Elements of an Efficient RFP process

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Lengthy RFP processes appear to be the norm for complex technology procurement processes. Not only planned long, but with extensive overruns.

In addition, the resulting agreements are often mediocre in the quality of requirements as well as agreement text.

This document sets out an approach that in practice has shown execution in half the time of normal industry practice with better end-results.

This short paper aims to address a number of challenges in procurement processes for IT and technology related targets. Focus is on defining requirements without writing out every detail and on reducing time and effort without jeopardizing the protection of the buying party.

The method upholds the formality of the process but accelerates it through standardization and automation. Further, it addresses the specification trap through a specific set of techniques, including in particular the principle of partial specification.

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1 Introduction

The motivation for the paper is experience from multiple sourcing processes with extensive duration, far beyond what was originally expected. This reflects a consistent frustration on both customer and vendor side that major sourcing processes regularly have durations of 12-24 months or even longer.

Furthermore, the resulting agreements are often of mediocre or even poor quality, measured as clarity of obligations and split of responsibility and risk. Our experience is that even large companies with dedicated sourcing organisations often suffer from this challenge.

The procurement tasks in focus for this paper are medium to complex IT and telecommunications equipment, software and services. We believe the principles to be applicable for other scenarios too, but the focus here is where the principles have been applied in practice.

The method has in practice shown the ability to execute procurement for full scale core network or core IT system in around 6 months, which in our experience is less than half of industry standard.

The structure of the paper is as follows:

Section 2 introduces the problem in more detail and outlines some of the key solution elements at a high level.

Section 3 discusses in which scenarios the method is applicable.

Section 4 outlines the principles and techniques applied in the method.

Section 5 describes the method, including more details on addressing long-running RFPs.

Section 6 discusses how the principles can be applied to smaller projects.

Section 7 discusses the role of system integrators in the procured solutions.

Section 8 is a short summary of the main points of the paper.

A note of terminology: we use "RFP" as the process for securing a proposal, including a price. Some term this an "RFQ" where the "RFP" is more of a high-level proposal. We do not make this distinction.

2 Problem statement

This section outlines the problems that the method sets out to address. They are:

1. The challenge of writing detailed specifications for a complex sourcing target.
2. The fact that the original desired outcome frequently drowns in detailed specifications.
3. The typical excessive duration of RFP processes.
4. Avoiding the lure of skipping an RFP process for speed or "partnering".

The last point is only indirectly related to the methodology: an efficient methodology makes it less tempting to skip the process.

The first three points of the problem statement, jointly with a summary of the remedy proposed in the method, are briefly discussed individually below.

2.1 Writing detailed specifications

The industry has generally accepted that writing detailed specifications is very challenging. Notwithstanding this recognition, no universally accepted alternative exists. Agile methods do, in part, address it, but from a sourcing perspective the contract terms degenerate to time and material with no or limited commitment from the vendors.

The method here attempts to address the challenge through embracing and addressing the inherent partiality of specification in the process and the contract. This is not a magic fix – a partial specification is a challenge from a contractual perspective. However, embedding the recognition of the challenge in the contract can reduce risks for the buyer significantly.

Addressing the issue of specifications is, jointly with the business outcome focus, discussed in sections 4.

2.2   Focus on business outcomes

Losing focus on the desired business outcomes can be the result of these never being fully articulated in the first place or it being lost in the complexity of executing a large project.

The proposed countermeasure to this is to contract explicitly for the outcome. Like above, this is not a magic fix. If attempted to its full, vendors will object either through rejecting or pricing excessive risk. But it still pushes the desired outcome to be top of mind of the project and engages the vendor in its fulfilment.

Addressing the issue of outcome focus is, jointly with the specification issue, discussed in sections 4.

2.3   RFP timeline

Long RFP timelines are usually the result of delays in every step in the process. Once delayed, the process loses credibility and the vendors, being used to such delays, often reduce their focus, causing even longer delays.

Typical main steps of an RFP process are set out below with brief discussion on duration drivers and ways of speeding up.

Material development where the scope, requirements and contract are drafted. Typically, some reuse takes place, but documents are still drafted for each process. This means that it often is shared with the vendors before it is truly ready, which has significant timeline impact later in the process. Another typical challenge is the tendency to crowdsource the documents with each participant providing a small bit.

The method here counters this by starting with standardized material that embeds the principles laid out here and working in a smaller, but highly focused team. The best results are achieved if the team is familiar with the structure and content of the standard material before the process starts. This supports delivery of high-quality material in the sense that it is clear, consistent and coherent.

Permitted vendor responses tend to be response to a list of requirements and a mark-up to a contract. The mark-up makes it difficult to normalize the responses and legal staff from the vendors tend to make "clarifications" that shifts risk balance and takes a long time to discuss.

The method here counters this by converting the text documents (typically in Microsoft Word) to spreadsheets (typically Microsoft Excel) and having responses in the same form as to the requirements. Any clause with "compliant" marking is unchanged in the process. This also counters the tendency for vendor legal staff to make further "clarifications" in the final editing round.

Normalization is normally a manual and quite subjective process. Scoring spreadsheets tend also to be subjective and does not distinguish significantly between vendors.

The method here counters this through the use of Excel responses for both contract text and requirements. These are easily normalized and some of the normalization can even be automated.

Negotiation is normally challenged by having multiple markups of the same contract where the negotiating team on the customer side needs to remember the different variations. Later in the process, when the competitive pressure is lower, vendors legal staff may start doing further "clarifications" causing further rounds of discussions and edits.

The method here counters this by limiting ability for vendors to edit documents through the use of Excel sheets for contract responses and doing the edits on the customer side.

The final contracting can drag out for months if permitted. This can be caused by poor quality of the initial documents, edits by the vendors that typically take up new discussions when they have exclusive negotiations and lack of time pressure.

The remedy of the method is use of standardized material to provide high-quality initial documents as well as the limited editing approach.

3   Applicability

The method outlined here is suited for many IT and telecommunications sourcing tasks. However, it utilizes certain techniques that in their turn builds on certain assumptions about the problem at hand.

This section outlines the main assumptions and with that the applicability of the process.

