

WHAT IS A REQUEST FOR PROPOSAL

A Request for Proposal (RFP) is a formal invitation from an organization to vendors to submit an offer. The offer is to provide a solution to a problem or need that the organization has identified. An RFP is a procurement process in which the judgment of the vendor's experience, qualifications, and solution may take precedence over price.

It is also a process for obtaining offers from competing organizations and evaluating those proposals against stated requirements, using a predefined evaluation process and evaluation criteria in which price is not the only factor. The process must be both effective and able to withstand legal challenges from disgruntled vendors.

Typically, RFPs are used for professional, technical, research and consulting contracts. RFPs are also used for multi-phase activities, and non-routine or complex services such as information technology.

WHAT IS A PROPOSAL

A proposal is a formal offer by a vendor to provide certain services. A proposal documents the response to the requirements of the RFP, describes the proposal solution, identifies the cost, and often indicates acceptance of the contractual terms and conditions stated in the RFP.

A proposal can be thought of as serving three different purposes:

- It is a sales presentation, a written attempt to persuade the evaluators to select the vendor and its services.
- It is a response to an RFP supported by an array of credentials that attempt to convince the evaluators that the vendor is best qualified to provide the results the evaluators require.
- It is an offer to provide some specified services, explaining the terms, the suitability to satisfy the customer's needs, the proposed costs to meet those needs.

WHAT IS A WINNING PROPOSAL

Obviously, a winning proposal is the one that receives the award. But why is it selected? The major all-encompassing reason for one firm's proposal being selected over dozens of others is this: The proposal persuaded the reader that it was the best proposal, offered by the best organization for the job. The best proposal convinced the evaluators not simply that the firm could do the job, but that the firm could do the job better (often at less risk) than any other organization.

The winning proposal provides the evidence to persuade the reader that the firm is the best organization. Winning proposals have four characteristics in common. They convince the reader that:

- the firm fully understands the needs and problems;
- the firm knows how to satisfy the needs or solve the problems and offers a suitable plan;
- the firm is well qualified by virtue of experience and resources, including personnel, to carry out the proposed plan; and
- the price asked is reasonable and is consistent with the program described.

Often, the winning proposal is not the one that costs the least, nor the one with the leading-edge technology. It is often the one with the greatest probability of success—the one with the best combination of management skills, corporate experience, costs, and technology.

WHAT IS AN EVALUATION

The dictionary defines the word “evaluate” as “ascertain amount of; find numerical expression for; appraise, assess.” Hence an evaluation process is the means by which we appraise a proposal, in many cases by finding a numerical expression for its relative worth. Most purchasing texts state that evaluation is the process of comparing one vendor's proposal to your requirements. The score is based not on our “real” requirements, for we might not have stated these completely nor accurately, but on the requirements that were written down in the RFP. It also involves documenting evaluation decisions and scores.

Most texts emphasize that proposals are not directly compared with each other. Each proposal is compared with the stated requirements in the RFP. In this way, it is believed it is easier to defend the process as being objective. Using this approach, we never say, “We compared the two project plans, that of Company A and Company B, and A's had more details about the specific tasks and was more realistic in the schedule and was therefore a lot more convincing.” What we say is, “We selected A's proposal because it was better than B's; it had a better solution, at less risk.”

The goal is to identify proposals that truly offer solid solutions in direct response to the RFP, and will put the evaluators in a win-win situation.

Whatever specific criteria a particular evaluation process may incorporate, most evaluators look for the following in a proposal:

- Clear evidence that the vendor fully understands the requirements;

- An approach that appears technically sound, achievable within constraints explained by the vendor, and offered in enough detail to provide evidence of these characteristics; and
- Clear evidence that the vendor can deliver the expected results by mobilizing qualified staff, capable management, and an experienced organization.

COST/TECHNICAL TRADEOFF ANALYSIS

The evaluation process determines the winner. The same proposal can win in one process and not be a serious finalist in another. Consider these three different processes. In each, assume that the proposals considered satisfy any mandatory requirements of the RFP.

- If you are looking for the least-cost solution, then simply evaluate all proposals that satisfy your mandatory conditions, and select the least expensive one.
- If you are looking for the proposal that provides the best solution within budget, then select the one with the highest point score that doesn't exceed the budget.

If you are looking for the proposal that you believe can provide a sound solution and still costs less than the most expensive one, simply evaluate all proposals that satisfy your mandatory conditions. Then select all of those with a score more than some predetermined number, say 700 out of 1000 available points. All of these proposals will be classified as "capable of providing a sound solution." Select the least expensive from this group.