



## DIGITAL LABOR SERIES

Rethinking the RFP

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### Abstract

We are in the midst of rapid changes in the technology services industry. Many of these changes are disruptive to the current ecosystem and through this disruption, tremendous gains in cost, efficiencies, and outcomes are now possible. The changes lead us to the conclusion that it is time to give the standard RFP a facelift - RUMJog Adaptive Sourcing.

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## Digital Labor Series: Rethinking the RFP

The RFP. The tried and true, standard approach to buying complex or customized services. For many years, the RFP approach has served the buyers well by creating a level playing field and leveraging competition to get the best "deal" from the market.

Underlying the RFP are a few stated and unstated premises from the buyer point of view (POV):

- That as a buyer, you know what you want.
- That RFP competition will give you the best "deal".
- That through normalization, you can put all bids on an "apples-to-apples" footing for comparison.

There are more, but let's stick with these three. In a mature marketplace, the three premises listed above are mostly TRUE. However, in a rapidly changing market (technology services), the three premises above are FALSE. By FALSE, I don't mean that the premises are less true and no longer applicable. They are completely false and the opposite statements are TRUE.

Let's rewrite the three RFP buyer premises to their opposite wording:

1. That as a buyer, you do **NOT** know what you want.
2. RFP competition will **NOT** give you the best "deal"; in fact it prohibits the best deal from emerging.
3. Normalization is **not possible** with fundamentally different solutions as there is **no "normal"**.

**RUMJog Adaptive Sourcing and the Premises of the Classic RFP**

*Underlying the classical RFP are three primary premises at the foundation of the process. These premises are being challenged by the changing market and forcing us to rethink our approach to procuring services in today's market.*

Classic RFP	RUMJog Adaptive Sourcing
The Buyer knows what they want.	The Buyer does <b>NOT</b> know what they want.
RFP Competition will give you the best deal.	RFP Competition will <b>NOT</b> yield the best deal, in many cases it prevents it.
Normalization can put all bids on an "apples to apples" basis for comparison.	There is no Normal in a rapidly changing environment. What is the point of putting different solutions on the same footing?



RUMJog ADAPTIVE SOURCING AND THE PREMISES OF THE CLASSIC RFP

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Radical statements? Perhaps. Are they true? With respect to Technology Services - Yes. If you don't agree, let me explain point by point.

*PREMISE 1: That as a buyer, you do NOT know what you want.*

You say, "That's not true, I would like X, Y, Z". Generally, when I hear executives answer this way, what they are saying with X, Y, Z are things that look more like outcomes - they are **WHAT** you want. RFP's not only say **WHAT**, the **RFP requirements generally dictate HOW you WANT what you want**. Therein lays the problem.

Let's illustrate with a simple example, a man walks into a restaurant and says,

*Man:* I will have a cheeseburger, fries, and an iced tea.

*Waiter:* Don't you want to look at the menu or hear the specials?

*Man:* I have seen the menu before, and that is what I want.

*Waiter:* OK, but we changed the menu this week, I am not sure if you have seen this new menu, it is quite different. I will get you the cheeseburger, fries, and iced tea. The specials are listed on the black board behind you. I will leave the menu here if you want to look over for next time.

*Waiter leaves, and the man sees the table next him getting filet mignon and lobster tails. He is confused, because he thought this was a burger joint. He opens the menu and sees the following:*

### **New Menu**

- Burger and Fries with Iced Tea - \$8.50
- Filet, Lobster Tails, and Champagne - all you can eat - \$4.95

*Waiter returns with the cheeseburger, fries, and iced tea*

*Waiter:* Is there anything else that I can get you?

*Man:* I just saw the menu and cannot believe the prices and what else is available - is this for real? When did the menu change?

In this metaphorical example, the man went into the restaurant:

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- WHAT he wanted was to get a good meal
- HOW he wanted it was to prescribe to the waiter to bring him a cheeseburger, fries, and ice tea.
- Instead, he should have been open to the possibility that his HOW was outdated and that his WHAT could be satisfied better at a lower price.

*PREMISE 2: RFP competition will NOT give you the best "deal"; in fact it prohibits the best deal from emerging.*

You say this runs counter to my experience; I get the best price when Service Providers have to compete for my business. If you did not care which Service Provider you chose, you just wanted the best price, then you are right. However, we would counter that when secondary and tertiary outcomes are important, WHO you pick is important.

Let's illustrate with another simple example:

