

A First Data White Paper

Five RFP Best Practices for Government Agencies

By:
Betty Uzupis
Vice President, First Data

Introduction

In early 2012, physicists at Purdue University and the University of South Wales built a transistor from a single atom of phosphorous, which was placed precisely on a bed of silicon. This mind-boggling discovery took the world one step closer to realizing the theoretical concept of the quantum computer and it showed that the seemingly impossible Moore's Law (computing power doubling every 18-24 months) actually underestimates the pace of technology. Given that most government procurements involve computing technology of some kind, it's fair to say that the world is racing so fast, procurement departments in public or private institutions cannot possibly maintain current knowledge.

This was not true 10 years ago — even five years ago. Acceleration of technology has changed everything. One goal for procurement departments could be to keep pace with technology. Another, however, could be to use the realities of technology acceleration to enhance the success of RFP efforts and major government initiatives. As technology races forward, it's not always the software and hardware that matter most — how they are applied often determines the success of a government initiative. This white paper reviews ideas for achieving RFP success in this changing environment.

Shifting towards value

Important changes for the government RFP process

Writing a document as complex as an RFP can be daunting. It often leads authors down two treacherous paths — cutting-and-pasting and falling back on previous knowledge. Both of these well-worn strategies cause real damage for state agencies. They stifle creativity, increase costs, drive delays and ultimately create severe technological deficiencies. The acceleration of technology, the evolution of optimized processes and the surging competence of knowledge workers create incredible new opportunities for procurement professionals in state agencies. But, because staying current on technology would be a full-time job, it's difficult sometimes to even know what's possible — and what to ask for in an RFP.

Below are five simple steps that can energize the RFP process and drive better outcomes for state agencies as they look to leverage technology to reduce costs, mitigate risk and improve service levels for citizens.

Mapping Goals to RFP Criteria

The single most important step in ensuring a successful RFP is stating the business problem you want solved. While this seems simple, the truth is that most RFPs fail in this regard. Instead of clearly and simply stating the business problem, RFP authors often incorporate elements of the solution they believe is needed. Instead of stating the need to "reduce costs and improve service levels in an EBT program," some overviews or project scope statements will begin to incorporate elements of an existing infrastructure or presumed elements of a new solution.

A more effective approach is to ignore technology and infrastructure at the beginning of the RFP process and determine highly measurable program goals. What percentage of operating costs are you looking to cut? How many more citizens are you looking to serve? Which new offerings or capabilities are you looking to add?

Mapping measurable program goals to the high-level criteria in the RFP typically leads to a better selection process and better outcomes for the state. A simple test that often works is to ask, "Can I state the business problem I am trying to solve in one clear and jargon-free sentence?" If not, chances are that *how* you want the problem solved is contaminating the articulation of *which problem* you want solved.

Eliciting Vendor Creativity

The concept of mapping goals to the RFP criteria illustrates an important distinction. Are you looking for the best response to a set of technical criteria? Or are you seeking the best solution to a particular business problem?

The example of the single-atom processor shows just how quickly technology is racing forward. It's difficult for even the most attentive technology expert to keep track of what's available today and what new solutions will emerge over the course of a program or contract period. Also, a great deal of innovation goes beyond technology itself. How vendors apply technology and work within the confines of your culture will greatly affect program outcomes. So, the ultimate question for vendors participating in the RFP process is "How would you solve this business problem?" That question will likely lead to better results than an RFP that asks vendors to products and prices for a set of technical requirements.

The truth is, most vendors do not like RFPs. Ask most CEOs or entrepreneurial leaders and they will tell you that RFPs typically put them in a box. Responding to specific criteria stifles creative solutions and puts too much emphasis on price and compliance with short-lived technical standards. Some of the best vendors simply don't respond to most RFPs because they are busy enough with client work and they see little value in shifting resources to something speculative. However, if you give those same people the opportunity to set their companies apart with how they can solve a business problem, it becomes a more attractive proposition. It can attract higher quality suppliers and drive even better results than you had intended.

