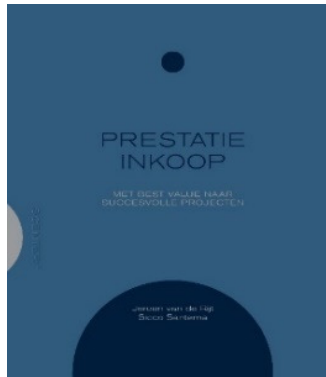


BEST VALUE APPROACH
WIEBE WITTEVEEN

7 NOVEMBER 2017

Best Value Group and Wiebe Witteveen



10+ years of applying Best Value

Wiebe: 35 + projects on Best Value,
in public and private domain

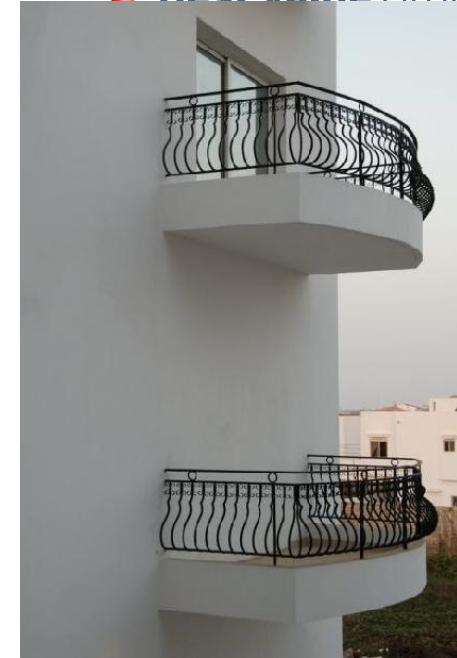
AGENDA

- 1. Why Best Value?**
- 2. What is Best Value?**
- 3. How does it work?**
- 4. Best Value and EU legislation**
- 5. Some case studies from the Netherlands**

