



Aquila Heywood

# Why RFPs Fail

Introducing the  
Assess | Consult | Treat  
approach

Whitepaper

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# Synopsis

**Business transformation in the Financial Services market is complex and challenging. Most business change programmes are underpinned by new technology investment.**

Selecting a technology supplier has traditionally been done using a Request for Proposal (RFP) process and requires the purchaser to document their requirements in advance. It creates a level playing field for vendors aiming to achieve a like-for-like comparison of solutions and commercial costs, scored against the organisation's chosen criteria.

Yet RFPs are highly restrictive. The business problem and desired solution are pre-defined. The questioning is a one-way process. Dialogue is frequently forbidden. Purchasers therefore fail to benefit from the experience and advice a vendor could bring to the process.

To ensure success, a purchaser must find a vendor with whom it can work for the long term as a partner. That will be a reflection of a vendor's leadership, its market insight, the people it recruits and their willingness to embrace the future. This does not come from a written document; it requires instead personal engagement with management and staff alike.

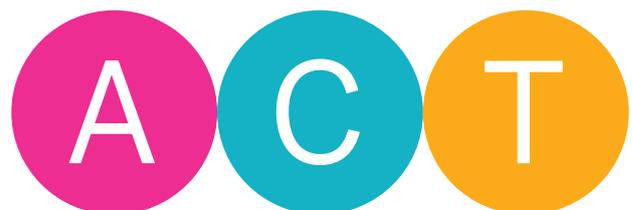
Taking this on board demands a very different approach to vendor selection, one that is heavily based on extended dialogue and which commences much earlier in a change programme.

At Aquila Heywood this is called **ACT**:

**Assess** the business problem,

**Consult** on potential solutions,

**Treat** and solve the problem.



# The problem with RFPs

**The formal Request for Proposal (RFP) has for many years been the standard way for organisations to source new suppliers.**

In the context of the Life, Pensions and Investments market (LP&I) large, complex organisations procure large, intricate systems that are implemented to meet long-term complicated needs. Yet, many technology-related change programmes fail to deliver on time, often run over budget and do not deliver the promised benefits.

To try and address this challenge, a lot of attention has been given to the way projects are run. Much has been written about better methods of programme management, enhanced governance and implementation methods. As a highly-experienced implementer of change and a recent adopter of full Agile, Aquila Heywood appreciates the benefits of evolving methods and how they help to deliver quality projects.

This whitepaper focuses on the bigger issue, that the root cause of problems with many IT projects lies not with the project methods, but with the RFP-based selection process that precedes it.

The traditional RFP is outmoded and seriously flawed. It is time for change and a move to an open, dialogue-based engagement. Aquila Heywood terms this a 'trusted adviser process'.

But, before exploring the future, a quick retrospective is needed on why organisations use RFPs, in order to understand why RFPs do not always deliver the desired outcome.

# The problem with RFPs

Organisations favour RFPs for many reasons, including to:

- **Ensure all stakeholders in the business are subscribed to a common requirement.** Frequently this is driven by overcoming internal politics rather than the benefit of a single common view.
- **Provide clarity to vendors** about the problem to be addressed, and to prevent escalation of the scope. Purchasers are often distrusting, believing that vendors will come in and increase the scope and are fearful that the business buyer will be too easily swayed.
- **Mitigate against a lack of internal expertise.** One aim of an RFP is to allow the organisation to learn from a vendor's wider experience. Yet at the same time, the buying organisation seeks to use the RFP to protect itself against a vendors' expertise being overly influential.
- **Create a structured process** that has the buyer's procurement in control and which establishes a level playing field so that all vendors are treated in the same way.

At its core, the preference for an RFP is driven by fear factors. Fear of being oversold by the vendor, fear of losing control and fear of the organisation's own lack of expertise that has to be defended against.

In addition, RFPs suffer two fundamental issues:

1. **Prevent dialogue between buyer and seller.**
2. **Not only pre-define the problem, but also prescribe much of the solution.**

# The importance of dialogue

**For a Life, Pension or Investment provider seeking a new administration platform or other similar technology, a typical RFP response will give a reasonable idea of a supplier's past accomplishments and the functional capability of its technology. This can be an indicator of what lies ahead, but to borrow a clause commonly quoted in our market:**

**“past performance is no guarantee of the future”**

This is a crucial point; as a purchaser, you are investing in new technology for the future and, in Life, Pensions and Investments, it is a long-term future.

The purchasing organisation therefore needs to be assured that the intended partner is prepared for the years ahead. That will be a reflection of a vendor's leadership, its market vision, the people it recruits and their willingness to embrace what is coming in the future.

To understand a vendor well, proper dialogue is required, precisely the key element that is frequently prohibited by

an RFP.