3.1   Project size

Any non-trivial RFP process will have a significant cost both on the customer and on the vendor side. Long and complex processes can run into millions of EUR, in particular if the duration becomes very extensive.

The objective of the method set out here is to limit the effort required on the vendor side and in particular on the customer side. Even so, the costs of running a sourcing process are still significant,

typically at least half a million EUR on the customer side. In order for the vendors to engage in the process with the necessary effort, the target scope must have a reasonable magnitude.

For smaller projects, many of the principles can still be applied and a scaled-down version of the process can be adapted. Some thoughts on this are in section 6.

3.2   Standardized services

The process assumes that the target scope can be delivered materially through applying standardized components. This is central in the principle of partial specification discussed in section 4.3.

All projects include adaptation of the standard components, and such adaptation can include customized integration or even limited customized functionality. Such limited adaptation implies limited risks and can be handled in the process.

On the other hand, the nature of complex, customized projects, in particular within IT, is that the risk of overruns and poor fit to actual requirements are overwhelming. Part of the inherent nature of sourcing processes is an attempt to outsource risk. When the risk is overwhelming, the sourcing process becomes challenged. This has been the experience of many classical specification-first IT projects.

The method outlined here utilizes that a number of risk items are easier to distribute when standard services can be applied. Hence, the advantages of the method are reduced significantly when highly customized solutions are required.

3.3   Turnkey deliveries

The method has turnkey deliveries as its primary focus. The thinking is originated from implementing a standard IT system or network element: the vendors typically have unique capabilities in terms of technical and implementation competence that are difficult to replicate. Furthermore, the corresponding capabilities are rarely available on the customer side with sufficient depth and volume.

The turnkey solution scope does not need to be all-encompassing but should ideally be comprehensive within the scope of the solution targeted. The turnkey solution may or may not include subsequent operations.

In a similar manner that the method can be adapted to smaller scope (see section 6), the principles can also be applied to combined deliveries.

3.4   Vendor landscape

Underlying any RFP process lies the assumption that the object of the RFP can be delivered by a number of competent vendors. This very natural assumption is also a requirement for the method set out in this document.

In addition, the method assumes a certain maturity with the vendors. Essentially that they are prepared for a accustomed to responding to RFP materials.

An finally, that multiple vendors have products or services that with limited adaptation can fulfil the requirements set out in the RFP.

3.5   Services

The method was originally developed to source IT software and implementation but has proven quite versatile in applicability to different types of IT and network solutions and services.

This is reflected in the types of services that the method has been applied to. These include:

1. IT core systems.
2. Radio access networks.
3. Network monitoring tools.
4. Mobile core networks.
5. IT operations services.
6. Core and radio operations services.

4   Sourcing principles

This section outlines the rationale for a sourcing process as well as some of the key principles of the suggested methodology.

In this paper, the sourcing process is described stand-alone. Complex sourcing processes, in particularly in IT, often coincide with major business transformation initiatives. The white paper on BSS transformation that can be found on the RA Advisory web page (www.ra-advisory.dk) goes into detail of how such a joint purpose may be managed.

Apart from section 4.1, which sets out rationale for executing an RFP in the first place, the majority of this section 4 is concerned with how formulation of requirements can be managed, including the business outcome focus.

4.1   Rationale for the RFP

The core rationales for the RFP process include:

1. Finding a good solution for the procurement task at hand.

2. Securing joint expectations on responsibilities, including in particular limiting responsibility on the customer.
3. Securing joint expectations on how the risks of the project are distributed.
4. Securing predictable cost for implementation, license and subsequent operations.
5. Securing legal terms that embed the agreed balances and protect the value the customer has contracted for.

These reasons are, in our view, important enough that an RFP process is merited whenever the scope has a magnitude that permits it. Our consistent experience is that the results from executing an RFP are better than skipping or shortcutting it. And the costs of the RFP are invariably recouped through lower and more predictable prices as well as better preparation for executing the implementation project.

This is not a universal belief. With regular intervals, there are voices, in particular on the vendor side, that advocates for "alternative approaches" as the RFP is "obsolete".

We do not agree with this perspective. In our experience, the need to protect the customer interest is as strong as ever, and the RFP process is a formidable way to secure this. Halving the initial offered price and securing substantial contractual protection is not unusual.

The extent of the RFP should be adapted to the task at hand. Obviously, it does not make sense to execute a sourcing process of 1-2 million EUR for a sourcing target of 3 million EUR. However, we find that merely shortcutting the process tends to fail; the better approach is to prioritize the risks that one needs to address and adjust the process accordingly. This is further discussed in section 6.

4.2 The specification trap

This section outlines the concept of the specification trap, which is the dilemma of how to contract a delivery that is not fully specified yet getting a predictable pricing. This dilemma and its (partial) resolution are defining for the method outlined in section 5.

4.2.1 Partnering

Before diving into the specification trap itself, a note on the relationship between a vendor and a customer: not infrequently, the notion of "partnering with the vendor" comes up as an alternative to running a sourcing process, in full or in part. Vendors often promote this notion.

The perspective taken here is that the interests of a vendor and a customer are fundamentally opposed. The relationship can be fine, constructive, even friendly and beneficial for both. But coming down to essentials, the customer has an interest in getting as many services for as small a cost as possible. And the vendor has the opposite interest.

This is not to say that partnerships do not exist. But such deals are not commonplace and almost unheard of in the space of services targeted by this paper. [1]

The implication of this point is that one must secure oneself commercially or the vendor may take advantage of the situation. Not all vendors will do so at all times, but people and ownership changes, financial pressure fluctuates, and relying on partnerships can be fragile in such situations.

The point is amplified by recent examples of price increases by certain SaaS and infrastructure vendors. Further discussion specific on SaaS terms can be found in a white paper discussing SaaS contracting on the RA Advisory web page (www.ra-advisory.dk).