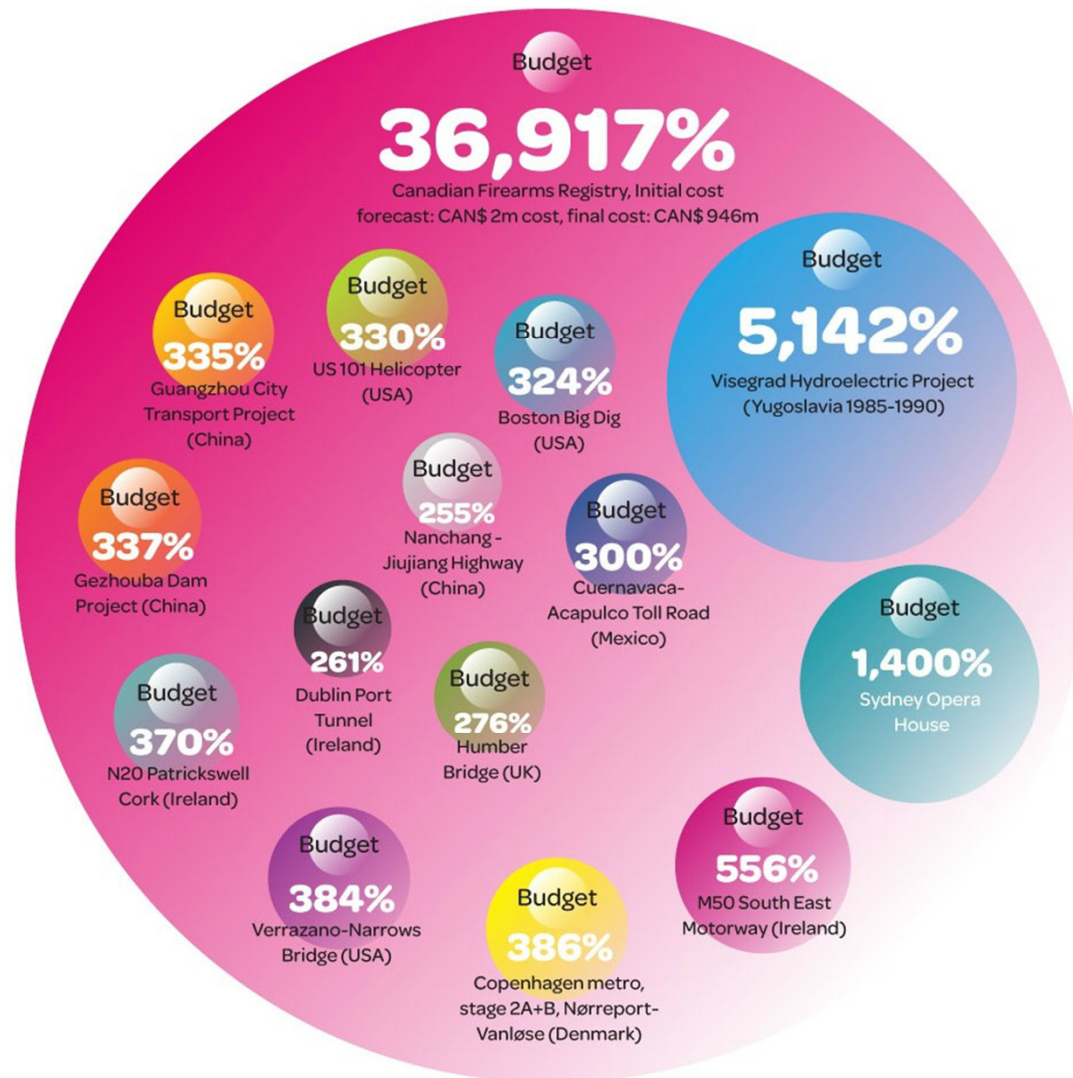
LIST OF EXPLANATORY WORDS

- 1. Client – contracting authority (zadavatel)**
- 2. Vendor – company, contractor (dodavatel)**
- 3. Dominant information – simple, clear information**
- 4. Metrics – performance information (hodnoceni vykonu 0-10)**
- 5. Mitigation measure – measure that minimizes risk**
- 6. Deliverable – end result of a project**
- 7. Requirement - obligation in the contract**

Which one does not belong here?

