



DISCUSSION DOCUMENT

Outsourcing RFPs DOs and DON'Ts

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SYLVAN ADVISORY &
RESTRUCTURING

Paul C. Pinto – Outsourcing Advisor



Paul Pinto has dedicated his entire 26-year career to the field of outsourcing and advisory services. Since 2000, Mr. Pinto has been focused on providing outsourcing advisory and solution development services to dozens of clients in the Financial Services, Retail, and Business Services sectors. He has developed business cases, facilitated vendor selections, led contract negotiations, conducted transitions, led outsourced / offshore development efforts, and performed compliance audits for a variety of fortune 2000 clients. Having completed more than 50 engagements, Mr. Pinto has facilitated the outsourcing of services to vendors located in Canada, China, Brazil, India, the Philippines, and Russia, and has setup captive centers in India, Egypt, Malaysia, Mexico, and Slovakia.

Mr. Pinto has a depth of experience in working with Client's to outsource business functions that include; Call-centers, Information Technology, Finance & Accounting, Human Resources, and a variety of front-office business functions (BPO). He prides himself on his ability to drive engagements through their full life-cycle, from inception to reality, while delivering on the promised SLAs, cost savings, and ROI. Over the last decade, Mr. Pinto has provided services to Addeco, Aetna, Allstream, Bausch & Lomb, Bingham McCutchen, Blackstone Group, Borg Warner, British Petroleum, Chubb Group, Citi Group, Computer Task Group, Corporate Express, Cushman & Wakefield, Earthlink, Epicor Software, First Union, Genworth, Guardian Life, Infor Global, ING Financial, Naylor Communications, Office Depot, Oracle, Ryder, Sabre Holdings, SEI Investments, Suntrust, The Arthritis Foundation, The Outsourcing Institute, The Wilder Foundation, United Technologies, Utica National, and Worldspan.

While Mr. Pinto is comfortable in driving change in all of the aforementioned areas, he is considered to be an expert in the functional area of Business Process Outsourcing (BPO), a leader in the Business Services industry, and a market-maker with regard to leveraging low-cost locations across Asia. Throughout his career, he has lead 26 trips to facilities in India, China, Malaysia, and the Philippines, and has dealt with almost every major Asian-based outsourcing firm. Based on his vast experience, Mr. Pinto is routinely called on to serve as an Expert Witness in high-profile lawsuits involving claimants that are dissatisfied with the results of their outsourcing agreement.

Most recently Mr. Pinto served as an Expert Witness in the landmark Oracle vs. SAP case which resulted in an award of \$1.3B in damages. Mr. Pinto was tasked with estimating the costs associated with developing the Peoplesoft, JDEdwards, and Siebel software products from scratch, using Function Point and COCOMO analysis techniques, coupled with full life-cycle, and multi-shore development.

Discussion Topics

- ▶ Context and Background of the RFP Process
- ▶ Top 5 Reasons Why RFPs Fail to Produce the Desired Results
- ▶ Building a New-Age RFP (RFP 2.0)
- ▶ The Real Benefits

The Outsourcing Life-Cycle

Concept Management

Conceptualization

Inception

Business Case Approval

Sourcing Strategy

Sourcing Approach Solution Design Required Resources


Sourcing

Internal Sourcing (Captive)

Requirements Venue Selection Internal Agreement

External Sourcing (Provider)

Requirements RFI / RFP Provider Responses Provider Evaluations
 Negotiations Provider Selection Contractual Agreement

 Addressed by the RFP process

Engagement Management

Transition

People

Knowledge Acquisition Training Development Knowledge Transfer Resource Certify Resource Cut-over

Processes

Workflow Document Process Optimize Process Certify Process Cut-over

Technologies

Infra Requirement Infra Setup Infra Certify Infra Go-live

Steady-State

Project Management

Scope & Change Deliverable Acceptance Roles & Respons. Assumption & Depend.
 Issues Risks & Mitigation Comm. & Escalation Budget & Invoices

