

# What's Wrong with RFPs?: Best Practices and New Ideas for Choosing IT Vendors

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*The RFP is a time-honored rite of vendor selection. But it has its drawbacks, and alternative strategies can offer advantages.*

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In the fast-changing world of health IT, vendor selection would seem to be a rare well-established procedure. But the traditional selection process has its pitfalls, and these may be compounded by the complexity and magnitude of the systems being selected. Best practices help, and in some cases, alternative approaches to traditional methods can speed the process and improve the results.

Traditionally, the vendor selection process involves developing a request for proposal (RFP), which includes a detailed set of functional and technical requirements to which vendors must state their ability to support. The enterprise may develop these requirements in several ways. It may solicit suggestions from key department managers and users, or it may employ a structured interview technique with its end-users. It may have a standard set of requirements from past selection projects.

Once vendors have responded to the RFP, the enterprise evaluates the responses and scores them numerically or ranks them relative to each other. The top-rated vendors are invited to demonstrate their systems on site. Attendees then score or rank the vendors once again. The enterprise makes reference calls and site visits to the vendors' existing clients. Some enterprises attend corporate visits at each vendor's headquarters to meet with vendor executives and validate the vendor's ability to support its customers.

Public enterprises are often bound by purchasing policies and procedures requiring them to follow a standard product selection method to ensure a fair, open, and consistent process. These enterprises may mandate a traditional selection method similar to the one described above. In other instances, an enterprise might use a traditional selection method to help gain understanding of a market with which it is unfamiliar.

## The Trouble with Tradition

The traditional RFP is time-consuming on several fronts. Unless system requirements have already been established, it is not trivial to obtain them. Simple surveys or interviews with end-users and department managers often result in a list of the current system's deficiencies (whether electronic or paper) and may have no connection to the enterprise's overall objectives for a new system (e.g., reduced costs or streamlined workflow).

Enterprises often err on the side of detail, writing highly detailed requirements into the RFP in order to understand how each vendor's product handles each possible situation. Consequently, the enterprise must then review a large volume of responses, consuming valuable time. An enterprise that attempts to simplify this process through simple yes/no questions must assume complete honesty from the vendors, all of which have a strong interest in clearing this first hurdle.

Traditional RFP math has its pitfalls, too. When the enterprise ranks the responses or relies on detailed point-scoring, the process is subject to inter-rater differences, bias, and flawed scoring methods. Assigning numerical values to subjective opinions is useful only if the results are presented in categorical format, such as a histogram. Since a rating of 3 is not three times greater than a rating of 1, these values cannot be summed, averaged, or multiplied by a weighting factor with any hope of achieving a statistically meaningful result. Often the enterprise will examine the results of such methods and puzzle over the fact that the vendors it intuitively understands to be inferior are scored higher than those it feels were superior.

Unless the enterprise is experienced in product selection and has dedicated resources for leading the effort, the process often progresses in fits and starts, creating further delays. RFPs require a great deal of coordination between an enterprise and vendors. Unless the project leader is savvy enough to schedule with vendors well in advance, finding available rooms on dates that are mutually convenient for product demonstrations can create more delays. Site visits should similarly be scheduled well in advance in order to minimize delays.

Vendor demonstrations themselves also pose issues for the enterprise. If the format of the demonstration is left to the vendors, then each vendor will play to its strengths and the enterprise will be hard pressed to evaluate each system based on its requirements. Enterprises should carefully select formats with relevant scenarios that address the enterprise's primary concerns, and they should recognize that each vendor may approach solving those concerns from their own best angle.

Reference calls, site visits, and corporate visits result in meaningful information only when key questions and issues are identified first. Questions for reference calls should be standardized for all vendors. Site visits and corporate visits should have defined criteria based on each vendor's unique issues that the enterprise has identified in earlier stages.

## **Best Practices and Alternative Strategies**

Best practices can smooth the vendor selection process and improve the final decision. Enterprises may also have opportunities to consider alternatives to the traditional selection methods, provided they are not governed by restrictive state or federal purchasing processes.

An enterprise's first best step is to closely define the problem it wants the IT product to solve. It must identify the clinical or business area that is driving the process and the system needs that are priorities. Vision--strategic or tactical--must align with the defined problem, and the team or executive responsible must ensure that the selection criteria used to narrow the vendor field matches the vision. Tight definitions of vendor solutions, contractually specified, put teeth into delivering a product that fulfills the enterprise's needs.

The enterprise must also define and weigh the various requirements it is seeking. No vendor will offer every bit of functionality the enterprise wants, presented in the way every user wants to see it. Prioritizing the various constituents' desires (separating wants from needs) while meeting the enterprise's goals may require the political skills of a UN ambassador coupled with the salesmanship of a refrigerator salesman at the North Pole, but it needs to be done.

A better approach to traditional RFP methods is to focus the requirements on those functions that are mission-critical yet unique to the enterprise. This will yield far fewer requirements, and the impact of meeting or not meeting any particular requirement will be more significant than the laundry list generated in traditional methods.