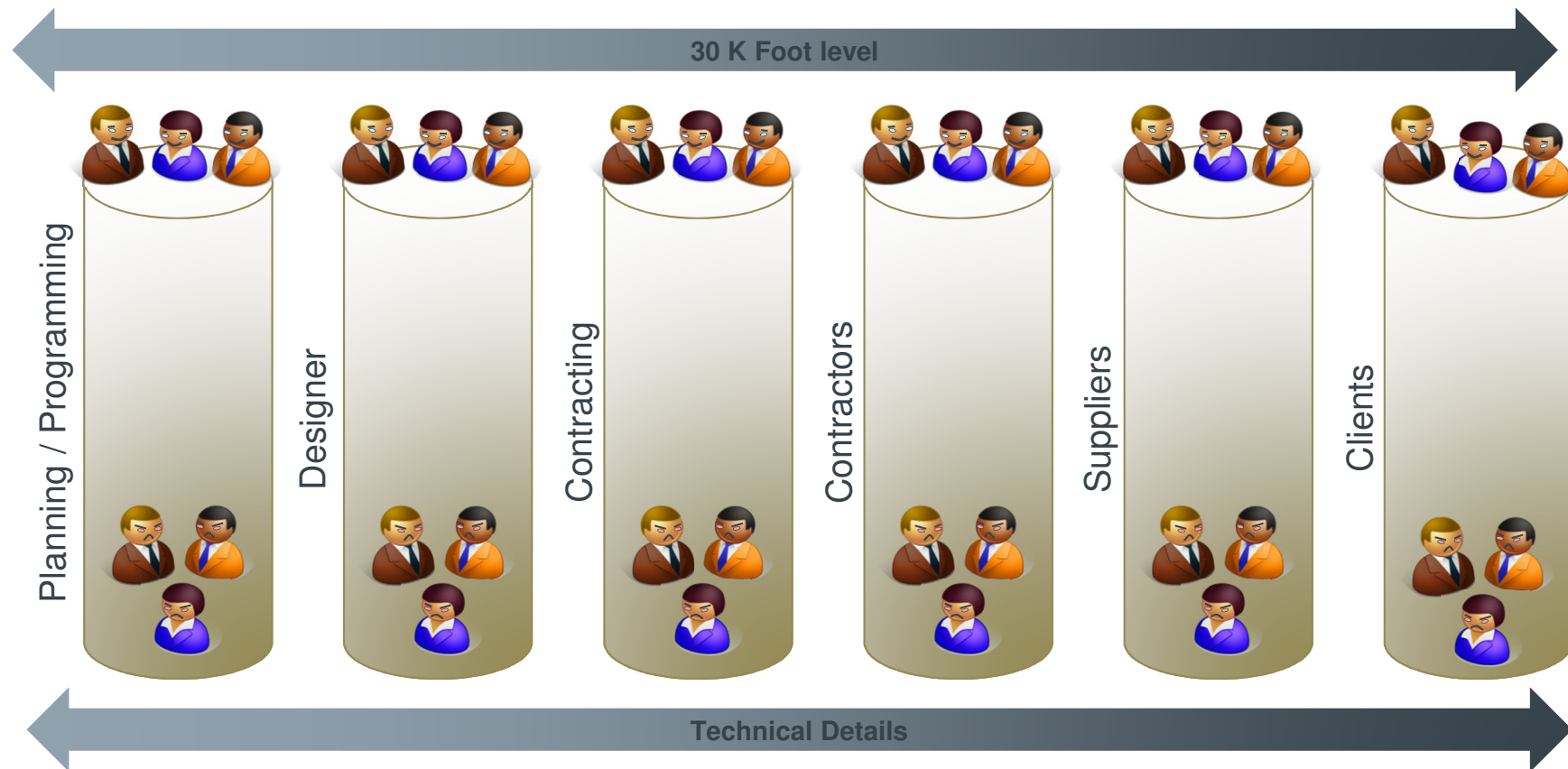


NOT ONLY IN THE NETHERLANDS.....

