

Surviving the Proposal Juggernaut: Seven Trends for RFPs and RFIs

By John A. Laurino, CEO, Proposal Software, Inc.

Good news for over-stressed proposal managers is long overdue. But it's finally arrived.

Today's proposal professionals are plagued by an onslaught of RFPs and RFIs that are growing in volume and complexity every day. Responding to RFPs involves myriad cumbersome tasks that must be performed under extreme time pressures: assembling and compiling content into hundreds of pages of text from various electronic documents and files into custom prepared questionnaires, collating them with pre-printed documents, then making a final mad dash to mail the submission by unmovable deadlines. It's a wonder how few deadlines are actually blown – or that the proposal team somehow manages to provide their best content.

Does senior management care that being in the RFP/RFI response business is like being on an endless, punishing treadmill? Or that proposal teams are stretched to the limit?

Not really. From their vantage point, proposals simply, somehow, get done. Despite the fact that RFPs are the lifeblood of commerce, that responding to them is one of the most critical components of the sales and marketing function, many proposal managers feel like Rodney Dangerfield ... they get no respect!

And the proposal juggernaut is only going to get worse, not better.

What's the answer? I'm going to describe seven trends that will define the future of RFPs and RFIs. After all the bad news, I'll deliver the good news: that the proposal juggernaut can be not only survived, but mastered. Technology is poised to make that possible.

Trend #1: RFPs and RFIs are never going away.

In today's complex business environment, most buyers and sellers are brought together by an intermediary – some kind of “middleman”. The more complex the purchase, the more intense the process, and thus, the more important is the role of the middleman.

In the case of RFPs, these “middlemen” commonly fall into two categories. The first category are external consultants whom companies hire to advise them on major purchasing decisions outside of their own area of expertise, and/or when arm's-length objectivity is required. When a corporation signs on a health care insurance carrier for thousands of employees, the costs of a mistake can be huge. Therefore, to avoid catastrophic errors the largest and most sophisticated companies frequently call in consultants to bring expertise and guidance to the selection process.

How do consultants add value? They do so by having the best market information – by having their “pulse on the market.” The more and better market intelligence the consultants can offer, the more insight and value they bring to the client – and the larger

the commission or fee they can charge. How the consultants obtain these critical insights, and how they maintain their expert vision of the market, is by using the formalized tool of requests for Information (RFIs) and/or by maintaining industry specific databases that vendors are required to periodically update..

The second category of “middlemen” are program managers or supply chain executives representing ‘internal” business unit clients. According to a 1997 article in the *International Journal of Physical Distribution & Logistics Management* entitled “New, Managing Suppliers: When Fewer Can Mean More,”: “Until the 1990’s, manufacturers focused primarily on cost, quality and delivery in their dealings with suppliers, and relationships were often ‘transactional’ and ‘adversarial.’ Manufacturers then started to consider a much wider range of factors, including a supplier’s competencies, the overall service provided, financial stability and even the supplier’s organizational culture.”¹

As it became recognized that suppliers could make long-term contributions, for example, to product innovation, a stream of (supply chain management) literature started to recommend the development of partnerships with suppliers. “The more cautious, arm’s-length relationships of the past gave way to closer buyer-seller cooperation, driven by the perception that there were greater benefits to be obtained through such partnerships.”² In recent years, purchasing managers have widely adopted the term “partnership”, but they use it in referring to a range of different supplier relationships.³

Trend #2: The volume of RFPs and RFIs is going to get worse, not better.

There are two major reasons for this:

- 1. Shorter client relationship life cycle.** There is no question that with today's rapid information flow, the virtual world is shrinking. Competition is now global and more intense than ever before, a theme that is presented repeatedly in New York Times columnist Tom Friedman's best-seller *The World is Flat*. At the same time, the pace of business is accelerating. The life cycle of the average client relationship is much shorter than the business world once relied upon it to be. A shorter client relationship life cycle means that clients are actively open to competing bids from new vendors more frequently. This directly leads to more RFPs.
- 2. Formalization of the "purchasing department."** With increased downward pressure on prices resulting from increased global competition, one of the few remaining ways for a corporation to boost profitability is by reducing costs. The pressure to reduce expenses and headcounts is enormous. This formalization of "supply chain management" to reduce costs cuts across virtually all industries.
- 3. Shifting of risk to the bidder.** As an example that has an enormous impact on commerce throughout the U.S. economy, Fiscal 2006 will see federal agencies issuing RFIs that place more of the onus on the bidder. Instead of furnishing bidders with complex statements of work, RFIs will include statements of objectives, which require vendors to propose more comprehensive solutions. To some degree, this is the result of the government's having fewer experts and program managers to draft complex work statements. But it is also a sign that government wants to pass on more of the risk to industry.⁴ There is also more

