

Application of Best Value in the Netherlands

Jeroen van de Rijt
Wiebe Witteveen

My metrics



Name: Jeroen van de Rijt
Title: Best Value Consultant
Organization: Best Value Group
Located: Netherlands
Certification: A+ [2012, 2013 2014, and 2015]
Performance Metrics:



- Co-author of the 2 Dutch books on BV ("Prestatieinkoop" on longlist Mngmnt of the Yr 2011).
- Over 60 projects on Best Value; both in private sector and public sector.
- First in the Netherlands to use Best Value in numerous sectors; e.g. health care sector (Achmea), IT sector (Belastingdienst), social domain sector (Rotterdam).
- 15+ papers published and over 500 presentations.
- Member of the Rijkswaterstaat team in the Fasttrack projects; winner of Dutch Sourcing Awards 2012.
- Best Value expert in the 2 biggest BV projects in the Netherlands: N23 (2013) € 200 mln and Fast Track projects (2010) € 800 mln.
- Awarded Best Value Practitioner of the Year 2012 by Dean Kashiwagi.
- Program Director Best Value for NEVI (Dutch association of procurement agents).
- Initiator and member of the Dutch Certification Board.
- Coach of the core teams of Rijkswaterstaat & Provincie Noord Holland.
- Trainer for the 2-day course on Best Value for NEVI.
- 2014/2015 score of 4.78 (scale 1-5) on "level of expertise" and 8.18 (scale 1-10) on "overall score of training" (159 respondents); top 10% score of all NEVI trainers across all NEVI courses.

My metrics



Name: Wiebe Witteveen
Title: Author, trainer, researcher and consultant
Organization: Best Value Group
Located: Netherlands
Certification: A+ [2012, 2013, 2014 and 2015]
Performance Metrics:



- Top score in the 2014 A+ Train the Trainer Exam [83%].
- Member of the BV Dutch Certification Board.
- 2 awards for application of Best Value approach [Dutch sourcing awards 2012 for "Operational excellence" and "Best procurement performance of the year" for the implementation of BV in the € 500 mln. Fast Track program].

#	Performance Criteria	Results
1	# books on Best Value approach	1
2	# papers published on Best Value approach	11
3	# papers in high impact social sciences scientific journal	1
4	Average acceleration achieved in fast track program (16 projects)	1 year
5	Average % Reduction in transaction costs in Fast Track program	50%
6	Client satisfaction (training and presentations)	8.3
7	% Best Value vendor has highest MEAT quality score (since 2013)	100%
8	% Best Value vendor has lowest or second lowest price	80%



Outline

- The European methodology
- BV and EU law
- Fast Track projects
- Q&A

Which one does not belong here?





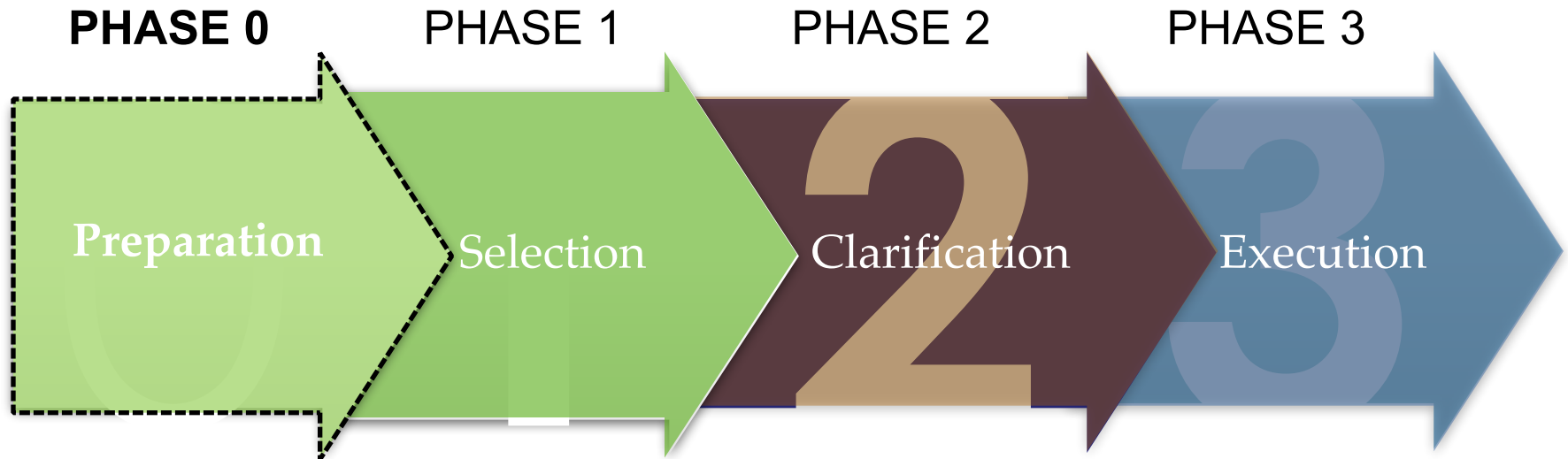
EUROPEAN METHODOLOGY

Culture does not change the problems.....