4.2.2 Waterfall

Now for the specification trap. In a traditional waterfall approach to system procurement, the RFP process attempts to specify all requirements in detail, sometimes in fairly extreme detail. This approach is not employed frequently anymore but serves as illustration of the specification trap. The principle for specifying requirements in this way is illustrated below:
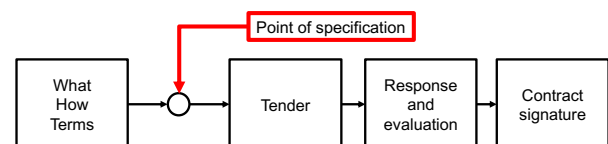

Figure 1: Traditional waterfall point of specification

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[1] An example taken from the airline industry can serve to illustrate the difference. The example is from when "free" meals and drink were still a standard part of most flights. An airline catering company supplying to both traditional airlines, that included free drink and meals in their fares, and low-cost airlines where everything was payable. Their relationship with the traditional airlines was generally fine but burdened by the fact that

discussions always focused on reducing cost (and thereby at some point the quality of the offerings). Whereas with the low-cost airlines, the focus was on how to sell as much catering as possible, as both the catering company and the airline benefited from such sales. The former relationship was fine, but the latter had more characteristics of a partnership.

The point of specification refers to the point in the process where the specification of the requirements is fixed.

The process above is intuitively fine: the customer asks the vendors for a specific solution, vendors respond, and the best fit is chosen.

There are two important problems with this. The smaller problem is that it does not facilitate use of standard systems. The vendor signs up to specifications irrespectively of whether it is standard or not.

The larger problem is that in almost all cases, it in is not in practice possible. The amount of detail that needs to be written down is prohibitive in nature due to the sheer size of exhaustive requirements for complex solutions. It is never right in the first place, and it is quickly outdated, sometimes already at the time of submission.

In addition, it is wasteful since one must specify requirements so standard that they are trivially fulfilled by any competent vendor.

Therefore, the intuition is wrong – for most real-life technical RFP processes, the classical waterfall method simply does not work.

4.2.3   Analyse - build

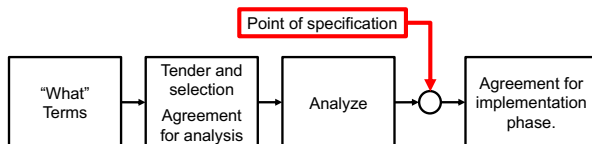An alternative model is to engage with a vendor, typically a system integrator, and run the process as follows:

Figure 2: Point of specification after contracting

Here, the vendor is selected before the point of specification and assists in the analysis that leads to an agreement for the implementation. From a content perspective the model can be fine, but it causes the customer to lose commercial leverage almost immediately. Essentially, it becomes a time and material agreement and therefore the protection targeted by an RFP process is materially lost.

4.2.4   Agile to the rescue?

Some vendors would argue that the answer to the dilemma lies in an agile approach. While there are many advantages to an agile approach, from a commercial perspective it still boils down to payment based on time and material. The point of specification is therefore merely dragged out, but still after

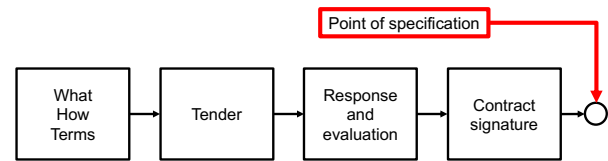contracting. In a picture similar to the ones above, it looks as follows:

Figure 3: Point of specification in agile

Essentially, the specification is not really final until the project is done.

Agile methods certainly have a role in many projects, in particular within IT. Most vendors will use agile methods in their implementation, and that makes a lot of sense. But fixed-price contracts that protect customers adequately are in their essence not agile.

4.2.5   Addressing the specification trap

The method set out in this document, in particular section 5, attempts to address the specification trap. The idea is to embrace the challenge of the specification trap through a multistage specification. This is illustrated below.
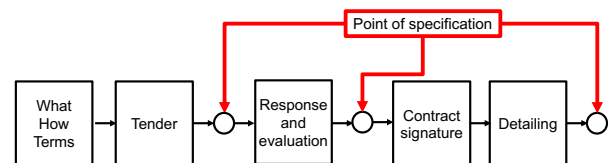

Figure 4: Multiple points of specification

The approach is to define the requirements through the process in co-operation with the vendor before and after contract signature.

The detailing that happens after the responses and evaluation step and before the signature step (middle circle in *Figure 4: Multiple points of specification*) include:

1. A solution description delivered by the vendor as part of the response to the tender.
2. The scope clarification document that supports the principle of partial specification as set out in section 4.3.
3. The architects' competition that demonstrates the proposed solution based on use cases defined by the customer as set out in section 4.6.

That such detailing will take place should be clarified to the vendors in the invitation, explicit process rules and introductory meetings.

The detailing that happens after contract signature needs to be subject to a set of rules set out in the contract.

4.3 Principle of partial specification

The principle of partial specification can be applied in sourcing processes where the procurement task can be covered by competent vendors, i.e., vendors who can deliver standardized functionality in similar settings.

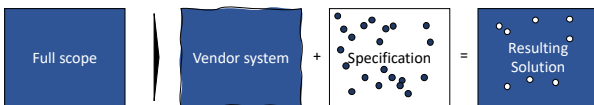The principle is illustrated below.

Figure 5: The principle of partial specification

The principle is, reading from left to right:

1. There is a full, but unknown scope. Unknown in the sense that it cannot be described, not that it is non-existent.
2. The vendor has a system that supports similar businesses with materially the same scope.
3. In order to run the process, a specification is written. The specification is, as the dots illustrate, only a small proportion of the full scope. In the illustration it is shown as random dots, but of course, the focus should be on key processes and differentiating capabilities.
4. The resulting solution materially fulfils the full scope – exceptions as illustrated with the white dots must be handled either through workarounds or other systems. Or by simply just abandoning the requirement.

This can be contracted in the sense that the risk of completeness, at least in part, can be sourced to the vendor.

An important mechanism supporting the approach is the use of a scope clarification document in the contract. The vendor should have the opportunity (and obligation) to ask the necessary clarification questions in order to take responsibility for the outcome. This is part of the middle point of specification set out in *Figure 4: Multiple points of specification*.

As this principle is important to addressing the specification trap, extra care is required if the method is applied to highly customized solutions.