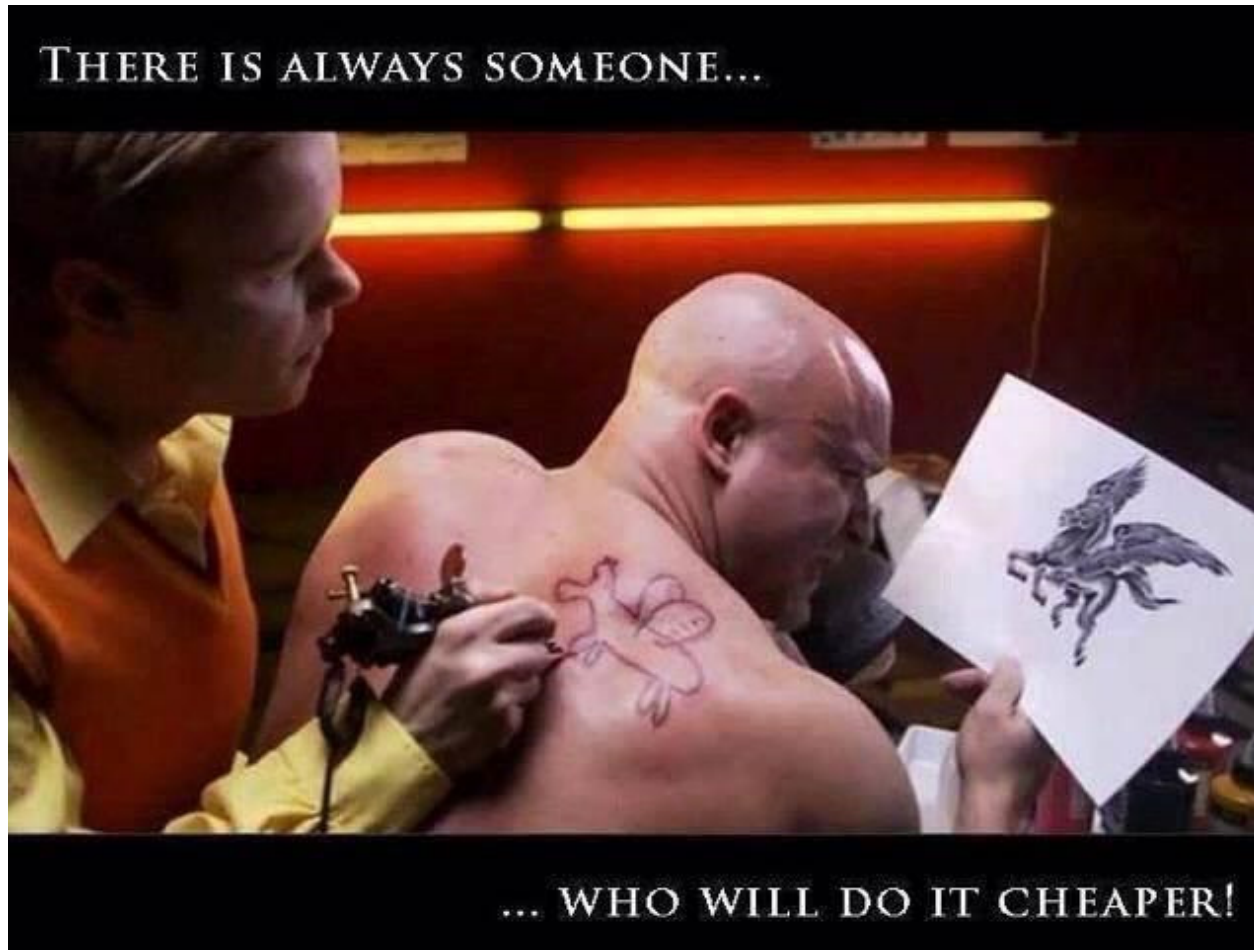




SUPPLY CHAIN: WE WORK IN SILOS







