where there are complex requirements that the responding supplier must meet. Again, Tatini found a 42% improvement in accuracy of assessing supplier proposals,

The productivity savings noted above might tempt buyers to invite more suppliers to submit responses to RFxs. This, however, may not alter the basic economics of each RFx approach. Simply using AI to analyze multiple proposals obtained using a transactional go to market RFx is not going to alter the market dynamics which determine the savings that might be available. As will be shown later, the benefits from employing a relational approach to seeking supplier input are likely to generate greater value. And, in this case, the value generated is likely to be unaffected by the use of AI.

We are not suggesting that AI does not have its place in Procurement process improvement but do suggest that it is utilized in a clear-eyed manner. Treating the analysis of supplier proposals as a 'black-box' may widen the distance between buyer and seller. Practitioners should make sure they understand what their AI application is doing, and that the result is a recommendation, not the answer. We would add that the freed-up time gained by the use of AI can be used to work on improving the relationship and understanding of the selected supplier. Value would also be gained by ensuring that supplier debriefs are carried out, thus improving the buyer's overall reputation in the marketplace. See the Vested Whitepaper Supplier Debriefs. Finally, are suppliers concerned about the use of AI in analyzing their proposals? Anecdotally the answer is no, as the suppliers are very likely to be using AI in the preparation of those proposals.

PART 2: HIGH LEVEL OVERVIEW OF RFx METHODS

A key part of selecting the appropriate RFx approach is understanding the various types of RFx 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 terms "request for quote" or "request for tender" are 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, depending on the type of sourcing business models used. 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 organizations 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. Initially, it must be clear what the intentions from the buyer are, and that the intentions stay intact throughout the sourcing process and the prolongation of the future agreement. For example: Company A issues an 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 if are looking for a Request for Price.

Simply put, the RFx method should align with your intentions!

Types of RFx methods

There are seven primary types of RFx methods – but often these methods have different names or terms. We have used 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 *market consultation*) - 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. RFIs range from simple requests aimed at gathering market intelligence to more comprehensive requests asking suppliers to answer detailed questions about their qualifications if combined with an RFQ. When working with an

RFI it is important to note: 1) an RFI is not binding for either buyer or supplier, and; 2) RFIs are sometimes combined with a Request for Qualification (RFQ - see below).

2. ***Request for Qualification*** *(RFQ;* also referred to as a *down-select*, *pre-qualification* or *selection phase)* – a process used to down-select a large pool of suppliers to a smaller list that will be asked to move to a more comprehensive stage of the competitive bidding process. RFQs range from simple questions about qualification (i.e., does the supplier have appropriate certifications and credit rating scores?) to more comprehensive requests asking suppliers to answer detailed questions about their qualifications. RFQs are sometimes combined with or follow an RFI.
3. ***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. One common type is 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. In some reverse auctions, suppliers' prices are visible to other competitive bidders, often resulting in successively lower prices. Another common type is a seller-driven e-auction, which is an electronic, online auction where suppliers post items for sale and buyers bid on the items.
4. ***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 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 various legal jurisdictions may or may not treat a quotation as a binding offer.
5. ***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. Requests for proposal are used for larger, more complex and technical solicitations 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 or high-level objectives and allows suppliers to begin to define some or most of the "how." For example, a buyer may ask a supplier to outline how it proposes to manage quality.
6. ***Request for Solution*** (*RFS*; also known as *request for proposed solution (RFPS)* — 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. The buyer gives limited direction on what the solution may be and has a collaborative dialogue with potential suppliers to define/refine the solution. The suppliers then develop a formalized proposal that includes their solution. The European Commission's competitive dialogue process is one form of a collaborative request for solution.[4]
7. ***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 seeks a supplier with a high degree of "cultural fit" and

compatibility. A request for partner is typically focused on selecting a supplier where there is a need for a high level of investment or collaboration between the buyer/company over a longer time horizon – such as a large outsourcing project that will require significant change for the buyer and supplier versus implementation of a more standard "solution."

It is important to note that not all RFx methods are mutually exclusive; RFI's and RFQ's can be used in conjunction with other RFx's.

It is also important to note that most public (government) procurement professionals use a term known as Request for Tender (RFT). We have purposely avoided including this term because it is commonly used to represent one or more of the above types of competitive bidding methods. As such, it is the authors' view that the term 'request for tender' can be confusing. Our experience is that most RFTs align with a request for proposal.

RFx Processes in Context – The Key Factors to Consider

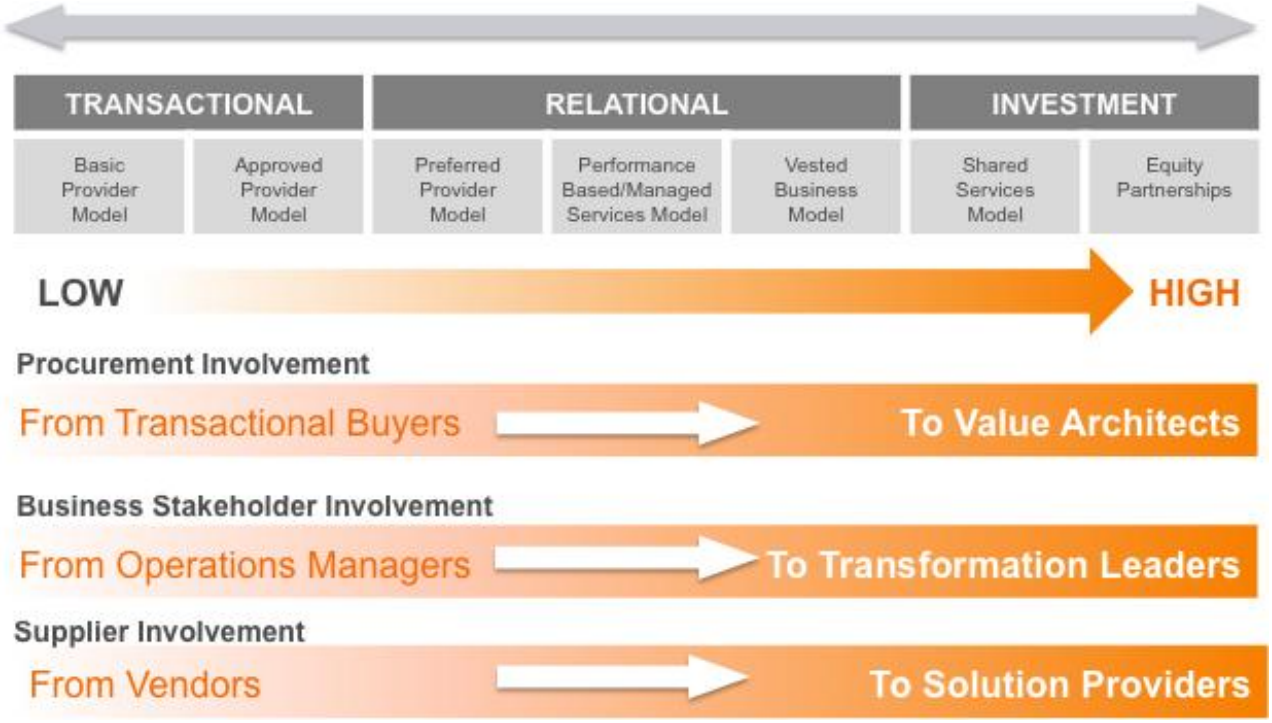
Before launching any RFx, an organization should do its homework by completing an assessment and analyzing its needs. The book *Strategic Sourcing in the New Economy* outlines 20 key sourcing considerations organizations should make as they approach any sourcing initiative. A typical strategic sourcing 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 method used, common themes emerge in considering key factors. These are addressed below.

