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SELECTING A TECHNOLOGY PARTNER – KEY TO A SUCCESSFUL RFP PROCESS



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Across the globe, banks and financial institutions tend to focus much of their energy on selecting multiple service or solution providers, and these selection processes are governed largely by two important principles: the degree of detail required in the solution/service that is being procured and the timeframe in which the selection needs to be accomplished.

It is not uncommon for institutions to attach a high degree of sensitivity to one or other of the above, not necessarily both, at a given point of time - which is reflective of the context in which the procurement is carried out.

Selection Methods and Relevance of the RFP

Invariably, the bank's choice of vendors tends to fall into one of the following four models, based on both the size and scale of the investment, degree of detail envisaged to be adopted, time available for the selection, and established relationships. The four models are:

1. Traditional: Vendors are shortlisted through a traditional approach of a request for information (RFI), followed by a request for proposal (RFP), and then the final list is compiled.

2. Proof of concept (PoC): While generally the RFI process is skipped, the focus here is to have the RFP along with a detailed business requirements/specifications, followed by the selection process.

3. Market leader: When there is a limited timeframe to select a solution and the vendor is an established market leader, then banks tend to apply the market leader method, which is considered to be a low risk model.

4. Strategic partner: If the bank or the institution has an established relationship with the solution/service provider, or has a subsidiary unit that provides the service required, then the approach is to go with a strategic partner. This is also a quick

selection approach.

Figure 1: Selection Process - Degree of Detail Versus Timeframe

Source: Cedar Management Consulting

As one can see in Figure 1, the more traditional approach and the PoC approach have a higher degree of detail attached to the selection process, and the timeframe is also longer. This is inevitable, given that the vendor's selection process also requires receiving and reviewing responses to the RFI/RFP that is floated by the bank.

The other two approaches are relatively straightforward, although the risk/return quotient is clearly a function of how well you know the market (and its leader) and also the degree of confidence attached to the strategic partner, wherever such a player exists.

Nuances of the RFP

An RFI, by definition, seeks information that describes the vendor or the service provider in more detail, in order to better understand who's who and thereby determine what should be included in the RFP. On the other hand, when it comes to an RFP, the focus is less on the vendor's services and more the bank's needs and the ability of the vendor to meet those expectations.

The RFP contents typically include the following:

- Introduction to the bank or the institution floating the RFP.
- About the RFP - its objective, expectations and expected outcome.
- Terms of the RFP - the process, timelines, responsibilities, do's and don'ts.
- Formats and templates that need to be used in the submission, including



exhibits and annexes.

- Most importantly, identify the requirements that the service provider needs to address.

These principles are applicable in any of the commonly used procurement activities adopted by banks - while most of these may pertain to that of technology vendors/solutions, it is also commonly used in the procurement in many other areas, including outsourcing partners, administrative procurements, etc.

While each of the above elements are critical in their own right, it is important to review some of the nuances of these elements, in the context of four dos and five don'ts for banks to consider while processing an RFP and administering a selection process.

Four Dos

- **Keep the objective clear and focused:** The clearer the focus of the RFP, the more accurate the selection is likely to be. Clarity of the RFP also comes from the clarity of what is expected from the service or solution provider. Most selections that have not resulted in the right choice of vendor have been thanks to a lack of clarity in the RFP.
- **Communicate the RFP process, and terms:** Timely completion of the selection process is directly dependent on the completeness of the RFP response of the vendors, and ensuring conformance is far more effective when the RFP process and terms including what is to be submitted, who is to be contacted, when is the submission to be made and other timelines, where are the evaluation to be processed, how will the proces move ahead, etc.
- **Insist on adherence to templates:** Effective comparison of the vendor submissions requires

standardisation of responses, and templates serve a huge purpose here. The most effective RFPs are those that have clarified submission formats at the beginning and insist on their adherence. It also helps in making effective comparison of the vendors and avoid hidden costs, and also enable a standardised approach to the evaluation.

- **Ensure well-defined requirements:** It is always advisable to provide maximum clarity to the solution provider on requirements - including as much detail as possible, with relevant addendums if required. Not only does it ensure that the expectations are well defined, but also helps the service provider estimate the effort, timelines and costs much more effectively.

Five Don'ts

1. **Don't pass on the ambiguity:** It is not unusual to notice RFPs using phrases like "including but not limited to...", and generously using "etc" in its list of requirements - these instances only smack of ambiguity and absence of clarity. Not only do vendors find it difficult to offer an appropriate response, but it also ends up affecting the cost structures proposed, which in turn negatively affects the bank's experience.
2. **Size doesn't matter:** It is not imperative that an RFP is a 300-page document. It is more important that the RFP exactly communicates what is required and what is expected of the vendor. The bigger the RFP, the more the effort in responding to it, and the lower the quality is likely to be.
3. **Discourage disparate and informal communications:** Perhaps one of the most important areas of attention in any RFP process is to strictly maintain formality in the communication with



vendors, and ensuring 'uniformity' of communication to all participating respondents. Not only does this ensure the process is tight, it also ensures you get the best results out of the process.

4. **Avoid short-cuts:** The very reason why any bank would choose an RFP approach - over a market-leader approach for example - is because it needs a higher degree of detail involved in the selection process, and is willing to incorporate the additional time involved. To adopt short-cuts in the middle of the process not only erodes all the merits of the RFP process but also may result in a sub-optimal vendor selection.
5. **Do not underestimate timelines:** Having an aggressive timeline for a RFP submission can be as damaging to the RFP process as not communicating the timeline expectations upfront to the service provider. There have been many instances where the right service provider has been left out just because the vendor could not submit the response in time to the bank.

Maximising Returns on the RFP Process Investment

One of the most important aspects about investing in an RFP (and procurement) process in general, is that the investment has a high recurrence value, and can be significantly leveraged in multiple future procurement activities that involve either or both of the two situations when:

1. Similar products/services need to be procured.
2. The same service/solution providers are required.

However, it is important to note that unless some of the steps involved in the above, as well as the documentation

that is processed through the selection process (including the RFP, the responses received, the evaluation papers and the vendor's clarifications), are archived, it becomes difficult to correlate unexpected situations that arise down the line with the activities that were performed during the course of the RFP evaluation process. This is possibly why they say that managing an RFP process is both a science and an art. For this reason, it is sometimes useful to consider having third party consultants manage this. However, whenever the bank or financial institution is looking to do the process internally, the above will be useful in ensuring maximum mileage from the invested time, effort and costs.

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