evidence, as reported by our clients using Proposal Software's PMAPS[®], of requirements being specified in RFPs that are noted as being "binding" upon the winner bidder. Long gone are the days of "fudging" your response to an RFP in the hopes of negotiating a final deliverable later in the process.

To respond to these pressures, these 'supply chain' professionals will resort to issuing more, not fewer RFPs and RFIs over time. This is not welcome news to the over-stressed proposal manager – nor to the sales and marketing senior executive whose least desirable tactic is to add headcount to his overworked proposal team.

To the rescue: technology

While the supply chain executives and consultants don't seem to care about the RFP respondent, they are being challenged themselves. Finding themselves the recipients of more frequent and more complex data, they become submerged in their own sea of RFP and RFI data and paper. The only way to keep from drowning, they are discovering, is through technology.

A multi-industry survey of purchasing/supply executives demonstrated that electronic commerce technology will be the primary driver of increased efficiency in commerce. The overwhelming consensus of executives surveyed was that this trend will accelerate over the first decade of the 21st century. According to authors P. L. Carter, J.R. Carter, R.M. Monczka, T.H. Slaight, and A.J. Swan, reporting on their survey in a 2000 article in *The Journal of Supply Chain Management*:

“The Internet (including intranet, extranet and Internet technology) and the World Wide Web will be the backbone of electronic commerce once several issues are addressed. A very powerful communication integration is underway matching future improvements in the Web with the adoption of enterprise-based systems. This trend is being driven by the need for speed in both decision-making and product and service fulfillment.

Many firms are already using the Internet for information sharing and for accessing electronic catalogs. The Internet will increasingly be used to support demand-pull throughout the supply chain. The Internet will become a critical medium for accessing critical information. Admittedly, security is viewed as a major inhibitor on today’s Internet use. However, once security issues are fully addressed, purchasing transactions will explode on the Internet. Order tracking, funds transfer, production planning and scheduling, receipt acknowledgment, and other basic processes will be fundamentally changed by the way information can be transferred between supply chain members. *The Internet’s effect on the supply chain will rival the interstate highway’s impact on the transportation industry.*⁵

Trend #3: RFPs and RFIs will increasingly move to Web-based questionnaires and forms.

But aren’t we already doing this today? one might ask. What will be different?

The answer is XML.

XML, the Internet programming language that replaces HTML, will make a world of difference in how companies, consultants and proposal professionals manage the RFP/RFI process. What’s different about XML is that it embeds information in every field of every table or form on the Internet. XML tags allow applications to do things they could not do before, such as allowing database applications to work unattended.

That is, machines talking directly to machines on a rule-based schedule established by the

application's owner. XML is truly the programming language for the 21st century. Think of it as the GPS – the Global Positioning System – for all future computer programs and web-based forms.

In their January-March 2006 article in the *International Journal of Web Services Research*, researchers V. Borkar, M. Carey, N. Mangtani, and D. McKinney argued, “We are halfway through the first decade of the new millennium, and the new rage in IT is SOA (service-oriented architecture). Data relevant to today's enterprise applications lives in a variety of information sources, including relational databases, packaged applications, various homegrown applications, external Web services, and files.”⁶

“Web services⁷ and the adoption of SOA relieve today's application developer from having to worry about where data is located, what format it resides in and/or what program's interface is required to understand it. *In the Web services world of the future, all sources will be described using standardized calls and all data will be in XML form.*”

What this means for RFPs and RFIs is that XML will allow the proposal team's data base and proposal assembly tool to communicate directly with the consultant's or client's Web-based RFPs and RFIs. Thus the entire process of responding to RFPs will be vastly accelerated and streamlined.