4.4 The principle of outcome-based delivery

For the projects targeted by the method set out here, there is always a risk that the resulting solution will be a mediocre fit to the desired outcome. This risk must be shared between the parties, and an important part of the RFP process is to make the risk sharing explicit.

The vendor will always push for the scope in the contract to be based on specific items, e.g., a set of system modules, hardware and a (finite) list of activities. The customer should, countering this, push for an outcome.

A balance between the two positions must be found; ideally, risk should be owned by the party that can address the risk most effectively as that will overall be the cheapest solution. For example, the vendor will know the capabilities of their system and what activities are required in order to secure fulfilment of the requirements. Therefore, a substantial proportion of that risk lies naturally with vendors. On the other hand, changing business environment, regulatory changes, security and redundancy issues are more natural with the customer.
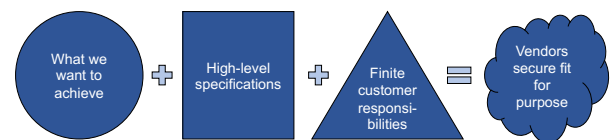
This is illustrated below:

Figure 6: Outcome-based delivery

Reading from left to right:

1. The circle illustrates the desired outcome, articulated as objectives and target state in the agreements.
2. The rectangle illustrates the high-level specifications, utilizing the principle of partial specification.
3. The triangle illustrates the finite set of customer responsibilities that the vendor must define in the agreement.
4. At the end, illustrated by the cloud, the target is that vendors secure that the solution fulfil the desired outcome.

The approach should be subject to the risk allocation principles set out above – otherwise it is likely to be too expensive. The concept is also one that typically meets some resistance from vendors.

The principle suggested is to document the objective and desired outcome and conclude it in the contract.

4.5 A note on RACI matrices

A normal approach, typically preferred by the vendors, is to produce a RACI matrix, where the responsibilities of the parties are outlined. This has several disadvantages:

1. It drives the contract towards an activity-based commitment, rather than an outcome based one (the vendors will claim that the list in the RACI matrix is the scope).
2. It is a duplicate of the responsibility description set out in the rest of the contract, creating ambiguity. And given that the RACI matrix is often developed outside main contract discussions, it shifts risk balance outside the main negotiation focus.
3. It can be a quite extensive task to define and, if going this way, it is important to match the vendors effort.

The suggested approach here is to source for an outcome and ask the vendor to list exhaustively what is required from the Purchaser in order for the vendor to secure the outcome. This is the item illustrated in the triangle in *Figure 6: Outcome-based delivery*. This approach circumvents the challenges with the RACI matrix and supports the outcome-based approach.

4.6 The architect's competition

A final step in addressing the specification trap is the architects' competition. This is part of the middle point of specification set out in *Figure 4: Multiple points of specification*.

The architects' competition works through defining a set of use cases (or other structure of specifying relevant scenarios) and asking vendors to demonstrate how their solution handles these scenarios. The use cases, the responses and a recording of the demonstration goes into the contract, hence adding to the specification.

In addition to being part of the solution to the specification trap, the approach has proven remarkably efficient in practice in revealing whether a vendor is capable of executing according to the promises made. In several processes, we have applied the use case approach to two apparent competent and materially equal vendors. In some situations, both demonstrate capabilities, and the use cases do not differentiate significantly (but still contribute significantly to the specification). In other situations, it becomes very evident that one vendor is incapable of executing in accordance with promises made. We are not aware of any other method that so effectively reveals actual capabilities during an RFP process.

The use cases depend on the procurement task, but can for example include:

1. Product support cases, e.g., how products are configured and how options to avoid excessive product catalogues.
2. Process support cases, e.g., how efficient processes are configured and maintained.
3. Major end-customer use cases like self-service, customer support and billing.
4. Operations use cases, e.g., structured around ITIL processes.

As for other parts of the RFP process, it is important to balance the desired outcome with the efforts required, both on customer and vendor side. For example, the vendors obviously cannot be expected to do a full system configuration for the RFP process.

5 Sourcing process

This section sets out the process implementing the sourcing methodology.

5.1 Speeding up the process

This section discusses main causes of long duration of sourcing processes as well as the key items to have in place for a fast execution. It elaborates on the key topics and remedies set out in section 2.3.

5.1.1 Quality of RFP material

It is quite common for larger procurement tasks that the customer issues a full set of documents, including draft contracts and extensive requirements. This approach has the clear advantage that the starting point for contract edits is satisfactory from the customer perspective. Frequently, the team on the customer side also has experience with the material.

It is, unfortunately, also common that such material is issued in poor quality. Even in companies with large internal procurement organisations, it is quite common that the templates are not updated or that it is merely the latest similar contract being used.

Issuing a poor-quality document set to 3-5 vendors will cause all vendors to start asking the same questions and make similar edits. Very quickly, the documents will have diverged substantially, demanding continuous and difficult context switching in the team of the customer.

The suggested remedy is to use a standard set of documents that are adjusted marginally to the specific sourcing process. Updating the documents after each procurement process can add to the

quality over time. Note that the updates should not just be copies – it should be a reflected consideration of learnings embedded into the contract templates.

5.1.2   Slow and extensive edits

Most large RFP processes result in quite extensive material, and turnaround of edits can take long time, both on the vendor side and the customer side. This is more pronounced in case the RFP material has marginal quality.

The suggested remedy is to transfer the RFP material to Excel and get responses there only. Provided that the documents are in an appropriate format, such conversion can be done automatically. Disagreements should be resolved in updates to the Excel files in sufficient detail that the final update of contract is straightforward from the Excel files. This minimizes the edits.

Securing speed in the process can be achieved through a combination of a focused team with the customer and suitable motivation with the vendor. One such motivation is to communicate the rule that the process moves on as soon as sufficient quality responses have been achieved from the target number of vendors.

5.1.3   Lengthy normalization

When vendors have free hands in editing the material provided, the resulting variations can be extensive. This is particularly true in case of poor quality of the initial RFP material.