It is imperative for any LP&I provider purchasing a new platform, that it hears the vendor's views on innovation, their market insight, what questions they ask and how they define what 'good' really looks like in the context of the LP&I provider.

By contrast, the formal RFP is a one-way process, with all the questions set by the purchaser and minimal opportunity for the vendor to engage in discussion or expand upon its vision and its strategy.

Equally important is assessing whether you can work with the vendor - another factor that does not come from a written document, and requires instead a period of personal engagement with management and staff alike. Lack of compatibility between supplier and purchaser is a root cause of project issues on many change programmes.

Taking this on board demands a very different approach from vendor selection, one that is heavily focused on dialogue and widely-based discussions about the LP&I organisation's issues, and one that also commences much earlier in the change programme, when the input from a vendor can add real value.

# Defining the solution

By not engaging in dialogue, the LP&I provider is restricting its ability to access highly valuable information that only the vendor will have.

Vendors will have dealt with many other LP&I organisations, will have their own perspective on the marketplace and will have ideas and skills on the problems suffered by LP&I providers and what potential solution option exists.

David Maister, the author of 'Managing the Professional Services Firm'<sup>1</sup>, concluded:

“The problem is almost never what the client said it was in the first place.”

Which itself is an observation that talking only internally rarely generates insights as good as those that come from having discussions with others outside your business.

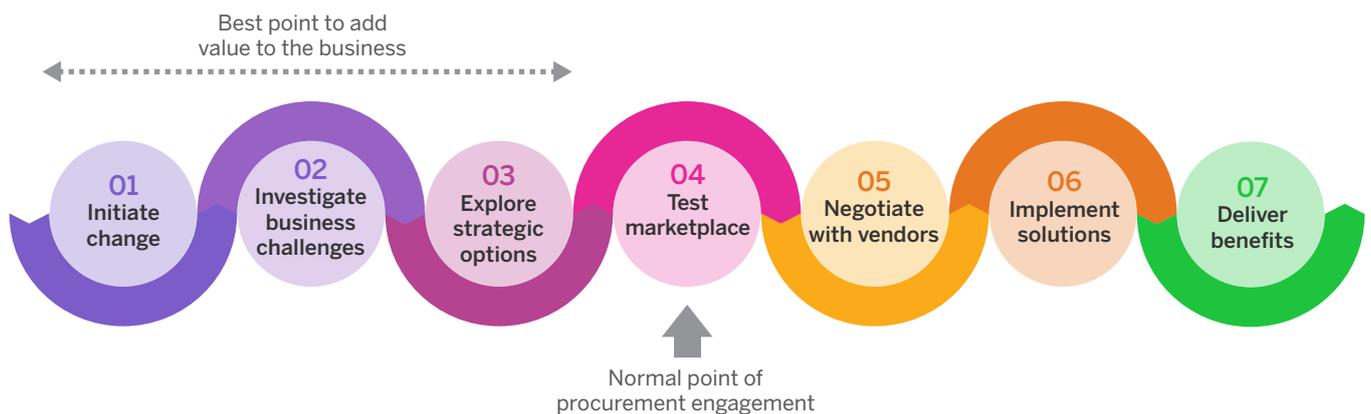


Figure 1: The standard strategic sourcing process | vendors engaged too late in the process to add real value.

<sup>1</sup> <http://davidmaister.com/books/mtpsf/>

# Defining the solution

Engaging in open dialogue with a vendor can give the purchaser great advice precisely at the time it is most needed, and that advice is normally given free at this stage of an engagement.

Any good vendor will have professional staff that can bring some level of insight, perspective and information that will supplement the views of the prospective customer. Indeed, if the vendor does not demonstrate that capability through its staff, it is immediately evident that the vendor is not suitable for the engagement!

Equally, an organisation engaging with a vendor must continue to be vigilant that the vendor is truly acting as a trusted partner and does not try to structure the problem around its own solution nor push its solution when it is not the appropriate one to address the problem.

Yet, with early and open dialogue rather than the formality of a rigid RFP, it is far easier for the procuring organisation to understand the corporate attitudes of the vendor and better assess their commitment to partnership and honesty. Vendors that fail this second important test can also be dispensed with without delay and without significant wasted

effort. Vendor discussions also facilitate a sensible review of the specific business issues to be addressed and the solution options available.

Almost every RFP we have seen sets out a predetermined problem statement and asks for confirmation of functional capability. They are set out to make scoring simple, hence also giving a perception of objective comparison. Yet, rarely is there any clear prioritisation of what is really important, and rarer still is the opportunity for discussion around 'trade-offs' or solution options.

There might be two, three, ten or twenty ways to accomplish a required task or deliver a certain feature, each of which will have different short- and long-term costs and benefits, as well as different implications for technical debt or service quality. It has to be beneficial to allow those type of discussions to take place early in a change programme and then to continue throughout the resulting work.