Here is an example of how XML will simplify today's process of completing an RFP. To complete today's HTML-based Web form that will comprise one component of the

finished proposal, you – the proposal manager – must first copy the question you want to answer (one click); and paste the question into some form of search engine (a second click). After locating the appropriate answer, you cut and paste it (two more clicks) into the questionnaire. That's a minimum of four clicks – and that's only if you're fortunate enough to be using a search engine so powerful it gives you the absolutely perfect answer the first time you search. The more realistic scenario is that you are required to open additional folders in order to locate your answer. With today's data bases, we are in this way forced to spend hour upon hour mining for data, then cutting and pasting into Word, Excel, and HTML documents. No wonder that responding to RFPs is tedious, burdensome, and error-prone. Worse, each one of these extra clicks is an innocent little 'paper cut' of time that magnify themselves into many man-years of lost time when projected annually on a typical proposal team.

But XML will simplify this process exponentially, and here is how. Figure One (see illustration) offers a quick look under the hood of what an application sees in your XML-based data base: highly detailed code for every single question or search term that might be used in an RFP. Because the respondent's XML data base information can be directly linked with the consultant's or client's XML questionnaire, it takes a single click – with no cutting and pasting – to update the form with the appropriate data. Just imagine how many man years of time will be saved by the elimination of all that cutting and pasting in Web forms.

It gets even better.

Trend #4: Web Services will emerge as a key proposal management tool.

What are Web Services? Driven by XML, Web Services are programs that will allow two different Web-based applications or computers in different locations to talk to and interact with each other, completely behind the scenes. The importance to proposal professionals of this major technological leap cannot be overstated. Not only will Web Services further automate the RFP and RFI process, they will eventually make today's RFI obsolete.

Web Services: the next catalyst in enterprise software?

“As enterprise software spending evolves, one notable area attracting the interest of IT department is Web services software. The continued build-out of the Internet makes it increasingly important for companies to be linked to customers and suppliers, to run up-to-date financial statements, and to establish networks of internal communications and other functions. Ideally, a corporate system should accomplish all of these things with an open architecture. However, many companies are having problems because the various legacy systems and applications in which they have invested do not inter-operate smoothly.

Think of today's Web services software as a kind of electronic Esperanto that allows communication among disparate software applications that formerly had no way of communicating with each other. Because Web services software uses an agreed-upon common language, it can enable any number of legacy software applications to work

together. Therefore, the software provides a way to maximize the use of current infrastructure and enable a smooth transition to future technologies. In addition to XML, which is used by Microsoft in its .NET (“dot net”) Web services offerings, Web services software may include simple object access protocol (SOAP).

The primary drivers of Web services software demand are the numerous legacy hardware and software systems currently in place that cannot interoperate with new software applications. Economic pressures have led chief information officers to assess their technology investments in terms of return on investments and total cost of ownership. When return on investment is the focus, Web service software often provides the most cost-effective solution. IDC projects that the market potential for Web services software could increase from an anticipated \$3 billion in 2004 to \$11 billion in 2008 ...

Compounded Annual Growth Rate (CAGR) of 58% from 2003 levels.”⁸

Trend #5: Web Services will replace today’s RFI.

Because of this massive increase in technology infrastructure, RFIs will go away as we know them today. As consultant or buyer’s databases are linked to vendor’s proposal databases using Web Services, and with the appropriate permissions and security measures, Web forms will automatically update themselves. This may sound farfetched, but it is not. Proposal professionals are already prepared to provide this information today. And proposal database technology, available *on the market today*, is already equipped to do all of this. It will simply take a few bold buyers and sellers to take this one small technology leap of faith in opening up this enormous treasure trove of potential

productivity. We at Proposal Software have a major consultant and global financial services firm prepared to test this technology in 2006.

Trend #6: In the future, consultant and company proposal databases will be automatically linked.

Today consultants and companies are developing their technologies in a parallel evolutionary process. I predict that within five years the technology will have evolved so far that cutting and pasting into Web forms will have gone the way of IBM punch cards. Web Services will allow the proposal team's XML database to automatically link with the consultant's XML data base. The result: no need for RFIs.