The suggested remedy is to keep responses in Excel and having a predefined structure in the price annex. This way normalization is very easy:

1. First step is to graph the responses (compliant, partially compliant, not compliant) per document. This gives a very quick first view of the challenges; normally vendors with many non-compliant responses also are non-compliant on the most challenging topics.
2. Second step is to graph the cost profile. With a standard format, this is also a very straightforward process.
3. Third step is to filter in the actual documents to look at non-compliant answers. This can give a quick overview of whether vendors are compliant to the more important items.

Typically, a presentation with comparison and comments can be produced in single day.

5.1.4   Challenging negotiation phase

When vendors edit in the documents, the baseline for negotiation shifts and material from the different vendors quickly diverges. This makes it very challenging for the negotiation team on the

customer side to keep track of which issues are with which vendor.

There are various techniques to deal with this, including focusing on one vendor at a time or having several negotiation teams. The former can work well, also with the methodology suggested here, whereas the latter leads to other significant challenges.

The suggested remedy is to stick with the Excel files and keep edits with the customer. This way the baseline is clearer, and the customer controls the pace.

5.1.5   Extensive contract finalization

When contract documents have been edited jointly in a negotiation phase, they typically need finalization. When a vendor gets exclusive negotiations, they tend to have questions to the text and suggest "clarifications", essentially challenging what has already been agreed, more or less explicitly.

The suggested remedy is again the use of the Excel sheets for edits, including in particular that all compliant paragraphs are unchanged. Also, it is most efficient to keep edits with the customer.

5.1.6   Vendor delays

In spite of expressed eagerness from vendors, they are often a major source of delay. It can be difficult from the outside to ascertain the root causes, but typical symptoms include:

1. Staff availability.
2. Extensive internal review processes.
3. Long turn-around time for document edits.
4. Complex edits requiring extensive consequential discussions.
5. Use of standard material in contracts or otherwise that conflicts with submitted material in the RFP.

Typically, the situation is worsened towards the end of the process where the competitive pressure is lower, the required effort is higher and the demands in cost and contractual terms are more difficult.

Vendors are by nature out of control of the customer team, but a couple of things can be done to motivate priority:

1. Secure vendor understanding of process so they can plan for relevant participation.
2. Do as you say you will do – including in particular sticking to the communicated plan. This will give the process a credibility that permits vendor's internal prioritization.
3. Select vendors at each down select gate that reach a satisfactory result the fastest.

In particular item 3 must be managed carefully. It only works if one executes strictly. But it can be remarkably effective in securing fast turnaround.

5.1.7   Organisational considerations
This section sets out certain internal organisational considerations, both on the project organisation and the surrounding line organisation.

5.1.7.1   Team and structure
The ideal team is a small, experienced one, focused exclusively on the RFP process. The team should have a reasonable mandate and ready access to the proper level of management in order that fast decision making is possible. The core team should be supplemented by an extended team that can participate for reviews and discussions on ad hoc basis.

Frequent challenges include:

1. Crowd-sourcing of material, resulting in uneven quality and without ability to discuss in a small core team.
2. Insistence of full review by senior architects with inadequate time, causing a bottleneck.
3. Insufficient capacity in core team, e.g., through lack of full allocation.

A related challenge is when the team is working in silos, causing for example the legal terms in the main agreement to be partly disconnected from the scope descriptions.

More details on the team structure is set out in section 5.3.

5.1.7.2   Priority
An efficient sourcing process requires focus from the core team and from management. This provides fast turnaround on decisions and commitment of resources.

The absence of focus will cause delays from impact on items set out in this section 5.1, on decisions not being made in a timely manner as well as the indirect impact on the commitment from vendors.

5.1.7.3   Decision making
Through the sourcing process, there are decisions to be taken. Long turnaround time will cause process delays.

This section outlines a few typical decision-making challenges.

Requirements. Agreeing on initial requirements and on which requirements that can be waived during the process is obviously necessary. If this requires extensive consultation or decision material for executives, such decisions can be delayed.

Terms. Similar to requirements, agreeing on the terms floated as well as their importance in the process is necessary.

Vendor down select. During the process, vendors need to be down selected, which means that other vendors are deselected. Not infrequently, different stakeholders have different preferences. And such preferences can be very firmly held beliefs, emphasized by out-of-process communication between vendors.

There is no simple solution to this problem, but securing mandate with the core team as well as access to a steering structure with final mandate will go a long way.

5.1.7.4   Narrow methodology
Most sourcing departments have a gate model or similar process description on how the sourcing part takes place. The methodology is normally focused on the sourcing bit only, with the assumption that other material is produced somewhat independently and can fit readily into the sourcing process.

One typical challenge with such methods is that they assume that the requirements can be fully described. Under this assumption, it is possible to "normalize" the solutions, which again makes it possible to decouple the solution discussion from the sourcing discussion. Unfortunately, this assumption does not hold as requirements cannot be fully described; this point is discussion in more detail in section 4.2.

Another typical challenge is that these methods define a siloed approach, e.g., sourcing, legal, technology, security, functionality in different streams. This organisation causes disconnect between the different documents.

In practice, most discussions on contract and content are interlinked and using a joint methodology and a small, cross-functional, focused team, in our experience, gives better overall results.

5.1.8   Negative circle
Delays in a sourcing process creates a negative circle. When issuing initial invitation, standard text almost invariably includes that the customer can change the timeline at the discretion of the customer.

While there is nothing wrong with this statement in isolation, it often reflects that timelines are considered flexible and that deadlines are not really taken seriously. When they in fact start to slip, the vendors will react. They will typically keep the front people close and active, but the architects, bid

managers, legal staff and others outside the front sales line will be reallocated to other work.

Deadlines not taken seriously also results in lack of trust in the process on the customer side.

The process may slip once or twice without significant consequence, but if it consistently is delayed, or directions are changed, focus will suffer from all participants.

5.2 Methodology

The methodology proposed has two main elements: the sourcing process including logistics and the RFP material and logistics. These are described in detail below.

5.2.1 Process

This section describes the process of the methodology through a walkthrough of the individual steps.