Requiring Value Propositions

A good mechanism for identifying creative and effective vendors is to require a value proposition at the front-end of a response. If you've done a good job of articulating your business problem and mapping requirements to goals, an innovative vendor will be able to articulate a corresponding value proposition.

Compelling value propositions will address your stated goals and provide insight into the uniqueness of the vendor's solution. In fact, many vendors will recognize this as the prime opportunity to differentiate their proposals and clearly articulate the unique value they would bring to execution of the project. For example, in the case of an EBT program, you may be leaning towards a particular payment technology, such as magnetic stripes. An innovative vendor may have an approach that allows you to integrate mobile commerce technologies — such as NFC, QR codes, bar codes or cloud-based payments — without investing in additional infrastructure. Another vendor may propose issuing multi-application EBT cards that reduce costs or enhance service levels. Another may bring ideas for integrating EBT authentication with existing identity databases.

Requiring a value proposition statement upfront generally sets a productive tone for the rest of the response document. It tells the vendor you will be evaluating on more than price and technical standards — and it gets vendors thinking creatively about your business problem.

Conveying your culture

Government agencies publish RFPs because they are looking for partners. They need to deploy a process or a system, but they simply don't have the internal resources to get it done. But the vendors selected must mesh with those internal resources. Conveying a sense of your culture — your people, your leadership and the way you like to work — will help

vendors select the individuals and teams they include in their responses. Is your internal team process-oriented or outcome-focused? Are you forward-looking, innovative and bleeding edge — or are you standards-driven and risk-averse?

A quality response will show how the vendor plans to work within your culture and describe the teams and people who would be assigned to the project. Regardless of how a project starts, it will almost certainly require adjustment, collaboration and optimization as it moves along. How your culture meshes with the vendor’s culture matters — and should be a core element of your RFP process.

Designing an Evaluation Scorecard

Constructing an effective RFP and eliciting creative, value-driven responses gets you part of the way toward a better outcome. Developing evaluation criteria that correspond to a value-driven RFP process is equally important. Moving beyond simple price-driven decisions and the idea of a “technology checklist” requires the addition of innovation-oriented criteria to your scorecard.

The question becomes, how much do you value innovation? New ideas? An effective cultural fit? Then, how heavily do you weigh those criteria in relationship to price, compliance with technology standards, performance guarantees and service levels?

Regardless of how you weight these categories, the act of defining them and communicating them to potential partners — letting them know these criteria are important to you — will change your RFP process.

	Weight as %	Firm A	Firm B	Firm C
Value proposition				
Solution relevance				
Innovation				
Proposed team				
Cultural fit				
Company stability				
Functionality				
Technology				
Price				

Conclusion

For too long, the RFP process has inhibited state agencies in two critical ways. It has turned away successful and potentially valuable vendors who don’t want to compete on price and it has stifled creativity by requiring compliance with preconceived “solutions.” While the RFP process requires fairness, discipline and oversight, it needs to adapt to a culture where technology is racing faster than even Moore’s Law projected. In short, things are moving so fast, we often don’t know what’s possible. This holds true for both technology and talent.

Adapting RFP processes to include considerations such as innovativeness, value propositions and cultural fit can greatly improve outcomes — both in the RFP process itself and in the eventual outcomes for state agencies. People will always cut-and-paste and be tempted to make decisions based on price and previous knowledge. But we can begin to change and improve by incorporating some relatively simple concepts.



The Global Leader in Electronic Commerce

Around the world every day, First Data makes payment transactions secure, fast and easy for merchants, financial institutions and their customers. We leverage our unparalleled product portfolio and expertise to deliver processing solutions that drive customer revenue and profitability. Whether the payment is by debit or credit, gift card, check or mobile phone, online or at the point of sale, First Data helps you maximize value for your business.

For more information, contact your First Data Representative or visit firstdata.com