



HR TECHNOLOGY

By Al Doran, CHRP

Writing an effective RFP for a new HRMS

What is an RFP?

RFP is an acronym for Request for Proposal. RFPs describe a task or project that must be completed, establish competition and evaluation guidelines, and ask all qualified vendors to submit a proposal (a bid) to complete the work.

RFPs are legally binding documents. While they are not contracts, they are normally considered (under the law) to be the foundation of a contract between two parties. Any information contained in an RFP should be reviewed for factual and technical accuracy before it is released to the vendors.

RFPs are often used to encourage open bidding for goods and services. In this case, RFP creation, publication and distribution is part of a legal bidding process that must be seen as fair and impartial. Similarly, the contract evaluation and award process must be fair and free from bias, misrepresentation or corruption.

When do you need an RFP?

An RFP should be used in any situation where you have a complex set of requirements and you want to know how well one or more vendors can meet your specific requirements.

All too often an organization will start off its search for its first or replacement Human Resource Management System (HRMS) by inviting in a vendor or two to demonstrate their systems. Then the vendor starts asking questions that the organization cannot answer yet as it has not put any real thought into the process. Buying HRMS software is *not* like buying a new word processing package and loading it onto your network.



Some of the obvious questions a vendor should be asking at this point, and you should be able to answer, include:

- a) What is your budget?
- b) What are your key business drivers (why are you looking for a new HRMS right now)?
- c) Will your new HRMS include payroll?
- d) What technical platform do you plan to have the new HRMS on?
- e) What is your implementation plan and when do you want to “go live?”
- f) Do you have the resources to dedicate to the implementation project?

If you cannot answer these questions yet, you are not ready to look at vendors.

What work has to be done first?

Complete a detailed needs analysis. This will give you the basic ingredients for the RFP. It will also force you to go over the things you want to include within the scope of your project. This is your shopping list and it's fundamental to the process. You cannot proceed without it.

Normally, this work will be done with a consultant who specializes in this kind

of work. This specialist will help identify your requirements, prioritize them, and document them in a format that will enable you to use them in your RFP. You will want information that HRMS vendors will recognize and be able to respond to in a way that can be measured by your project team after all the proposals to the RFP have been received.

How to write an RFP

RFPs come in different styles, formats, depth and length. If your RFP is structured to the type of service you are looking for, you will receive more appropriate and descriptive responses. Keep the length and depth of your RFP in proportion to the job. If you are looking for a strategic provider to meet all your HR information technology needs (full outsourcing) for the next five years, you might need a 50-page RFP. However, if you are looking for a vendor to provide basic HR record-keeping for 50 people, without payroll, you might only need a 10-page RFP. Unfortunately, I have seen RFPs lately that I would not recommend ever be given to an HRMS vendor. Two recent RFPs that came across my desk appeared to have been strongly influenced by purchasing departments who are used to boilerplate RFPs for the construction of buildings and bridges and were so technical that the average vendor would ignore them in favour of more streamlined documents. Try to avoid this if at all possible, even though it is advisable to use your corporate legal and purchasing departments to check your RFP for language that could potentially harm the company.

Describe what you need in an HRMS: Much like the old computer phrase “garbage in = garbage out,” general specifications will give you weak responses, while detailed specifications will give you thorough responses. Describe your specifications with as much detail as possible. Topics to cover should include: how to install and set up the system, what training is included, managing online help files, access/security con-

trols, and how reports are generated. And tell vendors your “must have” criteria rather than “nice to have” criteria.

Format: I prefer the three-column approach to every question, especially the detailed questions related to what you identified in your needs analysis. Column one is where you describe what you are looking for. Column two at a minimum should be a Yes or No response. But even better if you can use a simple 1-5 scale with 1 being “No” and 5 being “Yes, can meet all of this requirement.” Then 2,3 and 4 would represent various levels in between. Column three is where the vendor may want to expand upon its own rating with comments such as “we will have this feature in our next release during the 4th Quarter of 2002.” Using this format enables you to quickly compare all of the proposals you receive back from the vendors.