The core process is a reasonably standard sourcing funnel with some important adjustments set out below. It can be illustrated as follows:
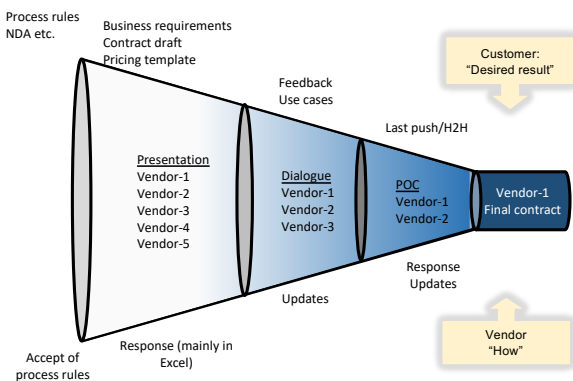

Figure 7: Procurement process

Many vendors enter the funnel, and one eventually emerges as the selected and in that it is a completely standard procurement process. But it also has important differences; it is designed to develop the solution jointly with the vendor through the sourcing process, addressing the specification trap.

In the illustration, the customer actions are at the top and the vendor responses at the bottom. So, for instance at the start, the customer publishes the "process rules" and the vendors "accept rules" (assuming, of course, that they actually do accept the rules).

At each ring of the funnel, the vendors can be evaluated and sorted. The process is flexible with respect to the number of participants except for the last phase where the number of vendors should be down to two. Similarly, the process is flexible with respect to number of down select steps.

5.2.2 Process rules

A preliminary step is to invite vendors including setting out a set of process rules. The process rules should explain how the process works, including:

1. Description of the process, timeline, contacts.
2. Rules governing the communication, e.g., who it is permitted to speak with, process for questions.
3. Rules governing the negotiation process, including specifically that answering "compliant" to contract terms means that they will not be subject to further discussion or editing.
4. Any response during the process shall become part of the final agreement. This includes that minutes and recording of use case presentations commit the vendors and become part of the final agreement.
5. Adherence to the principle of partial specification (see section 4.3) and the outcome-based approach (see section 4.4). This is truly crucial as it permits outsourcing, at least in part, of the "fit for purpose" risk.

In our experience, communicating expectations and process clearly to the vendor is received well by vendors and facilitates a successful process. This is the case even when they are not happy with the content of the communication.

5.2.3 Business requirements

Part of the first real step is to develop and publish the business requirements. The business requirements describe the business to be supported. The actual content of the business requirements obviously depends heavily on the procurement task at hand.

The balance on how much to actually write down is one of the most challenging items in executing the process.

For the reasons outlined under the discussion of the specification trap above (section 4.2), we recommend not attempting to do a full-scale specification.

On the other hand, one of course needs to define the scope of the task. This can include architecture scope, functional scope, product scope, infrastructure or similar.

Techniques to limit the requirements to descriptions are set out in section 4 above.

5.2.4 Contracting basis

The first real step also includes contracting basis. There are a couple of options for this.

Obviously, one can merely accept the vendor's standard contract and negotiate from there in the

final step. That, generally, is commercially challenging.

To avoid this, two different approaches can be applied: writing and submitting a full contract for the vendors to consider or requesting adherence to key demands listed in a term sheet.

Writing and submitting a full contract is the most thorough approach and secures that all pertinent aspects are covered before final down-selection. The approach assumes a high-quality contract being submitted – otherwise the contracting team will be quality assuring in parallel with multiple vendors, an almost impossible task. For smaller procurement tasks, the effort involved from both vendor and customer side may also be prohibitive.

A lighter approach is to submit a term sheet that covers the items that are normally contended in software contracts and ask for compliance. This will then be incorporated in the contractual material. Before submitting the term sheet, the vendor should also be asked to provide the standard contract so additional terms may be added. The advantage of the process is that it requires fewer resources (unless an existing template can be used) and that for smaller sourcing tasks, the vendors are less likely to feel that the effort is disproportionate to the potential order. The key disadvantage is that it leaves many negotiations until the final contracting, where the commercial leverage is non-existent.

Jointly with the contracting input, the vendors are given feedback on their response, both the content and the price. The vendors then respond to the contracting basis and reverts with updated pricing as well as updates to the response to the business requirements, if applicable.

5.2.4.1 Use cases
The second step is issuance of use cases the vendors must support. The purpose is to ensure a structured walkthrough of key functionality and capabilities that may be documented as a contractual commitment.

Any reasonable functional description technique may be applied – use cases is one option that has the advantage of being fairly easy and efficient to apply. For operational sourcing, job stories can be an alternative.

The description does not need to cover all requirements, but should as a minimum cover the core scope of the procurement task. The vendors shall respond with compliance to the use cases, preferably including a description of how the use cases are supported, and potentially submit updated pricing. Also, the use cases form the basis for the architect's competition or proof of concept.

5.2.4.2 Proof of concept
Before entering the third step, the number of vendors should be low, preferably down to two. There are two main reasons for this. Firstly, it is quite a bit of effort for the sourcing team to go through a proof of concept. Secondly, the vendors will need to put significant effort in a proof of concept, and perception that their chances are good will improve the quality.

In this step, the vendors demonstrate how their solution will support the business requirements and the use cases. This should be done through a workshop where the relevant use cases structure the walkthrough and the compliance is recorded, electronically as well as in minutes.

For further discussion on this principle, see section 4.6.

5.2.5 Contracting
Finally, a vendor is selected, and the concluding edits can take place. Ideally, all terms have been agreed in the Excel edits, and the final editing is merely a question of transferring the agreed changes from Excel to the original word files.

This is particularly important to keep time, since final negotiations can last for months once a vendor has monopoly of negotiation.

5.3 Project organisation and timeline
If you have come this far in the text, it is probably not a surprise that we recommend a small team for executing the RFP process. In a planning tool it may indicate that the process is prolonged, but provided the right individuals are chosen, our experience is that the reality is different. Mainly because the planning tool underestimate the required coordination in a larger team.