Sourcing Governance and Stakeholder Involvement

IACCM's research report on "Ten Pitfalls To Avoid In Contracting" speaks directly to the need for proper stakeholder engagement. Pitfall #3 of the study explains how the failure to engage stakeholders creates misunderstanding, undermining the collaboration needed for the superior value, innovation and trust ultimately experienced in high-performance relationships.[5] As you shift along the sourcing continuum, the level of stakeholder will increase – both from the buyer and the supplier. As such, a key difference in each of the solicitation methods 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 supplier's proposals. Business stakeholders become more 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. (See **Exhibit 4**).

Exhibit 4: Stakeholder Involvement along the Sourcing Continuum



As you shift along the continuum, it becomes increasingly important to include a well-balanced and adequately represented steering group for governing the RFx process.

Competitiveness of Approach

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. Suppliers will play a bigger role in both helping to determine potential specifications as well as in preparing their responses.

Frequency of Bidding

Another key theme that occurs is that buyers use bidding cycles that are less frequent 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 as well as higher switching costs. More strategic spend categories are usually competitively bid via a request for solution or request for partner approach, whereas spend 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 Units (APU) as an example. An auxiliary power unit (APU) is a device that supplies power to weapon systems, such as aircraft, when they are "on the ground." The Navy created a 10-year contract due to the complexity of the performance-based solution they were working to develop and the criticality of the product.

Best Value Supplier Selection Criteria

The fourth key factor that buyers need to incorporate as they shift along the sourcing continuum is the use of best value supplier selection criteria. As an organization seeks sourcing solutions for more complex goods, service and projects, they will need to use best value supplier selection techniques to help them make the right choice. As a general rule of thumb organizations should evaluate suppliers on factors beyond price when seeking a Preferred Provider, Performance-Based or Vested business model.

Part 3 of this white paper shares a more in-depth understanding of the role of using Best Value techniques in each of the competitive bidding methods.

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 seven 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
- Incorporation of Best Value methods

Request for Information

Similar Terms/Synonym

Market consultation

Definition

A Request for Information (RFI) is a non-binding process that buyers use to gather information from potential suppliers.

Purpose/When to Use

The primary purpose of an RFI is to gather benchmark information and general market data from the marketplace as part of a buyer's market assessment phase of their sourcing cycle. The result of an RFI may actually help determine the RFx method used in the next step of the sourcing process. Often RFI information is used in developing a sourcing strategy, building a supplier database for future needs, or 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 for more complex sourcing initiatives where it is essential to discover comprehensive information about the various suppliers and potential market. 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. In more complex sourcing initiatives, an RFI is often either combined with or followed by a more formal Request for Qualification used to down-select the number of suppliers the buyer will work with.

In virtually all countries known by the authors, an RFI is not binding for either the buyer or supplier. In short, buyers are not obligated to purchase goods or services simply because they issued an

RFI. Thus, buyers should be very specific as to the purpose of the RFI. 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 across all potential suppliers. For example, a buying organization may ask all potential suppliers to list the various services they offer to learn all potential services that the entire pool of suppliers provide. Or they may ask the suppliers to list all of the locations where they operate.

For more complex sourcing situations, RFIs should focus on requirements that are unique to the business needs that are less likely to be addressed by every potential supplier. RFIs are good tests to see if potential suppliers can compete effectively in the scope of work outlined in a potential bid process.

A good example of using an RFI is the State of Tennessee, which used an RFI to determine if facilities management suppliers had experience in providing services for office building, prisons and universities within the State of Tennessee. The results of the RFI gave the State of Tennessee confidence that there were enough competitors that could bid on a statewide contract encompassing all three types of locations. Another example is Schiphol Airport in Amsterdam which set out to build a twin city airport. The project consisted of three main scopes of work: 1) land and airside infrastructure; 2) design, build and maintain the terminal; and 3) all necessary services such as baggage handling, cleaning, security. The procurement team was unsure if the “finishing” of the terminal should be in #2 (the design, build and maintain scope) or #3 (the services). The suppliers overwhelmingly viewed the best place for the finishing scope should be in #3 because the potential suppliers would know the best types of finishes they needed to effectively perform their work.

Suggested Stakeholder Involvement

In building the request for information document, stakeholders are critical to defining and validating the business requirements for which the suppliers give 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. 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 before issuing the RFI, typically little or no physical interaction outside of the supplier response 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, U.S. 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)).” [6]

When considering whether to use an RFI, it is important to not abuse the time and expertise of potential suppliers. For example, a buying organization asks three suppliers to participate in an RFI. One supplier (supplier A) is a true expert, supplier B and C are qualified, but not considered experts. After listening to all suppliers (and getting “free” information) the buying organization develops the formal bidding process using much of the knowledge of supplier A. Two issues can arise. In the first, supplier A provided the expertise for the buying organization to develop their bid, but supplier C wins the bid because it is the lowest price. In the second, the bidding process that follows is unfair because the buying organization has customized the bid to the point that only supplier A can win the bid. Our recommendation is if an organization uses and RFI, it should be used judiciously and should not abuse the time and expertise of potential suppliers to get “free consulting.” Buyers who are uncertain about their requirements that want to mold their solution to best fit supplier capabilities should consider using a more collaborative Request for Solution or Request for Partner.

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 the 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 being conducted. For example, some IT outsourcing agreements have formal clauses that allow buyers to perform price benchmarking annually. The authors reiterate that the purpose of the RFI should be clearly stated, as it is unfair to ask suppliers to

participate in an RFI if they feel it is not a valuable use of their time. Therefore, 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 submitting 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.