Project Status Reporting

Production Quality Actual vs. Budget Schedule Expectations

Project Governance

Service Credits Process Improvement Lessons Learned

Business Management

Internal

Program Governance

Fiscal Contractual

Business Objectives Compliance

Optimization

Sourcing Strategy Preferred Providers

External

Provider Management

Account Mngmt Market Share

Provider Viability Risk

Optimization

Relationship Mngmt

The Business Situation

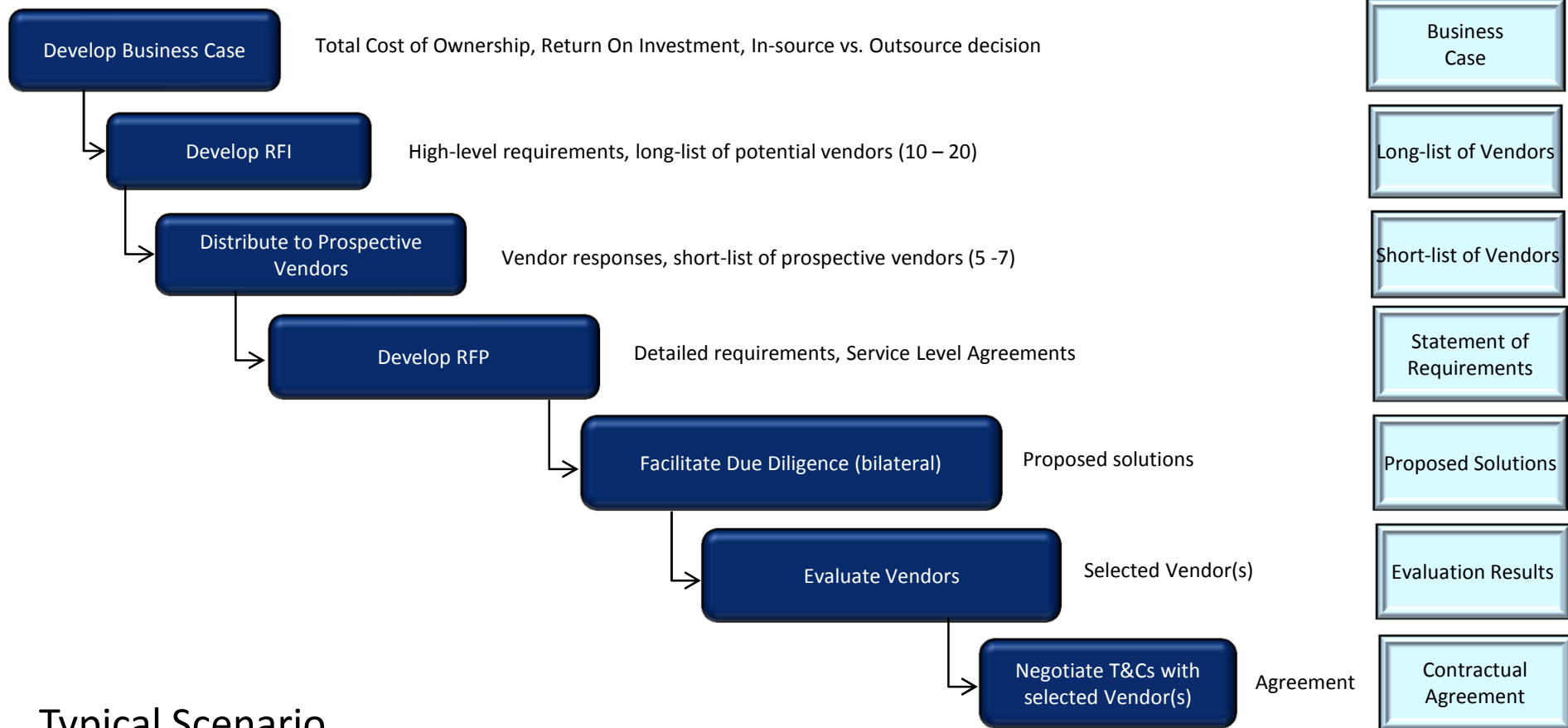
As outsourcing continues to thrive, so does the need to accelerate the process associated with a Buyer acquiring services from a Seller.