Following that, the team structure becomes very simple as illustrated below:
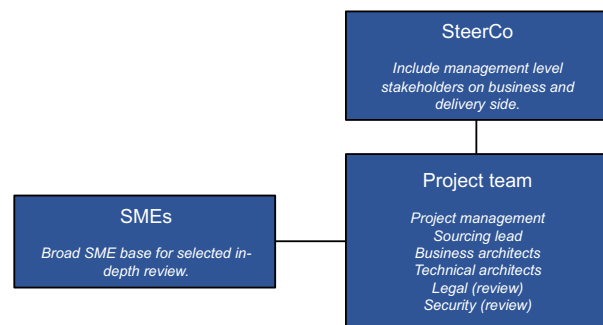

Figure 8: Team structure

A few key points on the team structure:

1. Strong management support – depending on the magnitude of the RFP. In scenarios where core systems are replaced, this is essential.
2. Small project team with qualified individuals, ideally less than 10 in the core team. This requires that the individuals to some extent are cross-skilled.
3. SMEs (subject matter experts) accessible for specific input and review at selected points in the process.

If required in the specific session, a reference group or other means of communicating with a wider audience.

The typical project plan looks as illustrated below. Grey indicates vendor activities, blue customer activities.
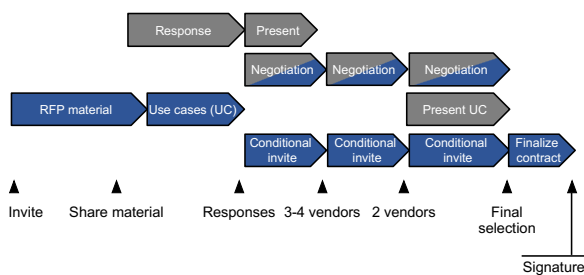

Figure 9: Typical project plan

The steps follow the funnel set out in *Figure 7: Procurement process* and contains the following steps.

1. Develop main material where business requirements and contract material are made ready.
2. Vendors respond to material. This normally also includes a few Q&A sessions.
3. Use cases are developed for subsequent presentation in the architects' competition.
4. Vendors present their proposed solution.
5. Two step vendor selections with conditional invites. The number of steps can of course be varied, depending on the specific situation.
6. Use case presentation by the vendors.
7. Final selection and contracting.

A note on the conditional invite, which is a tool that in practice has proven remarkably efficient. Vendors are given the opportunity to move to next phase if the accept certain changes to their responses. This tends to move positions quite a bit. We find that the better approach is to word it positively, so that it is not an absolute condition.

Before starting the process, vendors must be identified and the team mobilized. This also includes the invitation and sharing of the process rules.

5.4   A note on contingency

Part of embracing the specification trap is the recognition that the requirements will not be complete. And irrespective of how much risk is pushed to the vendor, in practice there will be risk left with the customer, causing discussion points and some of them will cost money. Similarly, delays may have a cost.

For this reason, it is important that the project has a contingency to deal with such surprises. The contingency should not be within the project, as it will then certainly be used, but with the steering group.

This is typically challenging to get allocated and secure that the allocation does not disappear in next budget round. Irrespective of whether it is allocated or not, it will almost certainly be necessary at some point.

Not infrequently, we meet the viewpoint that we need contingency because we do not know what we are doing. This position reflects a fundamental lack of understanding of processes as the one described here. Our counter is that we recommend a contingency precisely because we know what we are doing.

5.5   Summary

The list of actions required to expedite the sourcing process above is fairly small and most of the items, we think, are common sense and also generally recognized as important. A few of the techniques in the use of Excel files for expediting the edits and avoiding a full redo of the contractual basis are less usual, but still fairly straightforward.

The principle of partial specification and the corresponding reflection within the contract text secures that requirements can be written with reasonable effort while still securing good fulfilment of target functionality. This is also an understanding that is becoming more common.

In spite of each individual technique not being unique, consistent use of the full approach outlined above has the ability to cut the execution time of sourcing processes into half or even less of industry standard while still securing good quality outcome.

6   Adaptation for smaller scope

As noted, the process set out in the main body of this document assumes scope of a certain magnitude. For smaller scope, it is in our view still valuable to keep the principles in mind.

To illustrate this, a process to find a system for a smaller scope could be as follows.

Element	Full process	Small process
RFP material	Develop requirements and contract	Develop term sheet and key requirements
Fit for purpose	Industry analysts and vendor self-assessment	Direct interaction with references
Response	Vendors respond	Own evaluation
Negotiation and selection	Multiple conditional invites	Key terms discussion
Use case presentation	Vendors prepare and present	Own prototype
Contracting	Edit from customer contract	Minor updates to vendor contract

Figure 10: Adaptation for smaller scope

The process illustrated in *Figure 10: Adaptation for smaller scope* is adaptation in the extreme to illustrate that some of the core principles can still be upheld for very small sourcing tasks. There are obviously also positions in between the full process and the very minimal process set out in the right-hand column of *Figure 10: Adaptation for smaller scope*.

The individual steps are discussed in a bit more detail below.

6.1   Term sheet and key requirements

Even if the vendor does not wish to participate in the process due to the limited scope, it is still worthwhile to start by writing down what the project aims to achieve and under which conditions it is preferred to contract.

This can be done through articulating the following:

1. Overall business objective.
2. Business processes covered with brief description, preferably also including a use case format.
3. Critical technical considerations, e.g., resilience, performance.
4. Critical security considerations, e.g., national autonomy, service locations, staff security clearance, GDPR and NIS2 compliance etc.
5. Critical terms, e.g., governing law, price predictability.
6. Other non-functional requirements.

For the critical terms, further inspiration can be found in the white paper on SaaS contracting on the RA Advisory home page.

The requirements can be used for an initial review with vendors, other customers or similar sources.

6.2   Interaction with references

Interaction with references can give an indication of whether the contemplated systems are fit for purpose or if they will require extensive adaptation.

The requirements can be used for some structure in the discussions through defining an agenda and securing that the most important scenarios are covered.

6.3   Own evaluation

If no external vendors are willing to respond to the requirements, internal evaluation is the only alternative.

The requirements developed initially can be used to structure the evaluation.

For the business requirements it can be challenging to get an understanding of the fulfilment since it requires insight in the potential solutions that are not readily available. In this case, it must be best guess based on information available.

For other requirements like compliance, it must be assumed that the terms available handle these or the vendors are willing to clarify. If not, this is also left to internal evaluation. Here, absence of information would normally equal non-fulfilment since these items typically require specific effort on the part of the vendor.