Incorporation of Best Value Methods

RFI's are informational in nature and as such do not incorporate supplier selection methods. However, in more complex sourcing initiatives an RFI is either combined with or followed by a Request for Qualification used to down-select the number of suppliers it will work with based on the suppliers' qualifications. As such, suppliers typically are evaluated solely on capabilities at this point in the competitive bidding process and neither price nor best value criteria are explored.

Request for Qualification

Similar Terms/Synonym

Down-select, Pre-qualification, Selection Phase

Definition

A Request for Qualification (RFQ)* is a formal step in a competitive bidding process used by a buying organization to down-select the number of suppliers able to participate in the actual bidding phase. Some government entities consider a request for qualification as a "selection phase" because a pool of suppliers is selected as capable to proceed to the next phase in the actual bidding phase.

Purpose/When to Use

The primary purpose of an RFQ is to down-select the number of suppliers able to participate in the actual bidding phase. An RFQ is often combined (or follows) an RFI. An RFP often also proceeds other types of RFx bidding methods as a way to down-selecting the number of potential bidders. This is often considered essential in a public/government bid because public procurement bids are almost always open to everyone.

Overview of the Process

Where the RFI is still a bit informal, the RFQ is a formal process. Down-selecting the suppliers to a reasonable number can be done in a variety of ways. Buyers typically develop a set of standardized questions that potential suppliers are asked to respond to with a format that allows for easy comparison of key data. For example, a pharmaceutical company may ask potential logistics

* The term RFQ is also often referred to as a Request for Quote. A Request for Quote is synonymous with the Request for Price approach – profiled on page 22

suppliers if they have specific certifications to handle hazardous material or have specific capabilities in certain countries. In short, the questions seek to determine which suppliers in a larger pool of suppliers are physically capable/qualified.

A good example of an RFI in action is the Minnesota Department of Transportation (MnDOT). MnDOT used an RFQ to down-select the supplier finalists who were invited to bid on the I-35 Bridge rebuild. By law, MnDOT had 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

As part of the RFQ, a technical review committee reviewed the responses and five suppliers were invited to participate in a formalized public procurement tender process. The RFQ 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 rebuild project.

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

In the context of European Union procurement law, there's a clear distinction between selection criteria and award criteria. The former focuses on the bidder: assessing a company's general qualifications and suitability to perform a contract. The latter, however, evaluates the bid itself, judging which proposal offers the best value. This difference is crucial because, at the initial qualification stage, only the bidder's characteristics are considered.

Suggested Stakeholder Involvement

In building the RFQ, stakeholders are critical to defining and validating the business requirements for which the suppliers will give input. While stakeholders may have a limited role on the back end of the process in evaluating the RFQ 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.

Most public procurement laws around the world require that *any* supplier may participate in a government bidding process. In the State of Tennessee, for example, there were over 50 suppliers that participated in the state's RFQ process. Objective, non-discriminatory and transparent down-select criteria were used to down-select the number of suppliers to the three deemed best "qualified."

In the private sector, it is good practice to also use objective, non-discriminatory and transparent down select criteria. While not legally required, private companies should also strive to be inclusive with as many suppliers as possible. The authors strongly recommend that any down select criteria be transparent.

Suggested Supplier Involvement

While supplier interaction may exist prior to issuing the RFQ, typically there is little or no physical interaction outside of the supplier response to an RFQ.

Appropriate Timeframe

The purpose of the RFQ is to down-select the number of suppliers from a larger pool. While there is no formal "right answer" for an appropriate timeframe, it is common to give suppliers between one and four weeks to complete an RFQ. The amount of time to analyze the RFQs and do the physical down-select will vary based on the number of potential suppliers in the pool.

Recommended Frequency of Use

RFQs should be used only in conjunction with a more formal bidding process, such as an RFPrice, RFProposal, RFSolution or RFPartner process.

Incorporation of Best Value Methods

Typically, suppliers are evaluated solely on capabilities at this point in the competitive bidding process and neither price nor Best Value criteria are explored.

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 differs from a standard request for price process. In addition, e-auctions can involve suppliers initiating the buying process, which differs from 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 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 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 called ***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 through a formal request for qualification. Potential suppliers review the requirements, including the buyer's terms and conditions. Approved suppliers are given instructions for bidding. During 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.

Reverse auctions became popular in the 1990s – but their popularity has waned since. Traditionally, the winning bidder is the supplier who offers the lowest price. Buyers are usually required to create a contract and the suppliers are typically required to deliver the goods. Renegotiations should generally have been excluded in advance.[7]

One reason that buyers have moved away from reverse auctions is that they have found that suppliers would often bid too low to win the business, resulting in post-contract award negotiations. As such, buyers were not getting the savings they realized from the bidding process. In addition, re-running the same auction often leads to a narrowing of the field of interested suppliers as the unsuccessful ones will drop out over time allowing the incumbent to face less and less competition.

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 not to 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 cultures, each with their own internal understanding of what a (foreign) term or requirement could mean, there really are 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 - Be prepared to allocate awards and follow through on negotiations promptly and within the promised timeframe.[8]

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 before 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 RFQ before 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. To have a successful e-auction, the buying organization needs to have all information available 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.

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 manufacturing 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.

Incorporation of Best Value Methods

As stated previously, the purpose of an e-auction is to get the best price for the goods/services specified in the e-auction. For this reason, e-auctions rarely incorporate Best Value methods into the competitive bidding process.

Request for Price

Similar Terms/Synonyms

Request for Quote, Request for Price, Request for Price Quotation

Definition

A ***request for price*** is a highly competitive bidding method where buyers seek competitive pricing for a good or service. While pricing is the main selection criteria, the 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 three authorized SKF distributors closest to the exploration site and request a price for the part.

Request for price methods are ideal for transactional business models where an organization is buying a standardized part or service. The beauty lies in the simplicity because transactional models work best when significant numbers of capable suppliers 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.

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 before 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 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 (purchase order or official tender).

Overview of the Process

Buyers using a request for price must 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. Thus, it is important to write the specifications in a way that bids can be compared equally, without making adjustments among them. For example, a request for price 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.[9]

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 catalogs through a cloud-based service. Ariba likens its service to an "Amazon for business."[10] Another good example is Uber Freight. Their comprehensive range of managed services empower you to harness the full potential of advanced technology and the world's best logistics experts to optimize your supply chain operations. You can outsource all your transportation needs or choose from their menu of add-on logistics solutions and services.[11]

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 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 what is being procured falls within the limit, the system will process the quote and if not then the sourcing decision is escalated for higher approval.