	Description	Perspective	Metrics
Buyer	Consumer of outsourced services	Buyers have become relatively sophisticated, and are now able to self-administer the development of a Request for Information (RFI) or Request for Proposal (RFP), signifying the advent of the Do-It-Yourself Outsourcer (DIYO).	In 2011, It is estimated that \$300B of outsourcing transactions will be completed using the RFI/RFP process.
Seller	Provider of external services	Sellers have become more focused on providing specific markets with targeted services, with a vast number of solid niche and boutique players.	It is estimated that there are 50,000+ providers of outsourcing services who are targeting the U.S. and European markets.
Influencer	Advisor during the transformation, transaction, and transition	Advisors are still looking for the mega deals, while the market has dramatically shifted from a handful of large opportunities, to a vast number of small opportunities.	In 2011, It is estimated that there will be 300,000 outsourcing transactions, that could benefit from some level of advisory services.

The Standard RFP Process

Process Flow

Deliverables



Typical Scenario

- 9 Vendors favorably responding to RFI
- 5 Vendors favorably responding to RFP
- 3 Vendors engaged in due diligence
- 4 Evaluators reviewing vendor responses

- 1 vendor negotiating contractual Ts&Cs
- 6-9 months of calendar time
- 1,500 – 2,100 person-hours of internal effort
- 4,200 – 5,500 sheets of paper produced

- Focused on Math (price) and Physics (fit)
- Keeps the vendors at arm's length
- Does not always yield a unanimous decision
- Uses spreadsheets, and word processors

Characteristic of the Standard RFP Process

Area	Characteristic
Proven Process	The RFP process has been in use for a very long time, and is well-tested and proven to build consensus for the selection of the ultimate vendor. The process clearly yields actionable results.
Template Deliverables	Most organizations have a set of dedicated word processing documents (e.g. RFQs, RFIs, RFPs...), and spreadsheets (e.g. TCO, ROI, vendor weighting and rating...)
Comfortable	The majority of decision-makers have prior experience being involved in selecting a vendor through the use of the traditional RFI/RFP process. As such, they understand their role in the process, and are relatively comfortable in providing their input and feedback through this forum.
Proven Results	The majority of large and medium-sized outsourcing projects have used the RFP process to facilitate the selection of their external service provider. The majority of these relationships have been mutually beneficial and deemed to be successful.
Promotes Competition	The process allows for a like-for-like comparison of costs between vendors, which enables the Buyers to aggressively negotiate the cost of services in normalized terms.

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Number 5: The RFP process takes too long to complete

The typical RFP Process requires 6 to 9 months to complete. It is a series of manually intensive activities that are performed in a serial manner, with very little opportunity for parallel work streams.

Primary Reasons

- A significant amount of research is required, in order to author and format an effective RFP
- The RFP must be distributed to perspective Vendors, with enough time built into the process in order to accommodate questions and clarifications
- Adequate time must be given to the Vendors, in order to develop their proposed solution
- Collecting, comparing, reconciling, and analyzing responses from multiple Vendors is a time consuming task
- Building consensus for the preferred Vendor requires additional time and effort

Typical Impacts

- If an activity is delayed, it is very difficult to make up the lost time
- The more Vendors that are involved, the longer the RFP process will take
- Managing the amount of documentation is time-consuming in and of itself
- It is difficult to get an apples-to-apples comparison of competing responses, in a timely manner
- The time frame for completing most RFPs, almost always gets extended

Number 4: The RFP process is not a substitute for Due Diligence

Since so much time and energy is invested in the RFP process, it is misunderstood to be a replacement for conducting formal due diligence on the preferred vendor.

Primary Reasons

- The RFP process will deliver a quantitative comparison of Vendor's proposals, but not a qualitative comparison of the Vendors
- The preferred vendor must still prove that they have the proven capability to provide the proposed solution
- The RFP process is a test of the Vendor's ability to sell a solution, not a test of the Vendor's ability to deliver the proposed solution
- Reference checks are not enough

Typical Impacts

- The Vendor that has the most capable Sales Representative will show the best
- The Vendor that is chosen through the RFP process may not be the most capable Vendor
- There is often a disconnect between the Sales and Delivery organizations within the Vendor's shop
- In many cases, the Sales team over-commits the Delivery team, in order to close a deal

Number 3: Poor list of potential Vendors (long-list and short-list)

It is relatively easy to come up with a list of the market's largest Vendors, but just because we know their name, does not mean they are best suited to propose on our specific RFP.

