



## RFP Blues: Hitting the High Notes

### LISTEN TO THE MUSIC

Have you ever been to JazzFest in New Orleans? If not, I highly recommend it: 10 or more stages – zydeco, jazz, blues, rock, country, gospel, African, krewes, big names, local names – all playing at the same time. The problem is: standing in the middle, program in hand, faint music coming from all directions, people celebrating – what’s your choice going to be?

Each listener has a different strategy, but I’ll tell you what absolutely no one does: send out multi-page questionnaires in advance to each and every band asking them about their style, instrumentation, influences, playlist, recording history, etc. Nobody RFP’s JazzFest.

### NOISY CHANNELS

RFPs are held up to be the central artifact of most vendor selection projects. Unfortunately, most of them prove to be a hindrance, rather than a help in identifying the favored candidate. They typically take the form of a massive, multi-tabbed spreadsheet:

- containing thousands of questions, replicating by rote the universe of functional and technical options,
- each with microscopic weights contributing to an additive scoring matrix,
- the vast majority of which will be answered identically by all vendors,
- and are frequently unimportant, or even irrelevant to the final selection.

Given such an unwieldy tool, it’s not surprising that the result, once all responses are tabulated, is disappointing: the top two or three candidates nearly always end up in a near-tie. Many consultants subsequently declare their analysis a success, and the top two vendors ‘equivalent’ in their capabilities. Bafflement and indecision ensue.

As a means of ensuring due diligence, firms will undoubtedly continue to generate and utilize RFPs in this format. It is clear; however, they need another, more sophisticated tool, calibrated to filter and amplify high-value decision criteria from the surrounding noise.

### FILTERING FOR VALUE

Meradia has developed, and long used a technique we call Differential Vendor Analysis. At its heart, it aims to identify a manageable set of selection criteria that meet two conditions:

1. They are critical requirements of the solution. Compromising on these items is likely to cause a material increase in both cost and risk of failure.
2. The vendors’ capabilities are materially different. If everyone answers “Yes,” then it is not differentiating.

Usually we find about 12 (no more than 20) of these, which then comprise the rows of a matrix, each vendor constituting a column.

This analysis – i.e., populating the cells with differential evaluations – is necessarily iterative, and conducted throughout the lifecycle of the selection project. During initial requirements gathering, we uncover the most essential criteria and include them in the matrix. If relevant, we may also note areas where – in our consultant’s experience – various candidates have shown past strengths or weaknesses.

Analysis of the detailed RFP responses will, of course, uncover some useful information. We may eliminate initial criteria if all vendors respond satisfactorily; and/or add new criteria where we find unexpected variance. This analysis thus becomes an invaluable tool for designing targeted demos; every criterion becomes a use case for the finalist vendors, facilitating a deep dive into their respective capabilities.

At completion, the final version becomes a decisive and unambiguous justification of the selection and the critical reasoning behind it. It clearly identifies tradeoffs among candidates and measures and summarizes their relative value. It generates clarity and consensus among stakeholders and sponsors alike. Critical gaps in the selected vendor’s capabilities are explicitly identified and documented, lending a head start to initiatives that may be required to fill them.

### MERADIA CAN HELP

Differential Vendor Analysis uncovers the key decision factors in any vendor search, expediting development and communication of a clear rationale for decisions made at every stage of the project. Meradia has been employing this and other techniques (e.g., targeted demos) for many years, to augment and enhance our clients’ transformation programs. Ensuring a successful outcome at this early stage of your initiative significantly boosts the likelihood of reaping all its promised benefits, so you may ultimately – as they say at JazzFest – *Laissez les bon temps roulez!*

**Mark R. David, CFA**, is a Senior Manager who leads Meradia’s Performance, Risk and Analytics practice. Mark is an expert in the design and implementation of methodologies underlying complex investment analytics. He has assisted front office and operations/IT teams at dozens of the world’s most complex asset managers and owners. Designing, specifying, building and integrating performance and risk and systems and datasets; Mark consistently delivers solutions that produce accurate and insightful analysis across all asset classes – listed, derivative, hedge fund and illiquid.

#### About Meradia

Founded in 1997, Meradia provides strategic advisory and implementation services to the investment management industry.