

Appendix 2.1

Request for Proposal (RFP)

Once an organization selects a project, the customer or project manager is frequently responsible for developing a request for proposal (RFP) for the project or sections of the project.

The responsible project manager will require input data from all stakeholders connected to the activities covered in the RFP. The RFP will be announced to external contractors/vendors with adequate experience to implement the project. For example, government projects frequently advertise with a “request for proposal” to outside contractors for roads, buildings, airports, military hardware, space vehicles. Similarly, businesses use RFPs to solicit bids for building a clean room, developing a new manufacturing process, delivering software for insurance billing, conducting a market survey. In all of these examples, requirements and features must be in enough detail that contractors have a clear description of the final deliverable that will meet the customer’s needs. In most cases the RFP also specifies an expected format for the contractor’s bid proposal so the responses of different contractors can be fairly evaluated. Although we typically think of RFPs for external contractors, in some organizations RFPs are used internally; that is, the organization sends out an RFP to different divisions or departments.

The content of the RFP is extremely important. In practice, the most common error is to offer an RFP that lacks sufficient detail. This lack of detail typically results in conflict issues, misunderstandings, often legal claims between the contractor and owner, and, in addition, an unsatisfied customer. All RFPs are different, but the outline in Figure A2.1 is a good starting point for the development of a detailed RFP. Each step is briefly described next.

1. Summary of needs and request for action. The background and a simple description of the final project deliverable are given first. For example, through simulated war games, the U.S. Navy has found their giant warships of the past are too vulnerable against today’s technology (an example is the Silkworm antiship missiles). In addition, the Navy’s mission has shifted to supporting ground forces and peacekeeping missions, which require getting closer to shore. As a result, the Navy is revamping ships for near-shore duty. The Navy will select three designs for further refinement from the responses to its RFP. In general, it is expected that the new ship will be capable of at least 55 knots, measure between 80 and 250 feet in length, and be fitted with radar absorbing panels to thwart guided missiles.

FIGURE A2.1
Request for Proposal

1. Summary of needs and request for action
2. Statement of work (SOW) detailing the scope and major deliverables
3. Deliverable specifications/requirements, features, and tasks
4. Responsibilities—vendor and customer
5. Project schedule
6. Costs and payment schedule
7. Type of contract
8. Experience and staffing
9. Evaluation criteria

2. Statement of work (SOW) detailing the scope and major deliverables. For example, if the project involves a market research survey, the major deliverables could be design, data collection, data analysis, and providing recommendations by February 21, 2014, for a cost not to exceed \$300,000.

3. Deliverable specifications/requirements, features, and tasks. This step should be very comprehensive so bid proposals from contractors can be validated and later used for control. Typical specifications cover physical features such as size, quantity, materials, speed, and color. For example, an IT project might specify requirements for hardware, software, and training in great detail. Tasks required to complete deliverables can be included if they are known.

4. Responsibilities—vendor and customer. Failing to spell out the responsibilities for both parties is notorious for leading to serious problems when the contractor implements the project. For example, who pays for what? (If the contractor is to be on site, will the contractor be required to pay for office space?) What are the limits and exclusions for the contractor? (For example, who will supply test equipment?) What communication plan will be used by the contractor and owner? If escalation of an issue becomes necessary, what process will be used? How will progress be evaluated? Well-defined responsibilities will avoid many unforeseen problems later.

5. Project schedule. This step is concerned with getting a “hard” schedule which can be used for control and evaluating progress. Owners are usually very demanding in meeting the project schedule. In today’s business environment, time-to-market is a major “hot button” that influences market share, costs, and profits. The schedule should spell out what, who, and when.

6. Costs and payment schedule. The RFP needs to set out very clearly how, when, and the process for determining costs and conditions for progress payments.

7. Type of contract. Essentially there are two types of contracts—fixed-price and cost-plus. Fixed-price contracts agree on a price or lump sum in advance, and it remains as long as there are no changes to the scope provisions of the agreement. This type is preferred in projects that are well defined with predictable costs and minimal risks. The contractor must exercise care estimating cost because any underestimating of costs will cause the contractor’s profit to be reduced. In cost-plus contracts the contractor is reimbursed for all or some of the expenses incurred during performance of the contract. This fee is negotiated in advance and usually involves a percent of total costs. “Time and materials” plus a profit factor are typical of cost-plus contracts. Both types of contracts can include incentive clauses for superior performance in time and cost, or in some cases, penalties—for example, missing the opening date of a new sports stadium.

8. Experience and staffing. The ability of the contractor to implement the project may depend on specific skills; this necessary experience should be specified, along with assurance such staff will be available for this project.

9. Evaluation criteria. The criteria for evaluating and awarding the project contract should be specified. For example, selection criteria frequently include methodology, price, schedule, and experience; in some cases these criteria are weighted. Use of the outline in Figure A2.1 will help to ensure key items in the proposal are not omitted. A well-prepared RFP will provide contractors with sufficient guidelines to prepare a proposal that clearly meets the project and customer’s needs.

SELECTION OF CONTRACTOR FROM BID PROPOSALS

Interested contractors respond to project RFPs with a written bid proposal. It is likely that several contractors will submit bid proposals to the customer.

The final step in the RFP process is to select the contractor who best meets the requirements requested in the RFP. The selection criteria given in the RFP are used to evaluate which contractor is awarded the contract to implement the project. Losing contractors should be given an explanation of the key factors that led to the selection of the winning contractor/vendor; appreciation for their participation and effort should be acknowledged. See Figure A2.2, Contractor Evaluation Template, adapted from one used in practice.

FIGURE A2.2 Contractor Evaluation Template

Contractor Evaluation Template	Maximum Weight	Proposal 1	Proposal 2	Proposal 3	Proposal 4
Contractor qualifications	Weight = 10				
Technical skills available	Weight = 20				
Understanding of contract and conditions	Weight = 5				
Financial strength to implement project	Weight = 15				
Understanding of proposal specifications	Weight = 10				
Innovativeness and originality of proposal	Weight = 5				
Reputation for delivering on time and budget	Weight = 15				
Price	Weight = 20				
Total	100				