Primary Reasons

- The market currently has over 50,000 Vendors, that have capabilities in specific vertical niches, and horizontal service offerings
- Potential outsourcing venues have expanded to include a variety of World-wide and near-shore destinations (not just India)
- Bigger is not necessarily better
- It is important to select the Vendor that is right-sized for our organization, and the needs of our RFP

Typical Impacts

- Unsolicited RFPs will usually be discarded by the Vender, who will decline to respond
- Limited insight into truly innovate solutions that exist in the market
- Selecting a Vendor that does not afford us with access to their Executive Management team
- Selecting a Vendor that must bend itself in order to meet our specific needs, because during bad-times, they will always return to their core business

Number 2: Shopping for the lowest-priced Vendor

Many RFP processes are lead by Procurement, and therefore become focused on driving the lowest Time & Material-based pricing.

Primary Reasons

- The majority of RFPs should seek Fixed Fee or Transaction based (Managed Services) pricing, as opposed to Time & Materials based pricing
- The pricing model dictates how risk is shared between the Buyer and the Vendor
- Most Procurement Organizations are focused on reducing costs, as opposed to increasing value
- Searching for the lowest cost, brings out the low-cost Vendors

Typical Impacts

- The market is moving away from Time & Materials based pricing, except for those who are unwilling to change
- As soon as we discuss Time & Materials rates, the Vendor gets to divest themselves of the majority of the shared risk
- Most of the time, the lowest priced Vendor is not the best decision
- When a Vendor knows they are in a competitive situation, and they feel they are in second place, they will sometimes low-ball their pricing in order to make life difficult for their competitor

Number 1: Poorly defined or unclear requirements

If the requirements, as they are documented in the RFP, are open to interpretation, then the Vendors will make assumptions that benefit the proposition of their specific solution set.

Primary Reasons

- There is a compelling time constraint that requires the RFP to be released quickly
- The requirements are not fully known at this time, but should become clear as you go through the RFP process
- There are a number of existing components of other RFPs that were leveraged in creating this RFP
- The requirements are so well known that the RFP becomes “Prescriptive” instead of “Descriptive”

Typical Impacts

- Poorly defined RFPs are deemed to be an indication of the Buyer’s immaturity, and may encourage the Vendor to decline to respond
- Inability to perform a side-by-side comparison of the Vendors responses
- In certain scenarios, a more detailed description of the requirements will need to be provided to the Vendors, along with a request to re-bid
- The RFP process can become elongated and drawn out

