

## Finding outside resources: the RFI, RFP/RFQ approach

### Background

A few years ago, when much of the world was running on ‘Internet time’, emphasis was on speed to market rather than on the value of careful, time-sensitive analysis. Today, focus has returned to tried and true business practices. Most businesses find the need to ‘outsource’ some of their work occasionally. Outsourcing doesn’t necessarily mean sending work to India or Asia, it can also refer to the act of hiring temporary assistance from any organization that is not a part of your firm.

What is the best way to identify strategic outsourcing partners? How can you ensure that true partnerships, not just convenient vendor relationships, are achieved and maintained? Is outsourcing just a way to find inexpensive labor, or is it an important way to manage your work load?

### Definitions

One time-tested process to assist in choosing an outsourcing partner is the use of a Request For Information (RFI) or a Request For Proposal (RFP). Both of these documents can be based on a replicable, company-standard outline, and are very effective as information-gathering tools. Only one of the approaches is a decision-making tool, however. The difference between the two documents is quite important:

- An RFI implies no commitment need be made to any responding party. It requests information you need to evaluate whether you *might* want to work with a particular company, or *might* want to do a particular project.
- An RFP (or RFQ – request for quotation) implies the probability of a commitment being made to one or more responders. It will include the conditions of your acceptance, the return response format (so all replies are easy to review), confidentiality issues, evaluation criteria, etc. An RFP response should be incorporated into the final contract you sign, as the more specific you make your RFP, the less you will have to negotiate later. It is a good idea to hold a vendor conference shortly after issuing an RFP, so that all responding parties have the same information and get the same clarifications. Simplexity recommends a standard outline of items that should be included in an RFI or RFP. Please see the “Articles & Opinions” section of our site.
- Generally, RFI’s or RFP’s are needed when the dollar amount of the project exceeds the amount that can be reasonably approved by the highest-level manager in your area. Additional senior management approval may be required as well. It takes significant time and effort on the part of a responding party to complete an RFP in a quality manner, so make sure you are serious about your project before you issue one. If you aren’t, or if you don’t have the funding yet, then issue an RFI. In most cases, responses are confidential because they contain competition-sensitive information.

## Implications to your business

Outsourcing can provide value to your business initiatives in many ways. Most companies that decide to outsource some or all of their projects or operations do so for one of the following reasons:

- 1) The project requires skills that currently do not exist in your organization and may not be needed again once the project is completed.
- 2) There is a need to refocus the business on its core competencies.
- 3) Your competition is very active, your market is quickly expanding or contracting, your cost of business is increasing unpredictably, or some other factor is putting unusual pressure on your core business imperatives.
- 4) When there is a need to lower costs, you may achieve some savings with outsourcing if you handle it carefully. Although outsourcing cannot guarantee lowered costs over the long term, it most certainly will reduce short-term direct expenses for facilities, salaries and benefits, training, and capital purchases.
- 5) When you are in a position of rapid product introduction, outsourcing can help reduce time to market. When you outsource intelligently, you can get more work done in parallel, rather than letting work become serially bottlenecked inside your organization.
- 6) Outsourcing can provide an opportunity to bring critical or hard-to-find skills on board without a drawn-out recruiting and hiring process.

Be careful not to underestimate the time and skills needed for managing an outsource relationship. At times it will need the same—or more—attention you would provide an internal group doing a similar function.

## Conclusion

Use any of the document titles with an understanding of what the responding party will consider the degree of commitment to be. Vendors always know the difference between the RFI and RFP, no matter what you call it. An RFI tends to be pretty general, and usually provides a wide range of responses that are difficult to objectively compare. RFI's are generally used to find a suitable set of vendors to whom to issue an RFP. You might issue an RFI to ten vendors to whittle down the list to three, for example. An RFP, on the other hand, is so specific in its detail that multiple responses, when obtained from the vendors, are easy and objective to evaluate. In fact, many savvy managers will create the evaluation matrix they will use for the RFP first, and then create the RFP. RFP's should be architected so they can be included as a part of the final project contract.

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