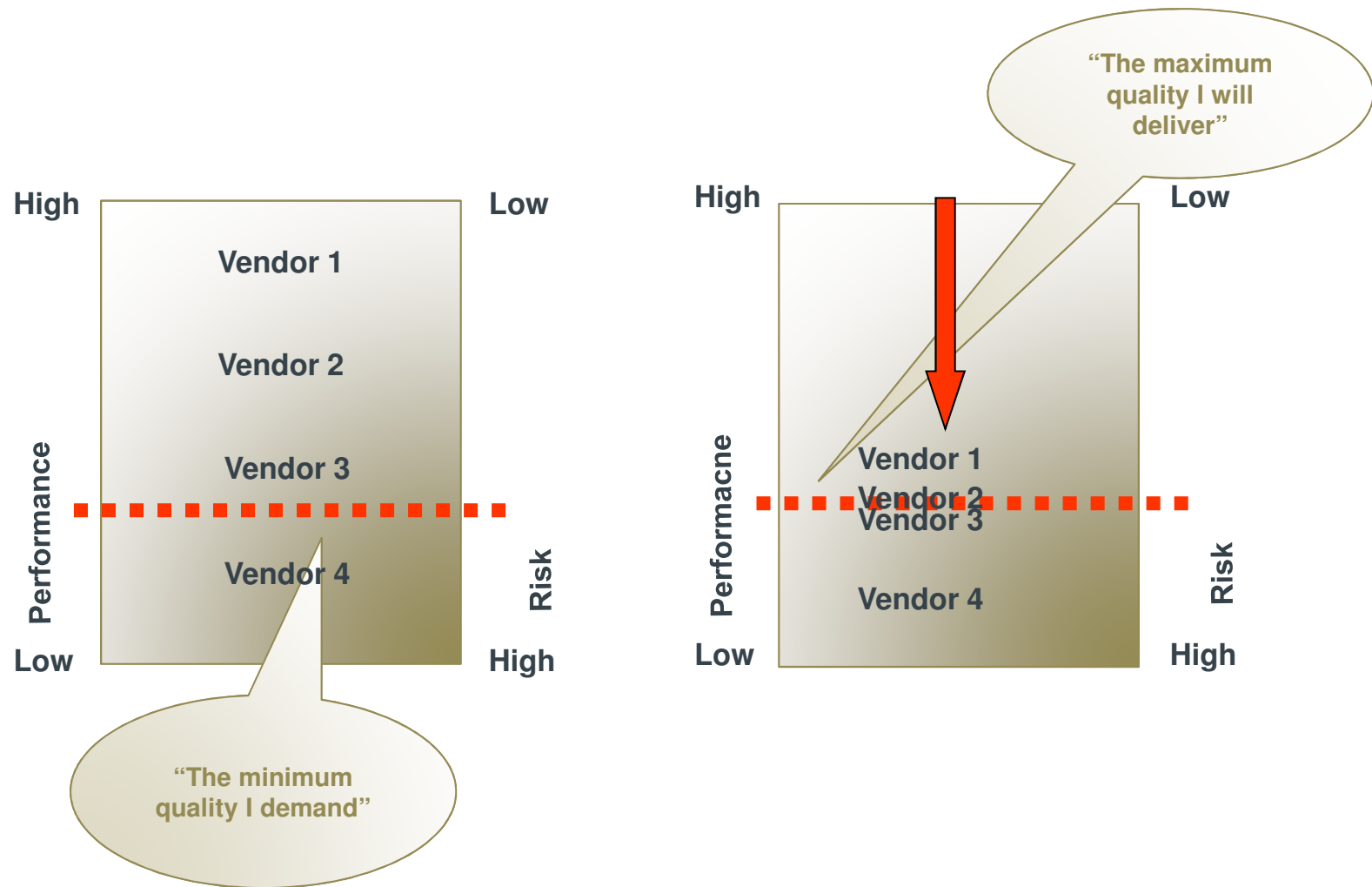
WHO KNOWS BETTER HOW TO DO THE JOB,
THE CLIENT OR THE VENDOR?