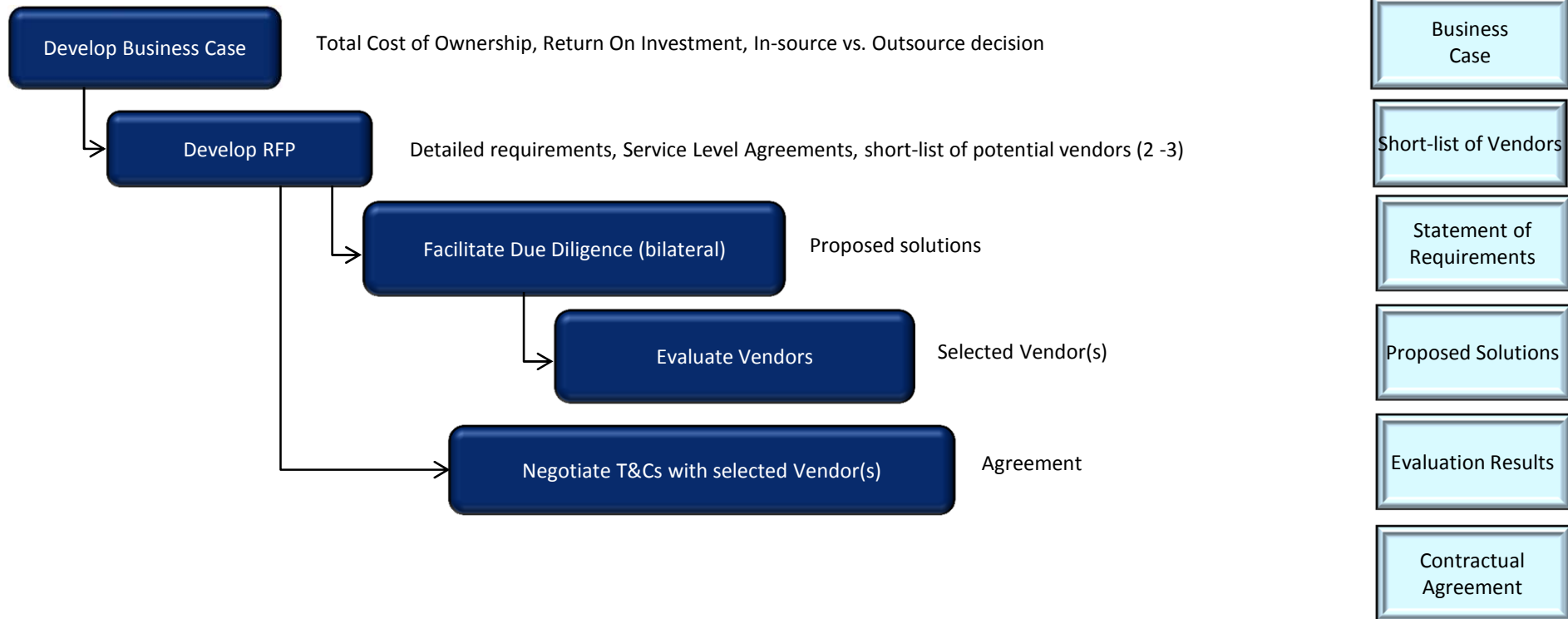
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Modified RFP Process (using an Outsourcing Accelerator)

Process Flow

Deliverables



Typical Scenario

- 3 Vendors favorably responding to RFP
- 2 Vendors engaged in due diligence
- 4 Evaluators reviewing vendor responses
- Uses SaaS-based tools
- 1 vendor negotiating contractual Ts&Cs
- 3-4 months of calendar time
- 700 – 950 person-hours of internal effort
- Uses collaboration tool to manage the process
- Focused on Chemistry (cultural fit)
- Engage the vendors in innovation
- Does not always yield a unanimous decision

Characteristic of RFP 2.0

Area	Characteristic
The Proven Process	The RFP 2.0 process produces the same proven deliverable as the standard RFP process, but does so through the use of an innovate set of tools and techniques.
Match Making	The standard RFI process has been replaced by the use of research data that tracks and monitors the profiles and capabilities of over 30,000 vendors. By matching the Buyer’s specific requirements to those contained in The Outsourcing Institute’s database, we are able to develop a short-list of highly qualified vendors, within a fraction of the standard time.
Use of Tools	The RFP 2.0 process uses tools that contain the needed RFP content as a cafeteria-style menu from which one can select the needed requirements. These tools are provided to the User as a service (SaaS-based), and are focused on facilitating the Users through a very natural workflow.
Electronic	The RFP2.0 process is administered through a collaboration environment where the RFP is built, distributed, responded to, and evaluated electronically. There is no need to printout an sheets of paper.
Faster Results	Proven results are reached within half the time of the standard RFP process, due to the removal of the RFI process, and the reduction in administration time associated with managing paper.

An Outsourcing Accelerator

Outsourcing Accelerators are designed to lead Buyers through the outsourcing process, by providing them with access to meaningful content that is specific to their initiative, while providing them with an electronic interface to the Sellers of services.

- ▶ Outsourcing Accelerators provide Users with the following capabilities:
 - Develop an RFI or RFP within hours, while being lead through the logical workflow associated with building the required components of a world-class RFI/RFP
 - Invite a select set of Vendors to submit their electronic responses to the online RFI/RFP
 - Once the Vendor’s responses have been submitted, the User you can read through them and evaluate and rate them online
 - After the due diligence is complete, and the preferred vendor is selected, the User can generate the first pass at the Master Services Agreement and Statement of Work, as well as the associated Schedules and Exhibits

The screenshots illustrate the workflow and data handling within the Outsourcing Accelerator. The first screenshot shows the process flow from business case to vendor capabilities. The second screenshot shows a table of requirements with columns for Req.ID, Category, and Requirement. The third screenshot shows a rating scale for a specific requirement. The fourth screenshot shows a list of requirements with their categories and responses.