# Defining the solution

RFPs have the unfortunate impact of reinforcing initial assumptions into the eventual contracted work package. Incentives to learn and adapt thereafter are restricted. It is somewhat confusing, therefore, that many LP&I providers are adopting formal Agile methods, where priorities are constantly refined at a

microscopic scale to focus on business outcomes, with collaborative, multi-skilled delivery teams being the norm.

Compared to the structures of the RFP, this is a world apart and surely supports the need to adopt those same principles of collaborative exploration in the initial evaluation and selection phase.

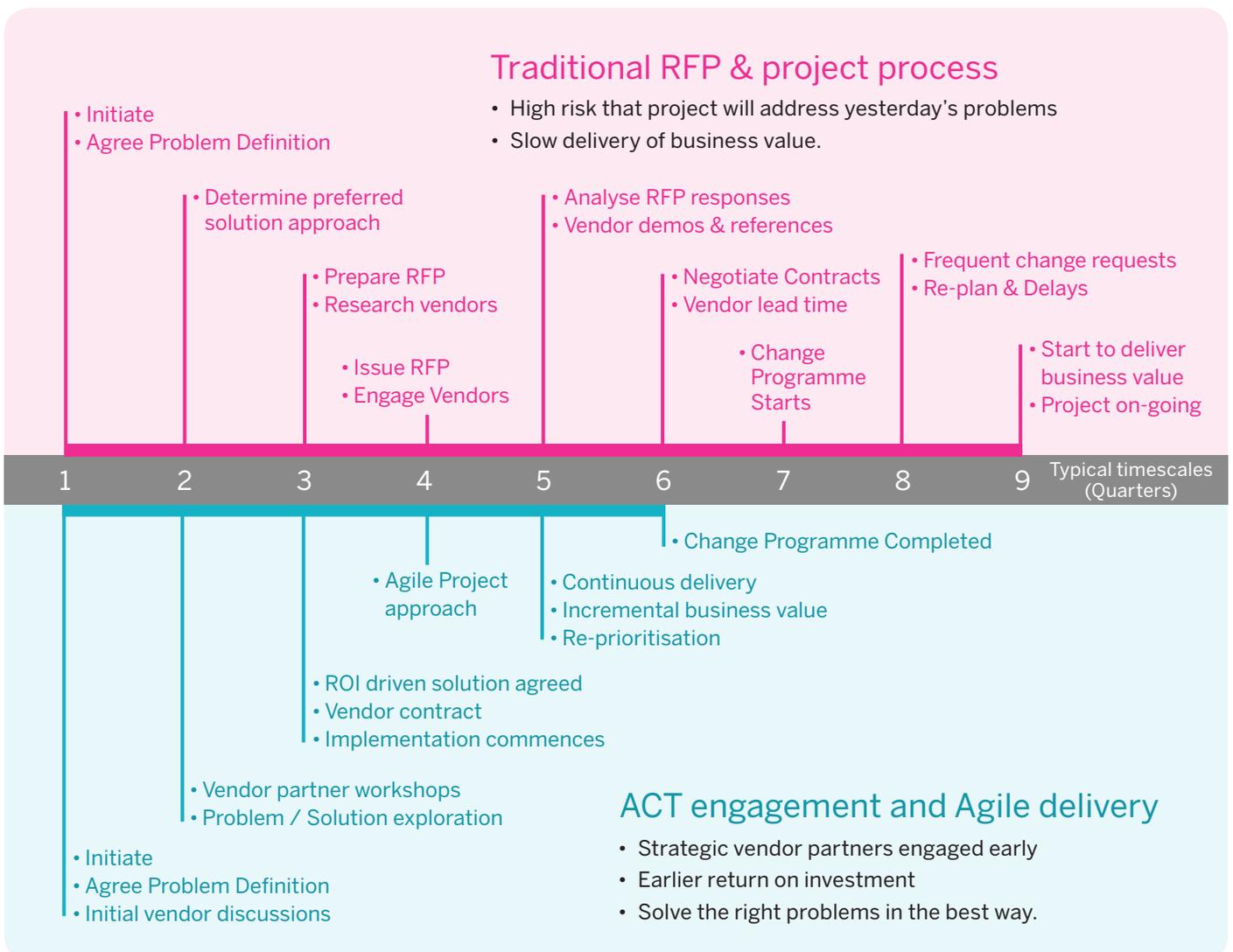


Figure 2: Comparing the ACT process to traditional RFP and project processes.

# The new approach | ACT

**We are in the digital information age. There is a vast amount of data readily available to make an initial assessment of potential vendors and solutions, as well as consultants that can help identify a good shortlist.**

In our market, the number of credible vendors is small. LP&I providers can and should invest some time in keeping abreast of the market participants, taking advantage of the learning opportunities that this process in itself will bring.