WHO SHOULD ACTUALLY BE TALKING MORE
AND WHO SHOULD BE LISTENING MORE?

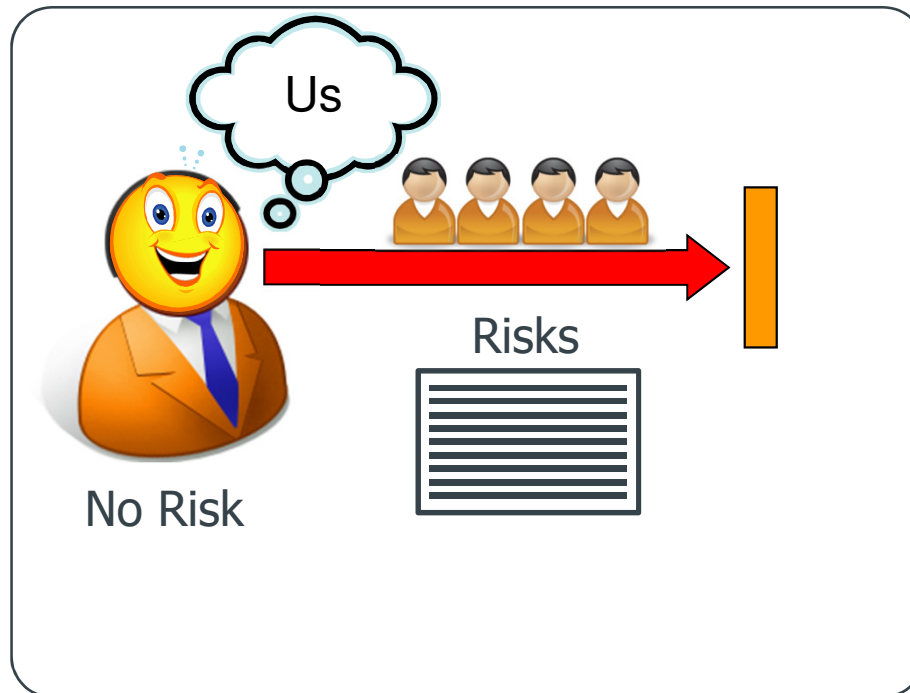
MICRO-MANAGEMENT



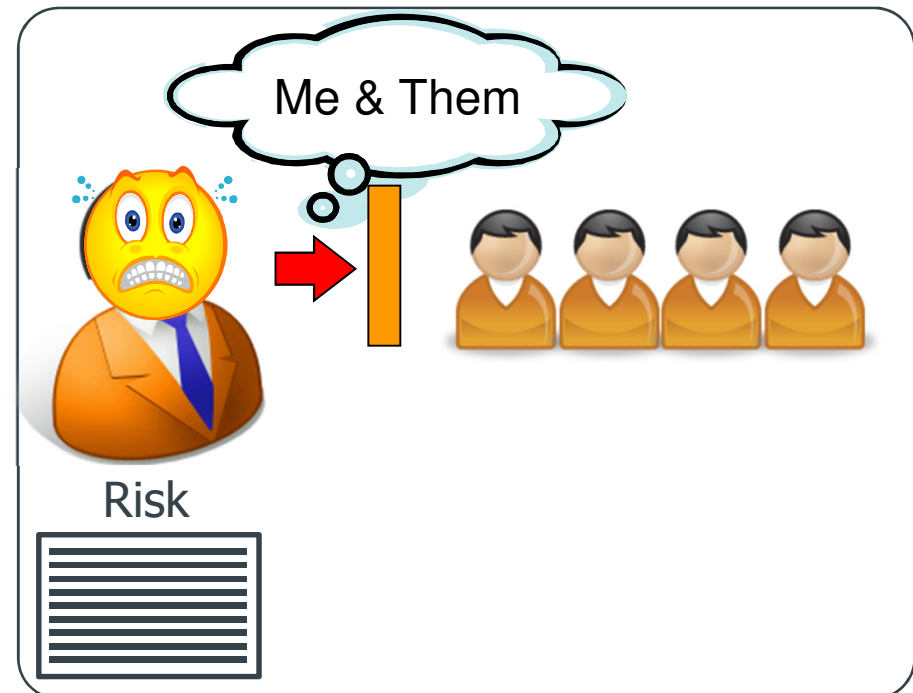
CONSEQUENCE OF SPECIFICATIONS



EXPERIENCED VS INEXPERIENCED



- Have their own plan.
- No technical risk.
- Thinks of the overall project.
- Focus is on other people [risk].



- Has no plan.
- Waits for buyer to make plan.
- Can't see the overall project.
- Focus is on their own work/risk.

THE PROBLEM IS NOT PROCUREMENT OR
EU PROCUREMENT LAW
BUT
THE WAY PROCUREMENT IS BEING DONE!!

BEST VALUE APPROACH

- **98% on time, on budget and customer satisfaction**
- **5% increase of profits of vendors**
- **High quality and low costs go hand in hand**

validity

- **Research since 1994**
- **1800+ projecten**
- **\$4.4 billion services & construction**
- **Dutch case studies: <http://cibw117.com>**

BV Buyer



Selection

- Takes on the role as the Non-expert.
- Creates what he “thinks he wants”.
- Makes the vendors propose solution.
- Allows vendors to differentiate their level of expertise using metrics.

Execution

- Provides the BV vendor with support that is needed.
- Does quality assurance (ensures the vendor is doing quality control).
- Minimizes decision making and MDC.



PB Buyer

Selection

- Takes on the role as the Expert.
- Creates the requirement/standards.
- Assumes all vendors can meet his requirement/standards.
- Selects the lowest price.

Execution

- Makes all decisions.
- Inspects, reviews & approves all work.
- Uses contract/relationships for control.
- Increases meetings, phone calls, emails, and communication.

BV Vendor



Selection

- Identifies experts in their company and tracks their performance.
- Uses experts to compete that can understand the client's requirement.
- Compete with the lowest price that can meet the client's requirement.

Execution

- Has a simple plan of the entire project.
- Measures and inspects his own work.
- Focus is on other people [risk] and finishing on time/budget.
- Utilizes less experienced once set up.



PB Vendor

Selection

- Experts not involved in selection.
- Marketing competes with price/scope unsupported by realistic projections.
- Unable to differentiate the level of expertise of their own employees.
- Select "available" people for projects.