Often, suppliers do not have a “standard” price list that falls neatly into a sourcing catalog. In this case, buyers must default to a more conventional request for price to get pricing. A good example is IBM, which designates certain product 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.[12] As such, the prices for these items are not listed in pre-published catalogs.

The University of Central Oklahoma provides a real-world example of how it manages the request for price (which it refers to as a 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 goods/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 them 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 (specific website)

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.

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 catalog 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 catalog 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 catalog), or up to three to four 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 committed to turning around fast price quotes.

Recommended Frequency of Use

Selections of approved suppliers are often on a one to two-year 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. Remember the company that worked with two approved airline carriers? The actual price for the trip was not quoted until needed.

Incorporation of Best Value Methods

Because the focus of a request for price is the price of a good or service, typically Best Value supplier selection methods are not formally embedded into the request for price process. If 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 with their proposed price.

Request for Proposal

Similar Terms/Synonyms

Invitation for Proposal

Definition

A ***request for proposal*** 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 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 known 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) or a request for Qualification.

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 suppliers based on supplier selection criteria beyond simply price. Think of a request for proposal as a buyer wanting to compare apples to apples – but there are multiple criteria for determining the “best” apple. A request for proposal method is typically used for a Preferred Provider sourcing model. However, it is also a good candidate for Performance-Based agreements when the buyer is not interested in the actual solution, but rather the overall performance of the supplier’s solution.

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 “shortlist” of pre-qualified suppliers. Typically, buyers follow a detailed pre-qualification process to “shortlist” the suppliers who are formally invited to submit a proposal. Shortlisting can be done through the RFQ 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.

Supplier selection criteria vary based on the sourcing situation. The authors strongly recommend that the selection criteria are transparent to the supplier and is shared with suppliers when the RFP is released to the suppliers. The down-select process also varies, and should also 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 evaluation process for down-selecting suppliers.

Requests for proposal should include the buyer's specifications or requirements of what is being purchased. Besides the requirements, buyers typically ask a variety of other questions they would like to learn about potential suppliers as they seek to identify suppliers 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.

Buyers typically create a standardized format for suppliers to follow so they can best impartially compare bids. 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.

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

Requests for proposal should be managed by a cross-functional team that includes stakeholders who are either responsible for the requirements definition or who will be affected 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 video calls) 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 four to eight weeks for supplier selection (does not include contracting).

Recommended Frequency of Use

Requests for proposals are typically used for larger projects, more complex goods, or for procuring services where there the buyer wants to increase their comfort level with picking the best supplier. As such, goods, services and projects purchased with a request for proposal are usually 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 to be associated with a project or with a two to three-year solicitation cycle for goods or services that are reoccurring by nature.

Incorporation of Best Value Techniques

A key differentiator in a request for proposal should be the incorporation of supplier selection factors beyond price. Thus, it is essential to incorporate the use of Best Value supplier selection techniques. A well-structured request for proposal enables the buyer to compare a supplier's proposals "apples to apples", but across multiple criteria for determining the "best" apple.

The Best Value Performance Information Procurement System† (BV PIPS), developed by Dean Kashiwagi at the Performance Based Studies Research Group of ASU,[13] is a popular method for selecting a supplier when it is important to look beyond price. The BV PIPS approach provides a robust – yet simple – process. The BV PIPS process has become popular for procuring complex

† The Best Value Performance Information Procurement System is referred to as BV PIPS in the rest of this document for simplicity

projects, especially large construction or IT projects. However, it can be used for a variety of applications.

The BV PIPS process consists of 3 phases: selection phase, clarification phase and execution phase: In the BV PIPS Selection Phase, the client uses five criteria to pick one supplier. These are:

1. Price
2. Level of Expertise (2 pages)
3. Risk Assessment Plan (2 pages)
4. Value Added (2 pages)
5. Interview

These selection criteria seem quite abstract, but give the supplier total freedom to show its expertise.

The BV PIPS process assumes the supplier is the one who has the most expertise. As such, the BV PIPs method focuses on selecting a supplier with the best value solution to meet the buying organization's specific and measurable goals and objectives. To enable this, the BV PIPS process focuses on using metrics to help the buying organization make a fair and comparable decision between suppliers based on the overall best value of the supplier's solution. This means the buying organization need not write specifications. In fact, the buying organization should not be interested in the solution because the supplier is deemed the expert.

Central to the BV PIPS approach is that the proposed solution needs to be substantiated by the supplier with metrics. As the buying organization is not an expert, he should look at the supplier's proposed metrics instead of looking at the "technical" solution to make the optimal supplier selection. The BV PIPS approach forces the communication between stakeholders to be in the language of metrics.[14] Metrics transform communication into a simple, non-technical and very efficient language, bringing consensus between the buying organization and the supplier. They allow everyone to see into the future and increase accountability, as well as the motivation to minimize risk and to act in the best interest of the project [and not the person].

Metrics can also include the following:

1. Number of times the solution has performed.
2. Customer satisfaction.
3. Number of defects.
4. Number of projects.
5. Length and size of projects.
6. Cost and time deviations [# and %].

Focusing supplier selection on metrics minimizes the need for the buying organization to think, decide or have expectations. As such, the BV PIPS process results in transparency and consensus between parties.

According to Kashiwagi, by focusing on metrics, the buying organization can:

1. Minimize communications [meetings, meeting lengths, meeting attendance, telecoms, documents, reports, emails, approvals].
2. Minimize thinking [need for non-experts to waste their time getting involved in the expert's business].
3. Minimize the decision making of non-experts.
4. Minimize risk [caused by decision making by non-experts].
5. Have an efficient method of communication.
6. Force people to simplify [simplicity minimizes actions of non-experts – the source of 90% of risk].[15]

The BV PIPS process calls for metrics to be used in the prequalification phase, the selection phase, the clarification phase and the execution phase. Metrics should also be the focal point of all parties involved in the procurement process [the buying organization – including the business users/stakeholders/and procurement personnel, the supplier, and any consultants involved].

The BV PIPs process selects one supplier based on dominant qualitative criteria. Suppliers need to show with dominant metrics they can fulfill the buying organization's needs and their ability to realize the buying organization's goals. Only the best supplier gets the opportunity to show its "technical solution." This way, the overall procurement process is streamlined, saving transaction costs associated with the procurement process. The logic behind this method of evaluating a supplier on best value is the assumption that metrics are more dominant and that the supplier is more of an expert than the buyer. Hence, during the selection phase, the buyer needs to avoid having an opinion on the technical solution based on its own "expertise." If the technical solution is important to the buying organization, they should consider using a request for solution process, which is addressed later in this white paper.

