The Trust Reader

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FEATURING

OPEN LETTER TO CLIENTS: WHY YOU SHOULD DROP THE RFP

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"The simple truth is we give up a lot when we refuse on principle to listen to the expertise possessed by the sellers of complex services."

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OPEN LETTER TO CLIENTS: WHY YOU SHOULD DROP THE RFP

BY CHARLES H. GREEN

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Dear Mr. or Ms. Client:

You may be tempted to reject this letter because the author is a seller of services rather than a buyer and therefore might be biased.

In a nutshell, that's what's wrong with RFPs (Requests for Proposals). They reject the upside benefits of experience in order to avoid the downside risk of undue influence. That's a bad deal for the client, but there are things both client and provider can do to improve it.

WHEN TO USE RFPS

RFPs in their simplest mode are formal invitations from a buyer company to a limited number of sellers to propose on a project. They describe what the buying company is looking for in terms of approach, credentials, models, project management, evaluative criteria, and pricing. They typically come with a due date and generally offer very minimal contact with the seller in advance of that date. What contact is offered is carefully made available to all sellers.

Let's acknowledge that there are situations in which RFPs are appropriate and desirable. First and foremost are government contracts. Unlike private companies, governmental entities are "owned" by all citizens. And the appearance of improper influence is per se destructive of our faith in government. Most citizens don't begrudge the use of RFPs as a blunt instrument way to ensure transparency, lack of favoritism, and corruption.

In the private sector RFPs are also occasionally desirable, such as if there's a history of purchasing abuse by the buying firm or a concern about undue exposure to an oligopolistic supplier industry.

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The virtues of RFPs in these cases are clear: they proscribe "unfair" behaviors like access to internal managers, pre-existing personal relationships, or excessively subjective decisions. In such cases, the RFP performs an important role of guaranteeing some transparency and consistency of approach. As one buyer put it, "It allows us to compare everyone on an apples-to-apples basis."

Fair enough. But then there are the other cases—cases where RFPs are used for other reasons entirely to the detriment of the buying organization. Let's turn to those.

WHEN NOT TO USE RFPS

Here are some of the other reasons buying organizations often resort to RFPs:

"The people in finance are comfortable with a Big 4 firm in here, but marketing wants a firm with serious marketing capabilities. An RFP will let us compare the pros and cons independently."

"The suppliers out there all know way more than we do, and we'll get taken to the cleaners if we're not careful."

"The people we have managing the buying process are not experienced at buying. They are vulnerable, and can easily be swayed by experienced sellers who can put one past them."

"We have people whose job it is to make purchase decisions, and we want to make sure they do a thorough, objective job."

"We want to send a message loud and clear about what it is we want and don't want. We will define the problem, and we don't want vendors telling us they need to do massive studies starting at the CEO's office to fix it."

These motivations boil down to five uses of RFPs: to resolve political conflicts, to mitigate low product expertise, to substitute for purchasing expertise, to leverage existing purchasing expertise, and to prevent escalation of the original problem statement.

All, however, have two things in common. They prevent dialogue between buyer and seller, and they predefine not only the problem but much of the solution as well.

It's hard to imagine a worse way to buy something complex. Would you tell your family doctor just what medical condition you had and how to treat it? Would you instruct your accountant in the tax code and how to deal with the IRS? Would you buy a first house and tell your broker, banker, and home inspector just what they had to do?

"Any good professional will bring to the sales process some level of insight, perspective, and information that the client didn't have, if only to demonstrate their competence."

The simple truth is we give up a lot when we refuse on principle to listen to the expertise possessed by the sellers of complex services. The question is do we get enough in return to make it worthwhile to remain willfully ignorant?

WHAT YOU GAIN, AND LOSE, WITH AN RFP

What you gain with an RFP is simple: a reduction in the risk that a seller will talk you into something you don't think you want. Let's examine that.

At the root, this is a fear-based concern. Fear that "those vendors" have bad motives, that we as clients are not clever enough to outsmart them, that our ignorance is a weakness to be defended against. And most of all, fear that we will somehow be persuaded to change our mind against our will (as if the act of buying makes our will either disappear or become itself suspect).