The key requirements to deliver a better outcome are straightforward:

- Open dialogue at the early stage of a change programme, when input from external parties is most valuable
- Assessment through discussion that focuses on the future, on the ability to innovate, on skills and capabilities of staff and management and confirming the fit of the vendor and purchaser to work well together
- Challenge-based dialogue to get to the heart of the business problems to be addressed and explore properly a range of solution options, allowing for flexibility for change as the programme progresses

In essence, the best approach becomes a discovery-based engagement that builds an understanding of all the relevant business areas and explores the challenges, the issues and the disconnects using a true 360-degree review.

# The new approach | ACT

Aquila Heywood recommends a three-stage process:

## 1. ASSESS

The Assess stage is based on collaborative work between Aquila Heywood's team and the LP&I provider's team to explore the business issues and better define the true problem.



Figure 3: ACT - The New Approach

# The new approach | ACT

Meetings between the senior teams ensure clarity of future vision, cultural fit and partnership credentials.

Key outputs from this stage include thought leadership exchange, enhanced insight into business issues and drivers and identification of agreed strategic pathways.

## 2. CONSULT

Joint workshop-based activities, with focussed agendas, to explore the problem in more depth and identify solution options to the agreed problems.

At this stage, Aquila Heywood's Professional Services resources work closely with their counterparts at the provider, with a focus on business outcomes that will be delivered by the different solution options.

Key deliveries from this phase of collaboration include a detailed problem statement, an understanding of the needs of each stakeholder and an initial assessment of strategic options supported by appropriate insight into best practice.

## 3. TREAT

The concluding stage evaluates the different solution options in more depth and recommends the best way forward.

The key output from this phase is a detailed ROI-based proposal aligned to the agreed business strategy that addresses the identified problems. At this point, the provider is in the strongest possible position, along with their vendor, to make a commitment to progress, sure in the knowledge that the programme of change that follows is commencing from a more certain starting position.

The ACT process requires considerable commitment from the vendor's key staff and their management and for that to be delivered much earlier than a traditional RFP engagement.

At Aquila Heywood, the view is that this is an investment that should be made to build the right partnership and relationship with potential customers.

# The new approach | ACT

There are considerable benefits to the LP&I provider in taking the ACT procurement route. Despite the need for earlier resource commitment, in the longer term, ACT will be more effective than an RFP in terms of resources and elapsed time, and that will be true even where the ACT process is run with more than one vendor. It will also lead to better results.

Using ACT, the LP&I provider will benefit from:

- Early direct engagement with experts in the market
- A focus on the real business problem
- Collaborative working that will produce pragmatic business solutions
- An ability to assess a vendor properly in terms of its management, its staff and its vision for the future
- Having a vendor that has gained far greater insight into the provider by the start of the implementation than would be the case in an RFP

Overall, ACT de-risks the vendor selection decision; the LP&I provider and the vendor will have shown they can work together and will have a shared view of the key business outcomes required. The change programme that follows is far more likely to deliver those business outcomes.

# Success in practice

Many industries are already changing their methods of procurement. As Accenture reports in its 2015 strategic review of procurement<sup>2</sup>, successful change is being delivered by having key vendors embedded much earlier and much closer to their business. Innovation and more positive business outcomes are the result.

Similarly, Aquila Heywood is already using ACT in a number of engagements with highly positive results. One major transformation programme that used ACT to compare two vendors achieved a much better definition of its desired solution roadmap through a highly consultative exercise and was able to start its project far more quickly than the traditional RFP would have allowed. Not only that, the early sharing of senior management goals and vision, allowed the customer to confirm right up front that Aquila Heywood was equally committed to the marketplace, had a strong cultural fit and would form an effective working partner.

*““ We created a team with one of our suppliers to develop a totally new product that could solve some of the problems and issues that our customers had. This new product was first on the market - we were way ahead of our competitors. ””*

Eva Andren, Ericsson<sup>2</sup>

McDonald's spends a lot of time with suppliers talking about growth plans, development plans and where it wants to innovate:

*““ We share with them a large volume of information. We really believe that's a competitive advantage for us. ””*

Francesca DeBiase, McDonald's<sup>2</sup>

<sup>2</sup>Accenture-Procurements-Next-Frontier.pdf

# Success in practice

RFPs may continue to have their place for specific types of procurement but, in the Life, Pensions and Investments market, where sophisticated financial services enterprise technology platforms are the norm, Aquila Heywood increasingly expects **early consultative-based engagement to become the preferred approach.**

Aquila Heywood is already committed to investing on this basis with prospects and customers and firmly believes the outcomes for all parties will be beneficial. Win – Win.

For more information, contact us at [enquiries@aquilaheywood.co.uk](mailto:enquiries@aquilaheywood.co.uk) or visit our website: <https://www.aquilaheywood.co.uk>