This type of RFP may be better termed an RFI, or request for information. The approach is an improvement because it presupposes the RFP has limited value to comprehensively evaluate a system. The enterprise does not get a true sense of a system's capabilities until the demonstration stage, so this first activity should concentrate more on ruling out unqualified vendors than discriminating between qualified ones.

Obtaining a true picture of the requirements that will have the greatest impact on the enterprise's clinical and business objectives begins with a workflow analysis and redesign effort. This entails documenting the current critical workflow processes affected by the desired system, establishing metrics that reflect the enterprise's performance in these workflows, visualizing the workflow in an environment with a robust information system, and charting out the new workflow. The features and functions of the system that enable the new workflow to be deployed will be the requirements of the new system.

While time-consuming, this effort, if completed up front, will yield many benefits in evaluating the vendors throughout the selection and on into the implementation and post-live phases. Documenting and visualizing workflow will also be fundamental to the success of the eventual system's implementation.

Given the complexity of the selection project and the resources it requires, enterprises often benefit from enlisting experienced consulting organizations. Consultants familiar with a given vendor market can quickly narrow the field to those companies most likely to be successful in the enterprise's environment. They can jump start the selection process with samples of requirements, RFP documents, demonstration evaluation tools, reference call questions, and site visit guidelines.

A more radical tactic to streamline the process is to forgo the RFP or RFI altogether. Ensuring accuracy of the vendor responses in all their detail (e.g., whether the current product or a future upgrade provides a needed functionality) becomes a significant and time-consuming task. Scripting product demonstrations also takes significant time and does not always show the vendor products in the workflow best suited to them. If the selection team fails to communicate proper expectations and workflow before the demonstrations, clinical departments may not readily appreciate the proposed changed workflows at this early stage and thus risk rejecting a superior product based on misconceptions or misunderstanding.

Another alternative to traditional methods is conducting site visits earlier in the process. An amazing number of clients on vendor reference lists give the product a bad review or don't actually use the product because it is too difficult, clunky, or poorly designed from a workflow perspective to actually be used. Visits to such reference sites, if done earlier in the process, will speed up the process and lead to exclusion of some vendors for exactly that reason.

It is important to recognize that there are at least two sides to every story. How can it be that the same product is loved at one client site and loathed at another? It's all in the implementation. Enterprises must bear in mind when conducting reference calls and site visits that each client faced a different business situation, had its own business and clinical objectives, developed its own implementation plan (or didn't), and trained and employed staff its own way. Depending on who it talks to at the client site, the enterprise may find people that are satisfied with the system and some that are dissatisfied. The best questions to ask are those such as "what problem were you trying to solve?" and "what would you do differently if you could go back in time?"

Site visits are not the time to evaluate functionality. That should have been done in the RFP and demonstration stage. Site visits are meant to show how a client is using the system in a real-life setting. Enterprises should not waste time going to a site that is unhappy with the system. It is better to learn from clients that were trying to solve the same problems, were successful in implementing the system, and can demonstrate the benefits they received from the system.

Visits to corporate headquarters may or may not be illuminating. An impressive facility may be where the money is spent rather than on research and development or customer service. Ensuring that the corporation is financially sound may be best determined by other methods, but a sense of the people at the helm can only be achieved with a face-to-face encounter.

An enterprise with a current successful vendor relationship may investigate a single-source option with cost-reduction sharing. This may be a strategy when the institution already has an established and respected vendor in place for some key system elements. If the visions of the institution and the direction of the incumbent (and preferred) vendor are shared, it may be possible to eliminate the RFP expenses incurred by both parties and negotiate a sharing in that cost reduction by going sole source (single vendor). This is not possible, of course, for institutions falling under other guidelines for procurement.

## Alt-RFP

Organizations may have opportunities to alter--and even forgo--the traditional RFP process to improve and speed their own vendor selection process. (Skipping the RFP altogether, of course, requires that the organization is not governed by traditional purchasing processes.)

- Focus on what makes you different. Rather than create a detailed accounting of all required functions, focus on those that are mission-critical yet unique to the enterprise. This yields far fewer requirements, and the impact of meeting or not meeting any given one will be more significant than scoring the laundry list generated in traditional methods.
- Conduct site visits early. Visiting vendor clients early in the process confirms that they are actually using the product once they've implemented it. This information could narrow the field of vendors with less effort.
- Forgo the RFP or RFI altogether. Writing and reviewing RFPs and scripting and evaluating vendor demonstrations is a time-consuming and lengthy process. If staff are not well prepared to evaluate vendors, the effort may result in a superior product being rejected based on misconceptions or misunderstanding.
- Negotiate with your current vendor. An enterprise with an established and respected vendor in place for key elements of the intended product may be able to eliminate the RFP expenses incurred by both parties and negotiate a sharing in the savings.

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