

Winning a Competitive Outsourcing Tender

by Simon Hay

Responding to a Request For Proposal (RFP) or Invitation To Tender (ITT) is often seen as an arduous, time-consuming and expensive process that may only yield success less than 20% of the time. However, getting this process right and maximising your chances of success is key to the future long-term growth of businesses involved in outsourcing.

This article considers how you can maximise your chances of being successful.

In essence, the keys to success lie in understanding what the RFP/ITT process actually is, what it is trying to achieve and what the outsourcing organisation is looking for.

First let us consider the RFP/ITT process before addressing how to best respond at each stage.

The Process

The RFP/ITT process is a fairly straightforward, logical process, consisting of a number of key steps, see Figure 1. These steps are unlikely to differ regardless of which functions, or services, are being outsourced. The aim is to identify, in an objective manner, the most suitable partner for the organisation undertaking the outsourcing.

Expression of interest

The objective of this stage is to cull the many potential providers down to a more manageable number. To achieve this a number of 'minimum qualifying criteria' are used, where the organisations contacted by the outsourcing organisation must demonstrate that they meet these criteria to proceed further. Typically, these criteria form part of the overall criterion set that will be used to evaluate objectively the final bids.

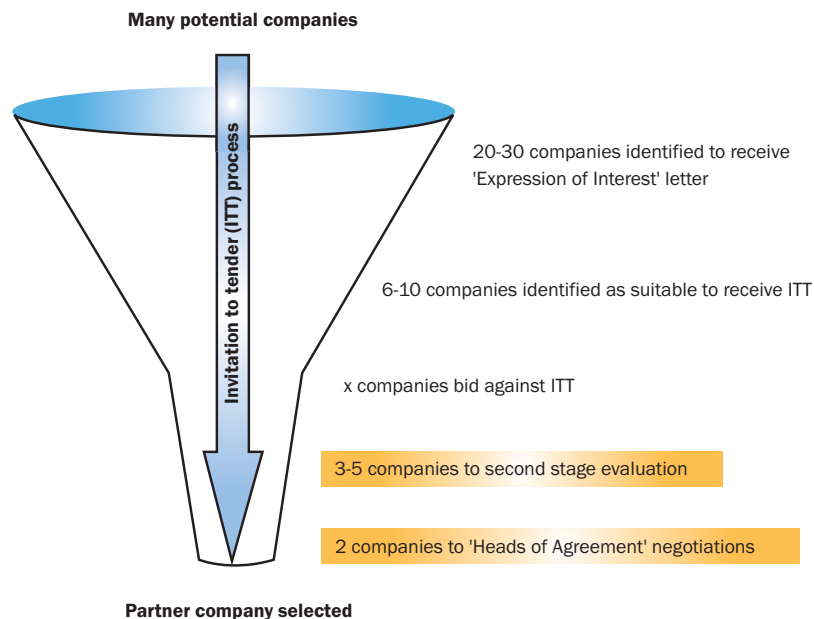
First stage evaluation

This stage occurs immediately following receipt of bids and usually consists solely of reading the various bid submissions. Again, the objective is to cull further the number of providers under consideration.

Here proposals will be reviewed against a more detailed criterion set than those used at



Typical Invitation to Tender



The numbers of companies indicated represent what may be considered as the 'ideal' number to ensure that the process remains manageable; actual numbers may vary by RFP/ITT

Figure 1

the Expression of Interest stage. Typically, these criteria are weighted relative to each other, with individual scorings changing throughout the evaluation process.

Second stage evaluation

At this stage bids are subjected to more rigorous analysis, with the aim of identifying a limited number of equally capable parties to take forward into negotiations. This stage is likely to be iterative and involve communications between the organisation undertaking the outsourcing and the remaining bidders.

Analysis is likely to include 'due diligence' type activities such as:

- Site/operations visits
- Quality and/or regulatory audits
- Take-up of client references.

In summary, the key steps in the two evaluation stages are shown in Figure 2.

Having clarified the process, we now consider how to maximise your chances of making a successful a bid.

How To Respond

While there is no generic cure-all that will ensure success at each of the key stages within the process, the following points should be borne in mind at each stage.

Expression of interest

Upon receipt of such a request the key action is the proper handling of the request within your sales process.

This will include:

- A realistic assessment of your capability and the probability of you winning the work
- Identification and assignment of the correct person to manage the response, based upon the 'minimum qualifying criteria' specified

In other words, you should be willing to prequalify yourselves out of opportunities. It should also be noted that prequalification is an ongoing activity and should also be undertaken throughout the entire bid response process. By doing this you will maximise your focus and use of resource on to bids that you are more likely to win. Prequalification questions to ask yourself here include:

- Do we have the capability to deliver the services requested?
- Do we have demonstrable recent/current experience?
- Does the opportunity – and outsourcing organisation – fit with our strategic objectives?
- Can we provide the services profitably?

Key Steps in the Two Evaluation Stages

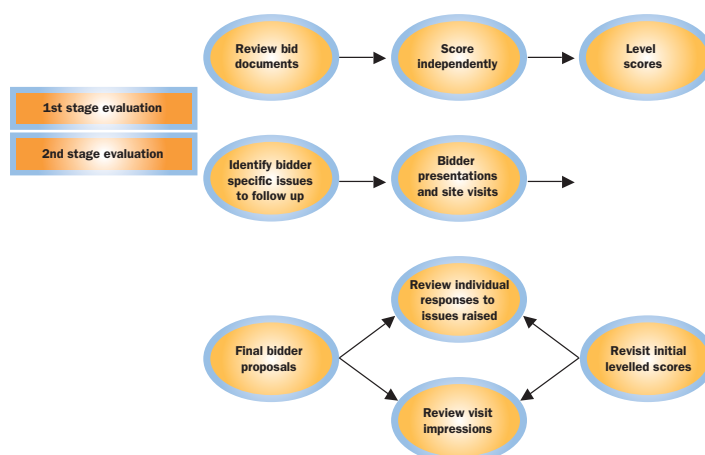


Figure 2

- What is our expected win probability?
- Do we have the resources available to respond?
- Can we respond in the timescale required?