Req.ID	Category	Requirement
4.1.1.1	Brief Company Overview	Provide a high-level description of your company, with an emphasis on its ability to provide services.
4.1.2.1	Proposed Solution Summary	Highlight the components of your offerings that you feel to be relevant and competitive.
4.1.3.1	Differentiator Summary	Identify the components of your offerings that you feel differentiate you from your competitors.
4.1.4.1	Current Relationship	Identify all current or past dealings you have had with our firm.

Discussion Topics

- ▶ Background
- ▶ The Business Problem
- ▶ The Outsourcing Accelerator
- ▶ The Benefits to the Buyer

Why Upgrade the Current RFI/RFP Process?

Select the most appropriate vendor within the shortest period of time, in a way that minimizes the cost of the selection process, and builds consensus for the ultimate decision and initiative.

-
- Increase the speed with which the ultimately qualified vendor will be selected
 - Administer the process while reducing the amount of resources being consumed (e.g. paper, toner, mailings ...)
 - Build consensus around the ultimate decision, and lay the groundwork for a successful relationship
 - Gain access to qualified vendors to which you have no prior exposure
 - Minimize the cost associated with selecting the ultimate vendor

RFP Development Metrics

Role	Vendor Selection Activities	Original Work	Using / Reusing Point Solutions	Using An Outsourcing Accelerator
		Building forms and developing the required content from scratch	Leveraging existing templates and content, and tailoring them for use	Using an integrated tool, with built-in workflow, and intelligent content
Buyer	Identifying the Requirements for a Request for Proposal (RFP)	100 hours	40 hours	20 hours
	Building the actual RFP document	40 hours	20 hours	5 hours
	Distributing the RFP to the selected Vendors	10 hours	10 hours	1 hours
	Cataloging and answering Vendor Questions	10 hours	10 hours	5 hours
	Receiving the Vendor Responses to the RFP	5 hours	5 hours	1 hours
Evaluator	Distributing Vendor Responses to the Evaluation Team	5 hours	5 hours	1 hours
	Perform Vendor weighting and ratings	20 hours	10 hours	8 hours
	Reconcile Evaluator's assessments	10 hours	5 hours	2 hours
	Report results of Evaluation	5 hours	2 hours	2 hours
Negotiator	Develop Master Services Agreement (first draft)	120 hours	20 hours	1 hours
	Develop Schedules (Scope of Services, Statement of Work, Data Privacy Policy...)	100 hours	20 hours	1 hours
	Develop Exhibits (Pricing, Service Level Agreements, Key Performance Indicators...)	100 hours	20 hours	1 hours
Total Person Hours of Effort Required:		525 hours	167 hours	48 hours
Estimated Duration:		26-weeks	12-weeks	6-weeks

This analysis assumes the development of a single, average-sized RFP of 30-pages, that would be responded to by 5 prospective Providers, and would result in 60-pages of contractual agreements between the Buyer and the selected Provider.

Benefits of Using an Outsourcing Accelerator

Cost Savings (per RFP)

Developer of the RFP	Effort Savings	Estimated Dollar Value
First-time Developer of an outsourcing an RFP	Save over 450-person hours of effort	\$45,000
Seasoned Developer of an RFP	Save over 100-person hours of effort	\$10,000

Time Savings (per RFP)

Developer of the RFP	Duration Savings	Estimated Dollar Value
First-time developer of an outsourcing an RFP	Save 20-weeks	You decide
Seasoned developer of an RFP	Save 6-weeks	You decide

Quality and Consistency

Developers of RFPs	Estimated Dollar Value
Managing the consistency and quality of RFPs produced by multiple people within the organization	You decide
Managing the consistency and quality of Provider’s Responses to RFP	You decide
Managing the consistency and quality of Evaluations of Provider’s Responses	You decide
Managing the consistency and quality of the Contractual Agreements	You decide

Contact and Disclosure

Sylvan VI, LLC. is a Delaware Limited Liability Corporation established in 2007. It is an independent firm and is not affiliated with any other companies or organizations.

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