The Ministry of Transport in the Netherlands is an advocate of the BV PIPS process to find expert suppliers to meet the goals of objectives of the Ministry of Transport. The Dutch government passed a law called "Besluitvorming Versnelling Wegprojecten" (translated: "Decision for Accelerated Road projects") intending to simplify some public procedures concerning environmental issues and enabled the Ministry of Transport to use experimental "non-traditional" procurement processes such as the BV PIPS process.[16] Using the BV PIPS process, the Ministry of Transport did not provide detailed specifications, only abstract project goals (limiting nuisance for road users and on-time delivery). Suppliers were selected based on abstract qualitative selection criteria (Risk Assessment plan, Value Added plan and interviews with key individuals). After the Ministry of Transport selected the "best value" supplier, they discussed the proposed technical solution with the supplier. The results were outstanding. Projects were delivered on time and transaction costs of both client and supplier were 50% of the traditional approach. The Ministry of Transport won the prestigious Dutch Sourcing Award for applying the BV PIPS process in such a complex and political environment.

Request for Solution

Similar Terms/Synonyms

Request for Proposed Solution (RFPS), Joint Solutioning Request for Proposal (JSRP), Competitive Dialogue, Collaborative Value Development Process, Innovation Partnership

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. The buyer gives limited direction on what the solution may be and has a collaborative dialogue to define/refine the solution. The supplier then develops a formalized proposal that includes their solution.

Purpose / When to Use

Many organizations are shifting to a more collaborative RFS method. The key difference between a request for solution and a request for proposal is the expressed intent for the supplier to create a solution to deliver a client-centric solution where the actual solution – not just simply the metrics – are important to the buying organization. Simply put, the supplier cares about the actual solution and likely wants to interact with the buyer to customize the solution for the buyer's needs. Just like with an RFP, the RFS can be used in conjunction with either an RFI or an RFQ.

Under an RFS, 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 RFS is to ask the supplier to propose a solution that is unique to solving the buyer's problems and to understand how the supplier will help the buying organization 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 an RFS is that it allows buyers to work collaboratively with suppliers on more complex sourcing initiatives where the buying organization may not have a single "right" answer. It also challenges suppliers to come up with innovative solutions that can best meet a buyer's unique needs.

An RFS is well suited for procuring complex sourcing initiatives where transformation and innovation are important to meet service level targets and/or cost savings goals. Outsource services (facilities and real estate management, supply chain management, IT outsourcing or business process outsourcing) are good candidates for an RFS because often there is more than one "right" solution on how to approach an organization's problems.

An RFS is ideal when seeking to develop a Performance-Based contract with a potential supplier that will be responsible for delivering pre-defined outputs such as cost savings targets or pre-determined service levels (defined by service level agreements). An RFS is also a key step in a request for partner process which is discussed as the last competitive bidding method in this white paper.

Overview of the Process

Typically, buyers start an RFS after doing a formalized assessment of their current needs and the market. An RFS almost always includes a request for information to gain insights on best practices in the market and down-select suppliers. An RFS process demands high communication and collaboration during the proposal process – because the buying organization cares about the solution. Typically, but not always, the process is very interactive, involving significant dialogue between a buyer and suppliers as they work to clarify business needs and pick a supplier that offers the overall best value for the buying organization. Just like with RFP, the BV PIPS system can be used as a process to find the best supplier.

There are several different variants of the RFS. For example, the EU uses two different collaborative processes – the Competitive Dialogue and the Innovation Partnership – both designed to work collaboratively with potential suppliers. Several consulting firms also offer proprietary approaches for helping their clients develop a request for solution. Below summarizes a process developed by the University of Tennessee (UT), as information about this approach is widely available.‡

The UT method includes a shortlist (typically about 4 - 8) of suppliers that provide a "concept proposal."[17] 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

The "concept proposal" portion of the RFS is not meant to be time-consuming. As such, 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 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

‡ The University of Tennessee provides an open source/free downloadable white paper that details the method.

geographical area. By having a low cost of entry for developing a concept proposal, buyers open up the supplier's viewpoint for a variety of creative solutions.

Suppliers are further down-selected based on pre-determined criteria – with a limited number of supplier finalists asked to develop a more comprehensive solution and proposal tailored to meet the buyers' output or outcome-based requirements. Typically, the limited 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. It is thus imperative that only a limited number of 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 an RFS process.

An RFS process also should 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) the needed information to properly develop their solution. A key benefit of an RFS process is that it enables buyers to "test drive" suppliers through interactive discussions. By simply requiring the buying team and the supplier to work together during the process, they begin to build trust.

The interactive nature of the RFS requires significant back and forth dialogue with the potential suppliers, which increases as down-selected suppliers move from the concept phase to the solutioning phase. The UT method recommends that questions and answers between the buying organization and the supplier that are not generic to all suppliers be kept proprietary, especially during the final "solutioning" phase of the RFS. This is because the supplier's questions (and thus the answers) are used to specifically design a tailor-made solution for the buying organization. As such, information revealed to all suppliers would reveal information about the supplier's proprietary "secret sauce" and the methods they are using. It is important to note that some public procurement laws require all questions and answers to be shared with all suppliers participating in the bid process. This was the case in the State of Tennessee, which modified UT's approach to a method they refer to as the "Collaborative Value Development" method.[18]

Suggested Stakeholder Involvement

An RFS 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, negotiation 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

The RFS process also involves a high degree of supplier collaboration. Suppliers are 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. Another example is Procter & Gamble, which had suppliers spend three weeks (one week in each of 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. They then can revise their solution as part of the process based on the feedback they receive.

Appropriate Timeframe

The time needed to conduct an RFS will vary based on the complexity of the sourcing initiative and the level of expertise your sourcing team has in managing a request for solution process. While MnDOT conducted its RFS in just three weeks,[19] it is the authors' experience that most RFS processes take two to six 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 can work through the process quicker than those that devote part-time resources to the project.

Recommended Frequency of Use

Goods and services purchased with an RFS are typically asset-specific in nature and have contract durations of at least three or more years. As such, we recommend an RFS process to be associated with procurement initiatives that typically have a three to five-year solicitation cycle for goods or services that are recurring by nature. For example, if a buying organization has a five-year outsourcing contract for facilities management, the request for solution process should align with the expiration of the contract.

Incorporation of Best Value Methods

The request for proposal process is designed to enable apples-to-apples comparison of supplier offerings across multiple “best value” factors important to the buying organization – enabling an apples-to-apples comparison. In contrast, a request for solution method – by design – compares apples to oranges to bananas because each of the suppliers’ solutions is highly unique.