Response date: The organization issuing the RFP needs to communicate a deadline for vendor response. As a general rule of thumb, I recommend at least three weeks response time for an RFP. Remember, you may not be the only potential client sending a vendor an RFP this week. If the vendor is busy, it cannot respond to all requests – and you do not want to miss out on a good solution to your requirements so provide enough time for vendors to complete their responses. Inform the vendors of your timetable to review the responses, make a decision, and your expected purchase and implementation dates. Beware the vendor who calls you the first or last week and asks for an extension to the date. At least if they call in the middle week, they give the impression that they at least looked at the RFP! Remember, if you change the date, you then have to let all the other vendors know.

Number of copies: Since an organization typically has a team of people working on the project for which the RFP is required, specify how many copies of the vendor’s response are needed. Multiple copies will simply make the review process easier for the organization. I

highly recommend that the vendors also be required to submit a soft copy of their response, especially if you are using a consultant to review the responses for you. Typically the hard copies submitted by the vendors include a lot of “glossy” materials in addition to the required RFP response.

Organization contacts: During the proposal development period, several questions or issues may arise that need clarification prior to proposal submission. The vendor should be given a contact name. This is often your HRMS consultant, who will be expected to expedite all questions to the proper contact. This will allow the bidding process to move more smoothly. The contact should be the same on all RFPs that go out on a particular project, and this individual will ensure that vendors receive consistent answers. Offering an initial line of communication also acknowledges the organization’s willingness to act as a partner throughout the project. I also recommend sharing all new information with all the vendors if one asks a good question that turns up new information. Beware the vendor who tries to go around this process by calling personal contacts in the company to try and get “inside” information or to ingratiate themselves. I have had clients remove vendors for committing this act.

Formal vendor presentations: The RFP should include a section informing the vendor that the organization may require a formal presentation or demonstration of the vendor’s product(s). This section may be worded in such a way that allows the organization to receive presentations prior to any internal evaluation process or only after the list of potential vendors has been narrowed. The presentation or demonstration section should state exactly what the organization expects to view or hear. A statement notifying the vendors of their responsibilities for any expenses associated with the presentation or demonstration should also be included.

Cover letter: This letter should in-

clude – at a minimum – a statement that the organization is intending to purchase a system. (Note that since the RFP is a tool ultimately used to choose a vendor's product, the statement should *not* say that the organization is intending to purchase any particular vendor's product.) The letter may also contain organizational information, such as type of facility, size, annual revenues, growth pattern, expected future growth, mission, purpose, etc. In addition, special instructions to the vendor may also be included in the letter such as where to refer questions, when the responses are due, etc.

Distributing your RFP to vendors

Once your RFP is complete, you must distribute it to the appropriate HRMS vendors. But where do you find the right

vendors? You can send your RFP to vendors that you or your colleagues know, seek guidance from an HRMS consultant, research new online indexes such as the International Association for Human Resource Information Management (IHRIM) Buyers Guide or attend a trade show where most of the vendors will be. One such event is the annual Fall IHRIM conference in Toronto, Nov. 20, 2002. Details can be found at www.hrmscanada.com.

There are benefits in using the services of an HRMS consultant to distribute your RFP. The consultant will ensure that the RFP is distributed to the proper vendors, control the responses and field all questions related to the process. As well, they will provide assistance in comparison and evaluation of the responses.

While compiling this information to create an effective RFP is a lot of work,

the quality of responses you receive will save you time in the long term. And, after you've written a few RFPs, it does get easier.

Remember, the first step to finding the best HRMS for your organization is creating a quality RFP!

Al Doran, CHRP, is president of Phenix Management Int'l, a Toronto management consulting firm specializing in HRMS issues, including vendor selection.

He is co-author of Human Resource Management Systems: A Practical Approach, published by Carswell. www.hrmsbook.com. He is a member of the board of directors of both IHRIM and CCHRA. He may be reached at aldoran@pmihrm.com and his home page is www.pmihrm.com.