At this stage the format of any response should ensure that it clearly addresses the questions raised and provides relevant detail. However, the sending of standard corporate literature as the only response is unlikely to be sufficient.

Also, when responding, do not assume that the outsourcing organisation knows your organisation's experience and capabilities based upon past/current relationships. This is important as, in order for the process to be objective, all submissions will be treated equally.

During an outsourcing exercise for a recent client, a number of the incumbents responded at this stage with a short letter stating their 'obvious' interest. They did not, however, address any of the other criteria – particularly, in this case, the ability to provide national coverage either directly or through alliances – and were thus excluded.

Responding positively at this stage should also signify, within your organisation, the start of the solution development stage. This is especially true if the response time window, for the RFP/ITT, is short – four or five weeks is not unusual.

Key activities that can start include:

- Identification of the bid response team
- Identification of relevant project and client experience; this should also include dealing with any confidentiality issues that may arise
- An initial brainstorming of the types of questions/key issues that you need answered in order to develop an appropriate solution



During a recent feedback session for an unsuccessful bidder on a global opportunity, it emerged that they had significant relevant industry experience in the US but had not involved this team in the bid response or cleared current reference client confidentiality issues, thus weakening their response.

RFP/ITT response development

During the development of the proposal you can maximise your chances of success by:

- Having a clear proposal management process and making sure that all members of your organisation are aware of it
- Ensuring that all members of the bid team are properly briefed on the opportunity and are clear about their individual roles, responsibilities and deliverables in producing the proposal; ideally, role definitions should include a single point of contact
- Having a clear bid response plan
- Asking all the questions that you require within the allotted response time; a well written RFP/ITT will attempt to answer all questions that may be raised, though you should feel free to be able to ask any relevant question, whether operational or strategic in nature; however, you should guard against going to too low a level of detail as the outsourcing organisation may perceive this as a lack of relevant knowledge or experience
- Visiting the outsourcing organisation's current operations to ensure that what you observe is built into the proposal, otherwise credibility may be damaged – in a recent bid for warehousing a large number of pallet spaces of narrow aisle racking were proposed even though the bidders had all been shown the physical product during a site visit, where none of the product was palletised but stored in small parts drawers, shelving and carousels
- Conducting an 'independent' review of the documentation prior to its submission – this will trap errors and identify gaps or other areas requiring further work; in this case 'independent' means someone outside of the bid team

First stage evaluation

Success in this stage will come through a combination of getting the basics right and demonstrating that you can meet the outsourcing organisation's requirements. In terms of the basics I mean five things:

1. Present a readable proposal where the solution within the bid is clearly described.

2. Demonstrate that you have understood the outsourcing organisation's requirement and have done sufficient analysis to justify your solution.
3. Answer all of the questions asked within the RFP/ITT. For example, one recent bid for warehousing and distribution services only included a response for warehousing, thus raising concerns over capability.
4. Presenting a professional image through the documentation. A recent bid reviewed had clearly not been proofread as it included a different outsourcing organisation's name and had inconsistent formatting of text and tables.
5. If a response format is specified, ensure that you stick to it!

Second stage evaluation

During this stage the outsourcing organisation is looking to do two things:

1. Gain further confidence in your proposed solution and organisation.
2. Establish the credibility of your organisation, as this may have to be demonstrated to others in the outsourcing organisation as part of the selection/approval process. Detailed questioning of your proposal is very likely at this stage.

At this stage you will usually be given the opportunity to present your proposal.

You should view this as an opportunity to do two things:

1. To bring the proposal 'to life' in the minds of the outsourcing organisation to help build credibility in the solution proposed. If appropriate, this may also include changing the proposal. However, if this happens, clear reasons as to why should be given and be expressed in terms of benefit to the outsourcing organisation.
2. To answer any specific issues or questions raised following the first stage evaluation.

For example, in a recent bid review one bidder failed on both these points; they changed the proposed facility without giving a clear rationale, thus causing the outsourcing organisation to question the entire bid, and they also failed to answer a number of questions raised even after they had been asked several times, leading the outsourcing organisation to think they were not listening to/addressing their needs.

To help demonstrate/build confidence and credibility you should, where possible:




- Host a site/operations visit to one of the facilities proposed – this facility should demonstrate as similar an operation as possible to the one proposed; ideally, the visit will be hosted by members of the proposed management and/or operations team
- Ensure that any presentation of the bid is made by a small, focused team that has detailed knowledge of the entire proposal and can react to any likely key issues
- Do not just repeat sections of the proposal when presenting it to the outsourcing organisation; instead, focus upon what you believe to be the outsourcing organisation's key criteria – if these have not been identified in the RFP/ITT or through focused questioning, look to the criteria in the initial Expression of Interest letter as a minimum

In Conclusion

The RFP/ITT process is simple and straightforward. Those organisations that are most successful in winning bids also exhibit clear, simple and straightforward processes for handling and managing RFP/ITTs, that are propagated and adopted throughout the organisation.

There is also a clear link between the sales process, in terms of prequalifying bids, and the bid management process. This link is iterative in that your organisation should constantly review bid status and be willing to withdraw at any time during the process if scarce resources may be better employed elsewhere.

Above all else the processes should ensure that there is clear focus and ownership for responding within your organisation. However, no matter how good or bad the process, you will not succeed unless the bid addresses the outsourcing organisation's key needs, is clear and gets the basics right. 

About the Author



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