6.4   Own prototype

In case significant uncertainty of fulfilment of functional requirements, an internal prototype can be developed for the functional requirements. In many cases, some external expertise is required.

As the prototypes in the adaptation to smaller scope do not serve to further competition between vendors, they can be prioritized and in case the first priority is adequate, the second is not required.

The prototype should be structured through the use cases in order that confidence of fulfilment can be obtained.

6.5   Minor updates to vendor contract

Depending on the size of scope and the type of vendors engaged, some updates to standard terms may be achievable.

6.6   Summary

In the example set out in section 6.1-6.5, the assumption was that the scope was so limited that virtually no commercial leverage was present except for potentially a few minor updates to

standard terms. Nonetheless, articulating key terms up front still permits an evaluation of what is acceptable.

As the example illustrates, it is still possible for a small scope to gradually close in on a scope and understand its fulfilment prior to going into implementation. While the options of getting concessions from vendors can be limited or non-existent, it still provides a structured approach to find a good solution.

7   System integrators

With the term "system integrators" we refer to companies that take implementation responsibility without providing the software or equipment underlying the solution.

Within the method set out here, there are two potential roles for system integrators:

1. They can participate on equal terms with solution vendors.
2. They can be hired to manage, or help manage, the project.

These are two distinct discussions, and they are discussed separately below.

The two discussions are sometimes confused since engaging with a system integrator instead of a solution vendor (item 1) will make the point of adding a system integrator later (item 2) irrelevant.

7.1   System integrators as alternative to solution vendors

When issuing an RFP for a solution, it is a frequent discussion if the RFP invite should be extended to system integrators.

The key advantages of including system integrators are:

1. The challenge of managing the overall program is dealt with by the system integrator, so the issue discussed in section 7.2 goes away.
2. In case the project at hand requires combination of two or more turnkey deliveries, the architecture, integration design etc. will naturally be part of the system integrator responsibility.

When discussing disadvantages, an important assumption is that the method here sets out to utilize standard systems, including employing the principles set out in section 4. With that background, the key disadvantages are:

1. Even when a system integrator handles the process, there will be software or hardware components underlying the solution. Decision needs to be made if the purchasing party is the system integrator or the customer.
    a) If the purchasing party is the system integrator, the negotiation can be complicated by several items, e.g., (i) system integrators taking mark-up; (ii) system integrators being less concerned over long-term predictability; (iii) system integrators having a strong preference for systems that can be implemented with their internal staff; and (iv) does it imply a lock-in to having the system integrators maintain the solution?
    b) If the purchasing party is the customer, the system integrator does not take full responsibility (since they do not decide the terms).
2. The contracts with the system integrator need to reflect the totality of the solution, even if they themselves only account for parts of it.
3. System integrators by nature live from billing hours, most of them in a pyramid structure where senior staff competence is leveraged on junior staff. And the financial model for most assumes a fairly high degree of leverage. For many projects with standard components, the need is the opposite: senior staff managing vendors.
4. In case the system integrator has a very strong practice in implementing the solution under consideration, the staffing issue is less problematic, but it is still an underlying conflict that the system integrator is not motivated to keep to standard.

An alternative approach is for the system integrator to essentially take over an entire technical transformation with only a high-level outcome as contracted targets, e.g., process efficiency and cost levels. This is not a very usual model and the few times we have seen it attempted it has failed. The failure has, in those cases, been caused by the customer not at the end being willing to relinquish the control and the vendor not at the end being willing to take the risk.

7.2   System integrators as addition to solution vendors

As the management of larger implementation projects is not the typical skill of an organisation doing incremental improvements, it is an obvious consideration to add system integrator staff in the project.

Basically, this is a good idea since it addresses a potentially important competence and capacity issue in the implementation. There are, however, a few caveats:

1. It is natural to employ the system integrators early in order that they can help structuring the process, assisting with experience architects and preparing for execution. This has two potential issues:
   a) The system integrators are not unbiased: they will tend to favour systems that fit their competences in order that they can have a larger team in the implementation phase.
   b) The system integrators typically have limited commercial understanding as a buyer, hence need to be managed by other staff from that perspective.
2. The typical system integrator expects significant leverage of their senior staff. If the project does not promise such leverage, they will staff it with junior people, lobby hard for adding a large team or refuse to take the work. None of these scenarios are beneficial.

With this, the conclusion is that provided you can find a competent system integrator who do not have a requirement to add a large junior team at some point, this is a good idea. If not, it can still be a necessity but then it needs to be managed carefully.

8 Summary

This section summarizes:

1. The key challenges the method sets out to address.
2. How the method attempts to do that.
3. How we have structured our approach to addressing the challenges.

8.1 Challenge

The challenge we set out to address with this method is to:

1. Execute RFPs significantly faster than the industry standard timelines.
2. Secure that the RFP enables adequate protection on the customer side.
3. Avoid attempts at detailed specifications while still securing a high confidence in fit for purpose.

8.2 Method

The method applied to address the challenge include the following key characteristics:

1. Uphold the formality of the RFP but accelerate the process through standardization and automation.

2. Embrace the specification trap challenge and address it through the principle of partial specification, the outcome-based approach and the architects' competition.

8.3 What we have done

The method set out in this document has been developed gradually over a period of more than 10 years. It started out with some principles and elements of the methodology and has gradually developed into this white paper and an accompanying set of tools. The tools include:

1. A draft contract embedding the principles.
2. Templates for requirements and for some types of scope, a table of content.
3. Tools for automating the generation of response files and normalization, fitting the format of the draft contract.

When engaging in sourcing projects, we try to utilize the principles. This can be in full, leveraging the toolset or partially by injecting the principles in the contracts used.

Irrespective of how much the methods are followed, there are always learnings from the projects. We take the learnings from the various processes back to the draft contract.

9 Contact

The authors of this document are working at RA Advisory, a niche consulting firm focusing on procurement and implementation of IT and network equipment.

We can be contacted via: info@ra-advisory.dk or on +45 5070 0070. This and other white papers are available free on www.ra-advisory.dk.

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