Put more simply, RFPs are a natural outgrowth of an inability to trust not just a buyer but buyers in general. We don't have to claim that all sellers are trustworthy to see that this inability to trust comes at a great cost to buyers.

When buyers refuse to trust and resort to an RFP, they shut themselves off from information only the sellers have. More important, they shut themselves off from the perspective that sellers have gained from long experience with other buyers.

RFP buyers also believe (falsely) that their diagnosis has been confirmed because they interpret a bid as validating their problem statement. Yet, as David Maister, author of Managing the Professional Services Firm, once wrote, "The problem is almost never what the client said it was in the first meeting." That's not a claim that clients are dumb and consultants are smart; it's an observation about how talking solely to oneself rarely results in insights as good as those that come from talking with others.

Most of all, clients who resort to RFPs deprive themselves of the best kind of advice at a time when they can most use it and can even get some of it for free. Any good professional will bring to the sales process some level of insight, perspective, and information that the client didn't have, if only to demonstrate their competence. (If a consultant doesn't sell that way, the client is justified in rejecting them because it reflects a stingy self-orientation that will probably manifest itself again in the engagement.)

"Don't be afraid to talk. Without risk, there is no opportunity for gain, and no one can force you to make a decision you don't want."

Finally, the use of an RFP is the ultimate indication that the client fears insight and information from the outside world. This closed view of the world doesn't just hurt buying decisions; it hurts in viewing competition, customers, and trends that affect the firm in general. The belief that one can have one's will hijacked by another is a form of victimhood that doesn't play out well in the medium run, never mind the long run. The ostrich "head in the sand" strategy is not a good one.

WHAT'S A CLIENT TO DO?

Here are four key steps a client can take to gain from the proposal process without having to resort to RFPs:

Invite several firms in, one at a time, to talk on a casual basis about your general issue of concern. "We don't think we're getting enough productivity out of our workforce, and suspect employee engagement might help," or "We're not sure how to use social media in our marketing" are the kinds of statements that are sufficient as an agenda.

Tell them you don't want a long presentation; you want an informal discussion about those issues, and you want them to help you think about your options in approaching the issue. Tell them you have no pre-determined outcome of the meeting.

In the meeting, be open to their suggestions—if they make sense to you. If they want to talk to others in your organization, ask why, and if the answer makes sense to you, make others available. If it doesn't, say no. Feel free to say you're talking to others. You have nothing to hide. Your objective in the meeting is to improve your decision about how to address your issue.

Trust your gut feeling. Did they talk about you and your issues, or did they talk about themselves? Did you feel "sold" to or listened to? Did they seem street-smart or just book-smart—or not smart at all? Were they willing to take some risks with you, or were they overly cautious? Could you see working with these people for an extended period of time? Do you trust their motives? Do their plans make sense?

If you can't answer "yes" to enough of those questions, then you've gotten more risk-protection than you would have from an RFP—and all it cost you was a few meetings. And you probably learned quite a bit along the way.

More than likely, though, you'll hire one of the firms you met this way. And if you do, you're already well along the way

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of getting to know each other—which improves the odds of doing the right work, and doing it well.

Don't be afraid to talk. Without risk, there is no opportunity for gain, and no one can force you to make a decision you don't want.

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ABOUT CHARLES H. GREEN

Charles H. Green is a speaker and executive educator on trust-based relationships and Trust-based Selling in complex businesses. He is author of Trust-based Selling (McGraw-Hill, 2005), and co-author of The Trusted Advisor (with David Maister and Rob Galford, Free Press, October 2000). Charles has spoken before a variety of industry and functional groups. An engaging and content-rich speaker, he has taught in executive education programs for the Kellogg Graduate School of Business at Northwestern, and for Columbia University Graduate School of Business, as well as through his own firm, Trusted Advisor Associates. His work centers on improving trust-based relationship and business development skills for businesses with complex service offerings. Business development, and on building profitable trust-based relationships.

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