What should proposal professionals be doing today to meet this profound change in the proposal process? Three simple answers:

1. Companies should build a proposal database using an XML-enabled tool. These are commercially available today and do not cost any more to own or operate than conventional software applications. There is very little IT involvement or support required once XML-enabled software is installed. In fact, the use of XML as the universal translation mechanism actually makes software enabled with this technology more compatible and easier to integrate than previous generations of database software.
2. This data base should be automatically updated throughout the enterprise on a constant, scheduled basis between the proposal team and their internal "subject Matter Experts". The technology exists today to allow this to take place automatically –

meaning that Subject Matter Experts can dictate the review cycle of documents whose content ‘they own’ – or are responsible for – without the proposal team having to manually send information out for review. The HR impact actually *lessens* as the software takes up more of the routine sending, receiving and tracking functionality, thus freeing up proposal team time.

Anyone who is circulating draft documents for approval because they have no confidence in the data used to construct them in the first place are doomed to 3 a.m. pizza parties until retirement.

3. Proposal professionals and senior management alike should lobby for as much company-to-consultant automation as possible. This is the hardest area in which to effect change, for two reasons. First is the simple challenge of changing embedded behavior within the consultant community. Second may be initial mistrust that this web-services exchange of information can be secure for both parties. Again, the technologies for surmounting these challenges exist today. It will take some demonstrable ‘proof of concepts’ by major companies before the average organization will even consider this.

We are working on this ‘proof of concept’ with a global banking organization where the technical acumen and the need for the highest levels of security exist. While making it a harder exercise, we will be starting at the top of any commercially acceptable set of security requirements. Furthermore, government agencies like the Department of Defense will probably lag any adoption of the use of web services by commercial entities because of the enormity of effecting change within their bureaucracy and the need to see

a working validation of the technologies before they entertain such a change. They may also require the creation of ‘blind’ portals where the information being exchanged between the agency and vendor is compartmentalized from any other data, highly encrypted and where the server and database housing the vendor information cannot be connected directly to any other DoD network.

Companies that successfully carry out these three steps will be directly poised to reap the benefits of the seventh and final trend.

Trend #7: Technology will offset the increase in RFPs and RFIs, keeping headcount flat.

With the increased volume of RFPs a certainty, there is no doubt that everyone will be busier. But technology-driven efficiencies will enable proposal professionals to meet the proposal juggernaut head on.

Yes, it’s about efficiency. But even more so, it’s about enabling the proposal professional to add value. Because proposal professionals’ tools will be better, the quality of how they spend their time will be vastly improved. Proposal professionals will be focused not on tedium, but on producing quality content. Surely the day will come when proposal professionals will devote more of their time adding value to proposals, and less on the drudgery of assembling them.

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developed in 1994 and now in its ninth generation, PMAPS[®] is a comprehensive proposal management platform developed for large-scale organizations who must continually respond to a high volume of sophisticated RFPs and RFIs under tight deadlines in order to maintain their sales momentum. PMAPS[®] is currently in use at over 100 major health care, financial services, and Fortune 1000 companies worldwide.

¹ K. Goffin, M. Szejczewski and C. New, Managing suppliers: When fewer can mean more, *International Journal of Physical Distribution & Logistics Management* **27** (1997) (7), pp. 422-436.

² L.E. Metcalf, C.R. Frear and R. Kirchnan, Buyer-seller relationships: an application of the IMP interaction model, *European Journal of Marketing* **26** (1992) (2), pp. 27-46.

³ D. McCutcheon and F.I. Stuart, Issues in the choice of supplier alliance partners, *Journal of Operations Management* **18** (2000) (3), pp. 279-301.

⁴ Karen D. Schwartz, *Government Executive Washington: Dec. 2005* **37** (21), p. 47.

⁵ P. L. Carter, J.R. Carter, R.M. Monczka, T.H. Slight, A.J. Swan, The Future of Purchasing and Supply: A Ten-Year Forecast, *The Journal of Supply Chain Management*, Winter 2000, pp. 14-17.

⁶ V. Borkar, M. Carey, N. Mangtani, D. McKinney, et al, XML Data Services, *International Journal of Web Services Research* **3** (2006) (1), pp. 85-96.

⁷ *Computers: Software Industry Survey*, April 23, 2005.

⁸ *Computers: Software Industry Survey*, April 23, 2005.