Buyers using an RFS process must take great care in developing the supplier selection process that appropriately evaluates the impact of the supplier’s overall solution. This requires much more diligence on the buyer’s part when it comes to developing supplier selection criteria and physically evaluating suppliers. Buyers often develop a formal formula where various criteria are weighted by importance. Selection criteria are often both quantitative and qualitative in nature. They may also consider incorporating Total Cost of Ownership concepts into the evaluation.

A good example is how the Minnesota Department of Transportation evaluated supplier solutions for rebuilding the I-35 bridge in Minneapolis.[§] As highlighted, MnDOT used a request for qualification to help down-select a broad field of potential suppliers to five suppliers invited to develop a formal proposal. While they followed neither the UT method nor the Arizona State BV PIPS methods directly, its process was more similar to the UT method.

The bidding process set the tone that MnDOT was serious about asking suppliers to provide a solution that would meet their unique needs. 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 approach elements to the bridge and invited (but not required) bidders to eliminate them as part of the project.

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

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 the 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

[§] 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.

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' 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 listed the specific features and innovations FIGG and Flatiron Manson would bring to the project.

As the MnDOT example shows, well-crafted supplier selection methods are essential when you want to evaluate multiple suppliers with varying solutions.

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.[20]

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. Large scale outsourcing initiatives are a good candidate for a request for partner method – especially if the outsourcing initiatives involve a high degree of "human" factors involved where collaboration and trust are essential. This is one reason why 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 important.

Overview of the Process

The request for partner process strives to create a highly collaborative environment where a buying organization and supplier work together to build a common and formal shared vision and statement of intent that will be used as the guiding principles of how the organizations work together throughout the life of their relationship.

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.

A request for solution process is embedded into the request for partner process because buyers typically want to work with suppliers with the capability, capacity and willingness to invest in innovation and help the buyer transform existing operational realities into a desired future state reality. This is typically done with "dialogue" workshops where the buyer and supplier work to co-create a solution that best meets the buying company's needs.

A good RFPartner uses a down-select process with weighted quantitative and qualitative criteria that includes evaluating a supplier not only on its solution – but also 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.

Newfoundland-Labrador Health Services (NLHS) offers a good example of an organization using a RFPartner process. When NLHS was seeking a strategic partner for facility management and support services, finding a strategic partner with an optimal solution and good cultural fit was very important to them.

NLHS's RFPartner leveraged the University of Tennessee's recommended process (see the white paper *Unpacking the Request for Partner*)[**]. The NHLS process included three dialogue workshops and the use of a Compatibility and Trust Assessment.

Figure 1 shares the purpose and high-level objectives for each of the workshops.

A second key difference between a conventional Request for Proposal and an RFPartner process is that an RFPartner formally incorporates relational contracting principles. A formal relational contract includes a formal Statement of Intent – including a Shared Vision and Guiding Principles which provide overarching social norms of how the parties will behave not only during the bid process – but also throughout the Contracting Phase and post-contract signing.

Social norms are the informal rules that govern behavior in groups and societies. In a formal relational contract, social norms are formally adopted as part of the contract with the goal to guide the parties' behaviors both during the contracting process and post-contract signing. NLHS opted to co-create the Guiding Principles in the first dialogue and the Shared Vision in the second dialogue.

Figure 1: Purpose and Objectives for Each Workshop

	Workshop 1	Workshop 2	Workshop 3
Purpose	Enable parties to continue to align on a high-level concept solution.	Enable parties to further align on a high-level concept solution	Enable parties to further align on a high-level concept solution
Objectives	Align the parties' values on transparency and what a trusting and compatible relationship looks like Discuss scope to gain a better understand. If NLHS cannot answer questions in the Dialogue, answers will be provided after the meeting. Development of the Guiding Principles	Co-creation of a Shared Vision (Shared Vision + Guiding Principles combined become the Statement of Intent for the relationship) Identification of "ponies" – the value of the difference between today's solution and a future solution Identify key differences between the current solution and proponents thinking on proposed solution.	Align on the Risk Mitigation Plan Share Concept Proposal and seek feedback Align on Guardrails

[**] The white paper in the Creative Commons and is available as a free download at https://www.vestedway.com/unpacking-request-for-partner/

Figure 2: Evaluation Award Criteria

NLHS's RFPartner process incorporated both "cultural fit" and "solution fit" into the Award Criteria in the service provider selection process. **Figure 2** shares the NLHS's RFPartner evaluation Award criteria. NLHS's RFPartner criteria included five main buckets: cultural fit, the Statement of Intent, change from current practices, risk mitigation and applying the guardrails to the different lines of business.

Criteria	Weight
Cultural Fit/Compatibility with NL Health. The workshops and a Compatibility and Trust® (CaT) assessment will be used.	35%
Vision on Statement of Intent/Desired Outcomes/Guiding Principles	35%
Vision on difference of current solution to proposed solution	20%
Risk Mitigation Plan/Guard Rails	5%
Vision for addressing guardrails for each Business Line	5%

While the Award Criteria had only five categories, the detailed scoring included 36 criteria with 11 of their 36 assessment criteria related to cultural fit.. An evaluation team would then grade each criterion using a formal scoring rubric, ranging from 0 (no response provided) to 10 (fully satisfies the requirement).

It is easy to see the Award Criteria shifts the focus from picking service providers that can deliver on specified requests with the lowest possible price to identifying a long-term partner to collaborate with NLHS in the pursuit of achieving strategic goals defined by the parties.

The dialogue workshops offered NHLS an excellent opportunity to evaluate each service provider to see how well they were a match with NLHS evaluation criteria.

To help NLHA assess cultural fit, NLHA and each of its existing suppliers completed a Compatibility and Trust (CaT) assessment to establish baseline compatibility and trust levels.[††] **Figures 3** and **4** (on the following page) illustrate some of the results from the CaT assessment for each supplier. **Figure 3** (on the left) shows a tight alignment with Compass (the winning supplier). **Figure 4** (on the right) indicates there is a gap in cultural fit between NLHS and Supplier B (the losing supplier).