Execution

- No plan or vision of the project.
- Reactive / waits for the buyer.
- No accountability / risk.
- Focus is on their work & maintaining a good relationship with the buyer.

BEST PRICE QUALITY RATIO: STRONG EMPHASIS ON QUALITY

- **Price** (25%)
- **Quality**
 - Project capability / level of expertise (15% of budget)
 - Risk assessment plan (15% of budget)
 - Value added plan (15% of budget)
 - Interviews key personnel (30% of budget)

MISUNDERSTANDING: BEST VALUE MAKES PROJECTS MORE EXPENSIVE

Price of winner			
Lowest price	1	1	10
1 lowest price		2	6
2 lowest price		3	5
Quality position of winner			
	3rd	2nd	1st

100% of winners of Best Value tenders are in the price top 3

And:

In 12 projects the winner has also the lowest price! (=43%)

In 20 projects the winner has the lowest price or second lowest price (=71%)

Source: projects Van de Rijt & Witteveen

THE PROCESS



DOCUMENTS

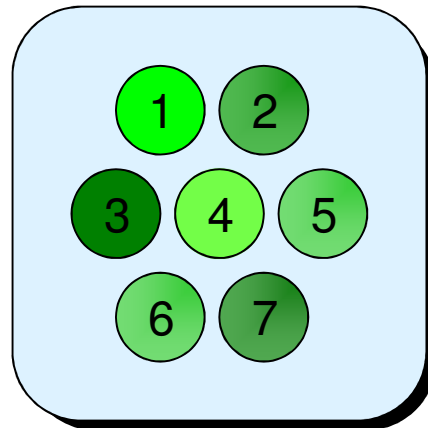
- **Level of expertise: rated**
- **Risk assessment plan: rated**
- **Value added plan: rated**
- **Price document: not rated**
- **Schedule: not rated**
- **Project organization: not rated**

RATING SCHEME

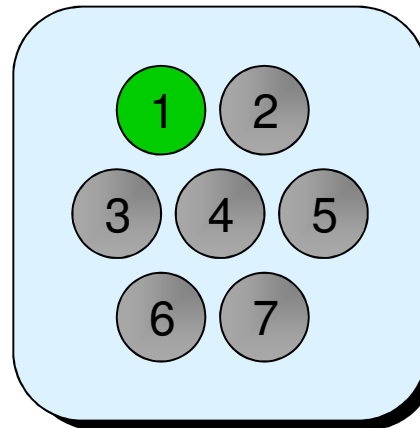
Component	Sub award criteria
Level of Expertise	The extent to which the bidder substantiates that he is able to realize the deliverable and the extent to which he contributes to the realization of the project goals
Client Risks	The extent to which the bidder substantiates that he is able to minimize the risks of the client
Value adds	The extent to which the bidders substantiates that he is able to add value beyond the contract requirements against proportional additional costs
Key individuals	The extent to which the qualification and experience of every key individual, including their role in the organization, contributes to the realization of the project goals

DOMINANT INFORMATION

Scenario 1



Scenario 2



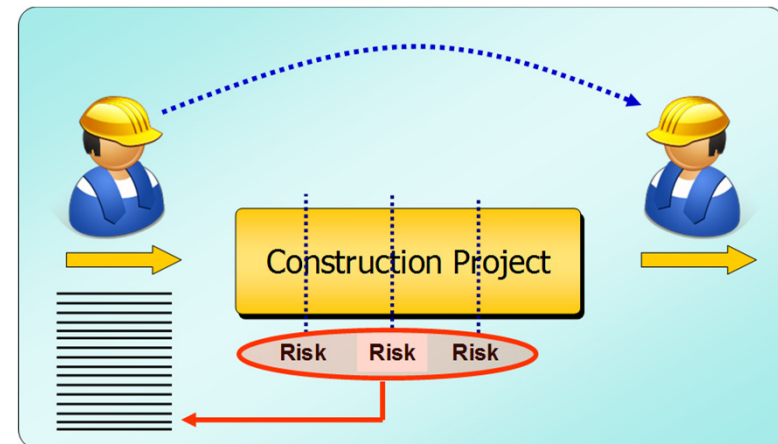
METRICS HAVE TO BE DOMINANT

- **Non refutable/ non debatable**
- **Verifiable**
- **Accurate**
- **Measurements in terms of numbers, percentages or time**
- **High performance**
- **Resemblance with the current project**