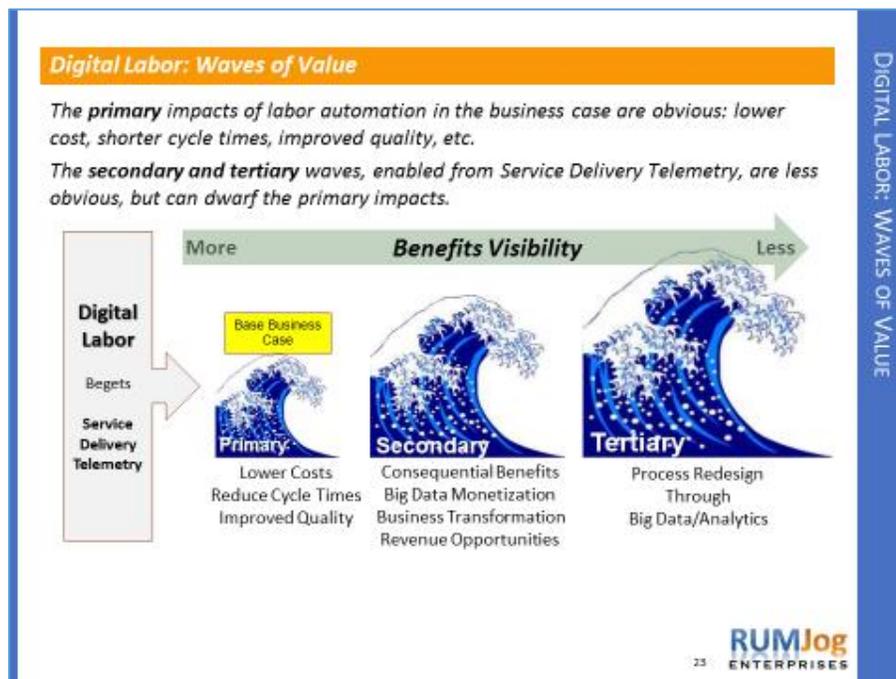
- You are indicted falsely for a murder that you did not commit.
- You are in desperate need on a good defense attorney.
- Your procurement team suggests an RFP to get the best price.

**BEST PRICE!** I wanted to get acquitted!

In this simple example, you are able to factor in the outcome into your perspective and know intuitively that not all lawyers are the same. The one with the lowest hourly rate may in fact be the least capable – you may in fact want one of the highest priced attorneys.

In a rapidly changing marketplace, outcomes matter more than you think. Additionally, the nature of the changes that we are seeing in Technology Services (e.g., Digital Labor) have tremendous impacts to the business processes that are supported. These secondary and tertiary impacts often dwarf the primary commercials. (See Graphic).

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In the graphic above, the secondary and tertiary waves can dwarf the primary wave where we usually concern ourselves with price, service levels, and terms & conditions. Making business decisions based on the primary wave and not fully considering the secondary and tertiary waves could leave you with “the wrong attorney”.

**PREMISE 3: Normalization is not possible with fundamentally different solutions as there is no “normal”**

Most advisors and procurement organizations have built an entire bureaucracy on normalizing the prices, service levels, terms, and conditions in a complex bid. The premise is that by putting everything on a comparable basis (apples-to-apples) that the decision on what the best deal or offer is revealed. This approach is based on two false premises:

1. That there is a “normal” that can be defined. Advisors and Procurement typically will normalize to the RFP requirements as if the RFP is the gold standard for comparison purposes.
2. That by normalizing inputs - pricing, service levels, terms, & conditions - you reveal the best and the worst of the bids. What about the outputs? Some evaluations take this into consideration, but that is atypical. In most technology service contracts, service levels are often confused with business outputs – they are not. Service levels typical measure the activity metrics of the inputs (e.g., 99.9% availability of some input element).

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Let's look at another example:

When the iPhone was launched into the already saturated cell phone market, the success of Apple's new device was astonishing. The lines at the stores filled the malls and wait times were into the many hours. How do you explain that?

If we compared the iPhone to the alternatives in the market, the iPhone was more expensive, it limited freedom (you had to use their app store), and forced you into the Apple ecosystem (vs. open platform). If we ran the iPhone through a typical RFP process, it would not have come out on top in nearly all scenarios.

So how do you explain the lines of consumers waiting to spend their money and the ultimate success of the iPhone franchise?

The answer is that with the iPhone, there was more to the purchase than price, service levels, and terms and conditions. When looking at complex technology services for your firm, the algebra of choice is even more sophisticated than understanding the iPhone market. Specifically, how should you consider innovation, adaptability, business knowledge, conflicts of interest, security risk, etc.?

To summarize, At RUMJog Enterprises we recognize that the RFP is a useful tool - it is just not a universal tool. There are times when a different tool is needed. It is our position that today's rapidly changing technology services market requires a more sophisticated approach than the traditional RFP.

This August we are launching the [RUMJog Adaptive Sourcing Initiative](#) with clients and service providers who recognize the need for some adjustments to the RFP process and are willing to try some new things.

We don't have all the answers, but we are asking the right questions. Our coaching to our clients - **"End your sentences in question marks these days and not periods."**

If you want to learn more about the RUMJog Adaptive Sourcing Initiative check out our website or e-mail us at [info@rumjog.com](mailto:info@rumjog.com) for a consultation.

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### ***About the Author***



#### **Thomas Young, Founder & Managing Partner**

Thomas is the Founder & Managing Partner of RUMJog Enterprises, a technology, media, and public sector management consulting company launched in 2013 to help businesses adapt and thrive in the face of accelerating change in today's market. Prior to forming RUMJog, Thomas was a Partner and Managing Director at TPI & ISG for over 12 years, holding a variety of leadership roles in the Americas.

Thomas has more than 20 years of consulting experience in the IT Services industry with a focus on Financial Services and holds a Master's Degree in Systems Engineering from Rutgers University.

RUMJog Enterprises was created as a parent company of a portfolio of next generation firms designed to re-invent the way business is done to better serve the big players in the services industry looking for true business transformation.

Thomas specializes in area of emerging technologies with particular focus on process and labor automation and the impacts on business ecosystems.

Additionally, Thomas currently advises several other organizations like Becton Dickinson, IPsoft, IBM, British Telecom, Wipro, HCL, KPMG, and others.