[††] For more information on the CaT Assessment, please download the white paper at https://www.vestedway.com/unpacking-trading-partner-trust

Figure 3 – NLHS & Compass

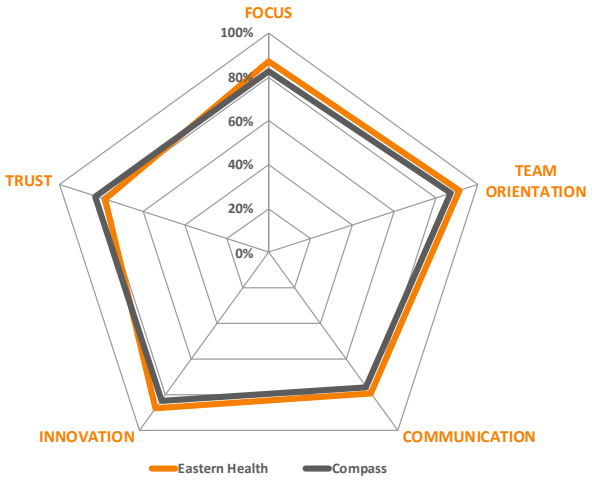
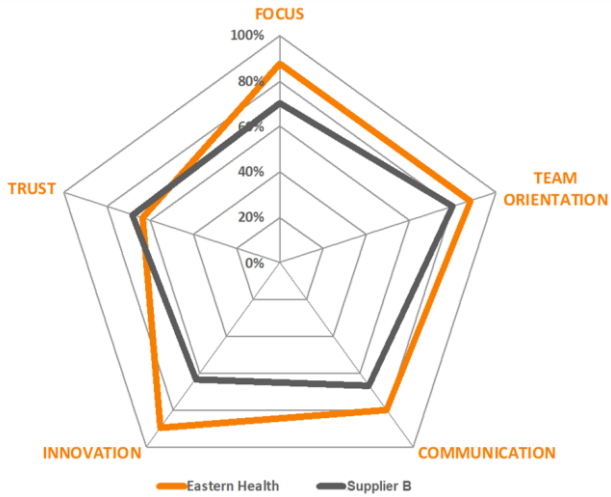


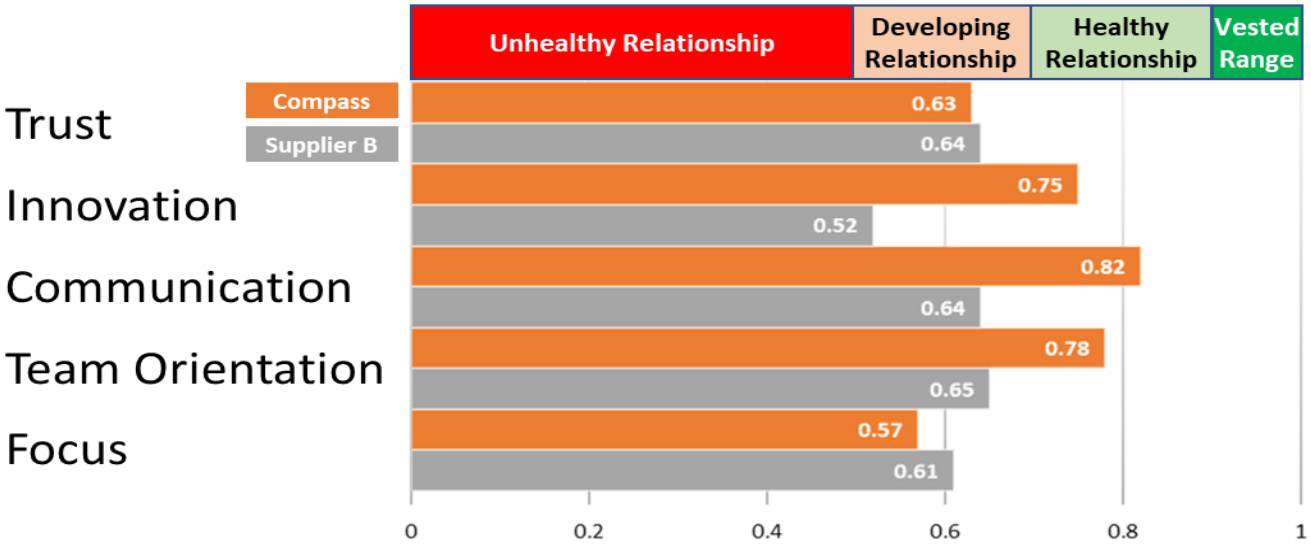
Figure 4 – NLHS & Supplier B



The assessment showed that Compass had a higher cultural fit. How? A tell-tale sign of cultural fit is when the CaT self-assessments have small gaps across the five CaT dimensions. For example, look closely at the Innovation dimension. NLHS (noted in the orange line in both **Figures 3** and **4**) scores its own organization as innovative, while Supplier B scores its organization as much less innovative. The difference creates a significant gap in how the parties view innovation.

A second analysis of the CaT assessment asks team members to rate each company based on their *perception* of their partner. This analysis works very well when assessing existing business relationships, such as those in the NLHA scenario. Once again, the CaT revealed a much healthier business relationship based on their existing working relationship, with a CaT Index of .71 for Compass versus .61 for Supplier B. The Compass relationship had three of the five dimensions falling into a “healthy” relationship, while Supplier B did not reveal any of the five dimensions as being “healthy.” (**Figure 5**)

Figure 5 – CaT Index Comparison – Compass & Supplier B



As part of the bid process, NLHS used the CaT assessment data as the foundation for dialogues with each supplier. In the dialogue workshops, the suppliers were challenged to address how they would close gaps in their cultural fit by addressing the cultural fit criteria in the scoring rubric. As noted in Part 3, NLHS picked Compass as their provider of choice.

Suggested Stakeholder Involvement

A request for partner process requires the highest level 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.

To get ready for the bid process, Fraser Fry – NLHS's Senior Director for Facilities and Support Services – assembled a cross-functional team that represented essential business stakeholders to provide input into the actual RFPartner bid document. Essential to the success of an RFPartner process is clearly defining the criteria for down-selecting service providers and ultimately selecting the partner of choice. A good RFPartner process includes pre-determined and transparent down-selection criteria with a few service provider finalist(s) asked to collaborate on a more comprehensive solution to meet the buying organization's strategic objectives as they move through the bid process.

Suggested Supplier Involvement

A request for partner process 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 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 evaluate their cultural fit. In the case of NLHS the bid process used the Compatibility and Trust (CaT) assessment - developed by professors Gerald Ledlow and Karl Manrodt – which measures the strength of business relationships across various business relationship dimensions.[21]

The CaT is designed to show how closely aligned the buyer and supplier organizations and 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 two months upwards to six 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 can work through the process quicker than those that devote part-time resources to the project.

Recommended Frequency of Use

Products and services purchased using a request for partner method 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 five to seven 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.