7

OBJECTIVE OF THE INTERVIEWS

1. Meet the critical personnel that are being assigned to the project
2. Identify if they have thought about this project
3. Identify if they can think ahead and minimize potential risks
4. Identify if they are committed to the realization of the project goals



CALCULATING BPQR

1. Weigh “quality” and “price”
2. turn “price” into points and add that to the points based on quality
3. turn “quality” into a price and add or deduct that to the price

DOES BEST VALUE ALWAYS FIND YOU A
SUPER VENDOR?



BEST VALUE & LEGAL

ADAPTATION BEST VALUE TO EUROPEAN LEGISLATION



EU LAW

1. Objective

2. Transparant

3. Non-discriminatory

EU LAW

1. **Difference between**
2. *** prequalification criteria: tells you something about the “bidder”**
3. *** award criteria : tells you something about the “bid”**

1.Functional specification ☺

2.Start of procurement process ☺

3.Offers, consisting of

- Price ☺
- Project Capability ☺ / ☹
- Risk Assessment Plan (RA) ☺
- Value Added Plan (VA) ☺ / ☹
- Schedule ☺
- Interviews with key personnel ☺ / ☹
- Assessment, rating and weighting ☺

1. Clarification phase with “best value” vendor 😊

/ 😞

- vendor clarifies his proposal in more detail;
- drafting of detailed schedule; project management/quality plan(s); risk assessment plan
- also based on risks provided by the client;
- without change in price or milestones.

2. Award and contract close 😊

- Unless vendor drops out

DUTCH IMPLEMENTATION



1. Over-management of vendors
2. Procurement and execution takes too long [12 years]
3. Infrastructure repair is critically needed [drivers spend 1-2 hours on road going and coming]



- 16 project, 6 awards, \$1B test of best value PIPS
- Goal is to finish 10 projects in 3 years

Results

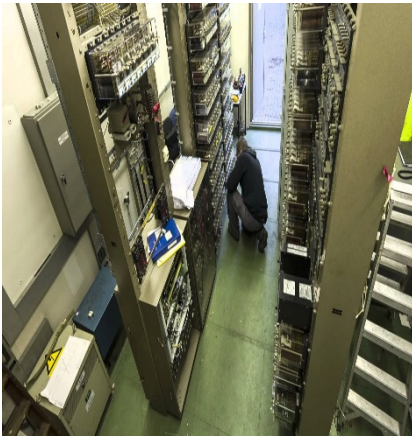
- Program results: 15 projects finished (expectation was 10)
- Delivery time of projects accelerated by 25%
- Transaction costs and time reduced by 50-60% for both vendors and client
- 95% of deviations were caused by Rijkswaterstaat or external [not vendor caused]
- NEVI , Dutch Professional Procurement Group [third largest in the world] adopts Best Value PIPS approach
- Now being used on complex projects and organizational issues



PRORAIL: DUTCH RAIL INFRASTRUCTURE MANAGER.

ProRail

1. Client: Prorail
 2. ProRail offers access to a safe and reliable rail network
 3. Industry: railinfra
 4. Employees: 4000
 5. State controlled: yes
 6. Public procurement law: yes
- Project: Cister (2 plots)
 - Type of project: Engineering and realization of ICT solution in 50 relais houses.
 - Contractor: Arcadis & Movares
 - Period: 2012-2013
 - Total CAPEX: € 11.600.000 (2 plots: €7.2 mln and €4.4 mln)



Results:

- Plot 1: #1 in quality and lowest price
- 56% under ceiling price
- Plot 2: #1 in quality and lowest price
- 8,4% under ceiling price
- Budget: 0% over budget
- Delivery: 1,5 year faster than planning

MORE INFO?

- **Wiebe Witteveen**
- **06-23771940**
- **witteveen@bestvalue-group.nl**