Incorporation of Best Value Methods

As stated previously, a request for partner adds an element stressing the importance of finding a supplier that will be a good culture fit for their organization. Evaluating a supplier goes one step further than what is used in a request for solution because it also incorporates the cultural fit and compatibility as a key component when selecting the final supplier.

The book *Vested: How P&G, McDonald's and Microsoft are Redefining Winning in Business Relationships* profiles the importance of cultural fit when P&G selected Jones Lang LaSalle as their strategic outsourced service provider for global facilities management. William Reeves, P&G's Director of Global Workplace Services who managed the outsourcing initiative, shares P&G's

perspective on cultural fit in the case study. “JLL was a good fit. Both companies had impressive histories and records of performance excellence, but P&G and JLL shared something even more important – similar corporate ethics and commitments.[22]”

P&G PRINCIPLES

We show respect for all individuals. The interests of the company and the individual are inseparable. We are strategically focused in our work. Innovation is the cornerstone of our success. We are externally focused. We value personal mastery. We seek to be the best. Mutual interdependency is a way of life.

Jones Lang LaSalle “ETHICS EVERYWHERE”

As part of our commitment to create real value in a world that is constantly changing, we are determined to be a good corporate citizen in every corner of our global community. We hold ourselves accountable for the social, environmental and economic impact of our operations. We design our policies and business practices to reflect the highest standards of corporate governance, transparency and ethics. We support all aspects of the corporate social responsibility agenda, but one area is particularly relevant for us. We have the skills and

Reeves summed it up when he met with Bill Thummel to let him know that P&G had made the decision to go with JLL as the service provider of choice. Thummel was the JLL Global Account Executive; he served as Reeves’ counterpart regarding the FM operation. Reeves shook hands with Thummel to symbolically seal the deal, stating, “We know that you (JLL) and the other suppliers we evaluated have never done this before; and neither have we. But JLL has a culture that is much like P&G’s. We think we have the best chance of being successful with you because you are so much like us.”

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 firms have invested millions of dollars perfecting the art and science of the highly competitive bid. However, new research shows 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 must 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".

Proven approaches such as the BV PIPS process are enabling more efficient and effective ways to perform a request for proposal. And newer approaches are emerging such as the "request for solution" and "request for partner" processes, offering a promising approach to enable buying organizations to enable more collaborative ways to work with suppliers to develop customer-centric solutions. These approaches allow suppliers to create better solutions that are purpose-built for adding value and driving innovation for buying organizations. As the business environment evolves, it is imperative that sourcing professionals also evolve and embrace these more modern approaches to competitive bidding.

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 and NEVI-Purspective.

Enjoy and share shamelessly with your colleagues, clients and suppliers.

ABOUT THE AUTHORS

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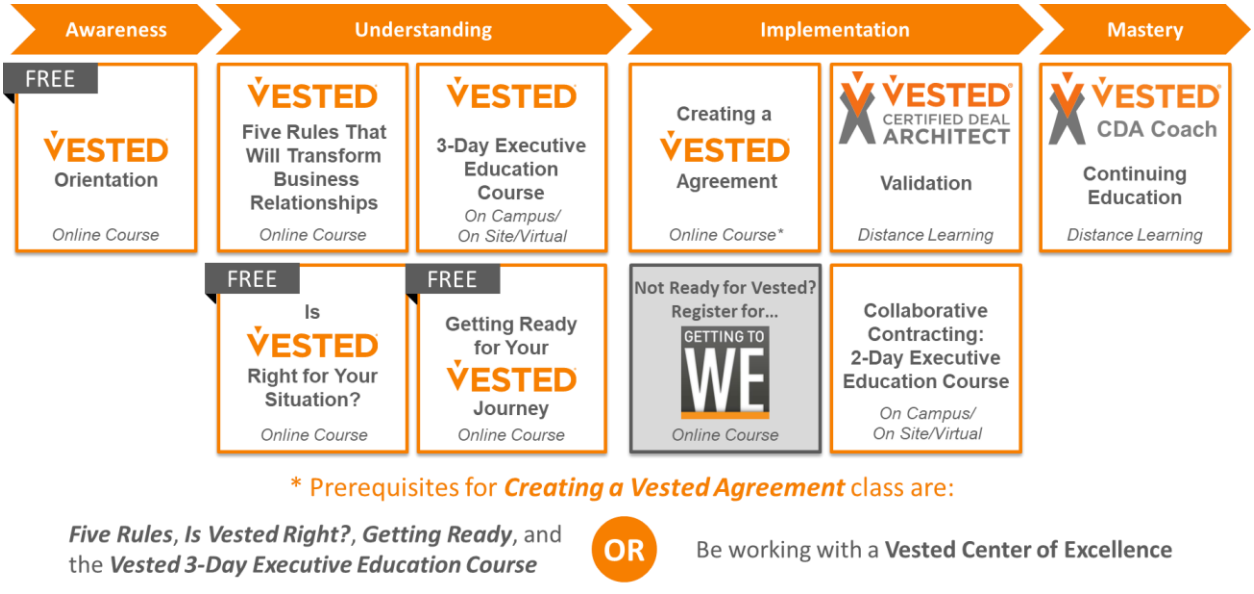
FOR MORE INFORMATION

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 seven books on the Vested business model and its application in strategic sourcing.

We encourage you to read the books on Vested, which can be found at most online book retailers (e.g., Amazon, Barnes and Noble) or at www.vestedway.com/books.

For those wanting to dig deeper, UT offers a blend of onsite and online courses including a capstone course where individuals get a chance to put the Vested theory in practice. Course content is designed to align to where you are in your journey ranging from Awareness to Mastery. For additional information, visit the University of Tennessee's website dedicated to the Vested business model at http://www.vestedway.com/ where you can learn more about our Executive Education courses in the Certified Deal Architect program. You can also visit our research library and download case studies, white papers and resources. For more information, contact kvitasek@utk.edu.



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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.

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 because it blends practitioners, service providers and advisory firms in a non-commercial environment.

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

NEVI is the Dutch Association for Purchasing Management, and was founded in 1956. Since then NEVI has grown to become one of the world’s leading Purchasing Management organizations. NEVI is a member of IFPSM and chairman of the European division. With over 6.500 members, working in the private and public field, NEVI is the principal authority for matters concerning Purchasing in the Netherlands.

For more information, visit www.nevi.nl

ENDNOTES

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[20] 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*.
[21] See "Compatibility and Trust Assessment," http://www.vestedway.com/compatibility-and-trust-assessment/
[22] P&G frequently refers to "PVP" driven decisions. PVP stands for the Principles, Values, & Purpose that define ethics and mandate behavior.

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