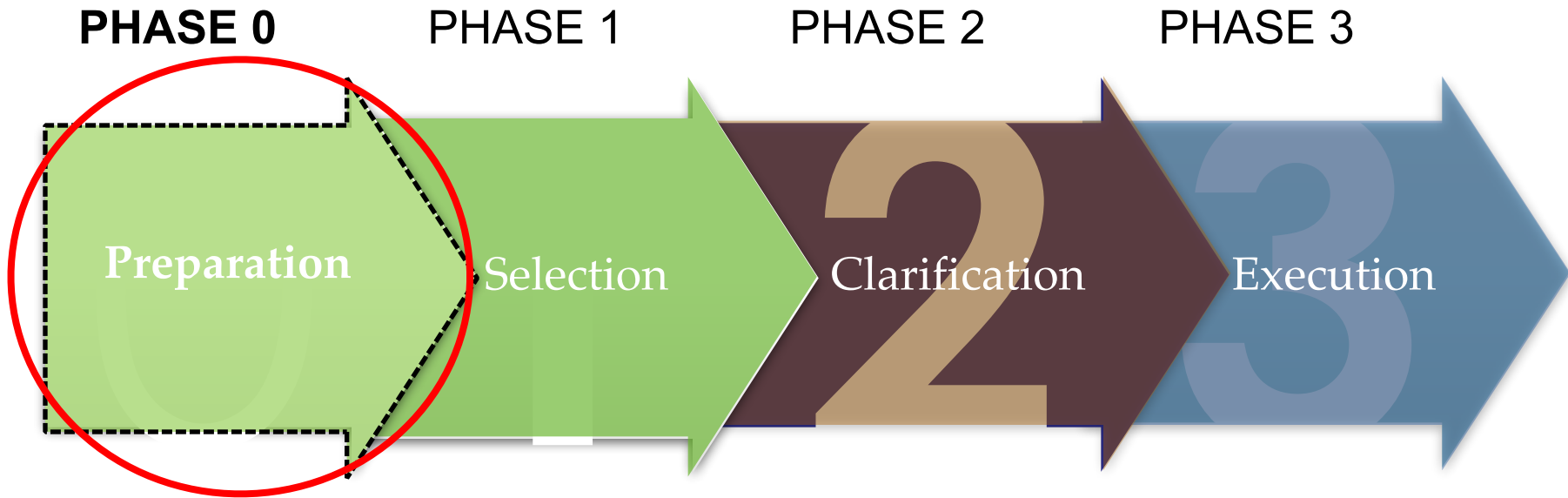
but

the Dutch / European context required some “tweaks”

Four Phases



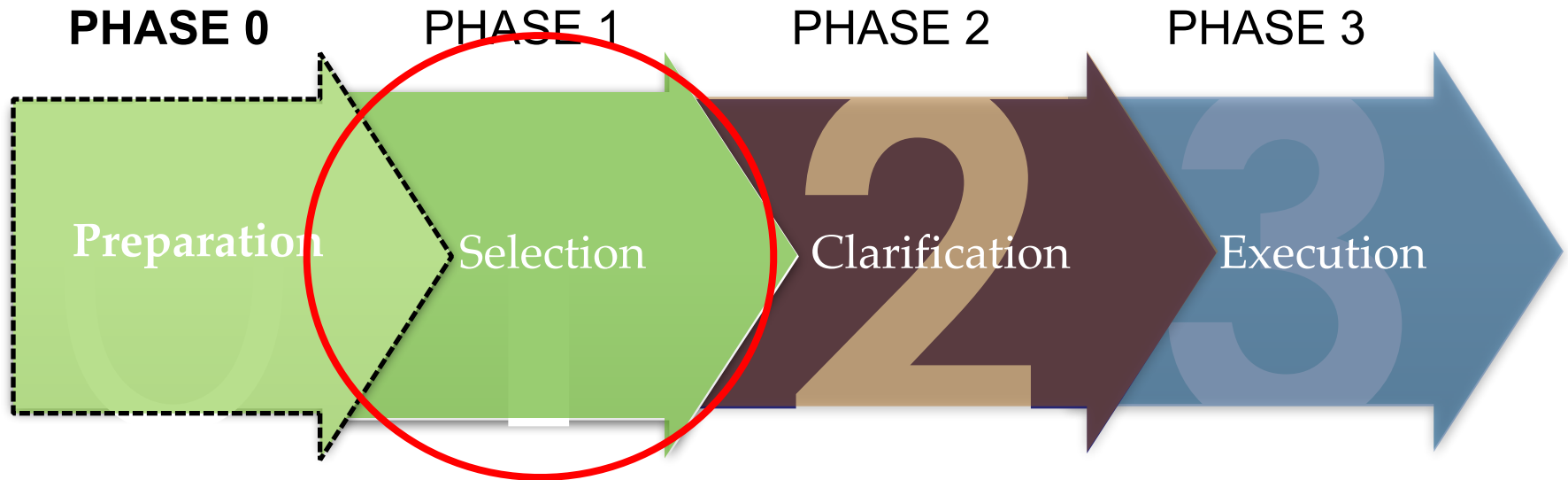
Four Phases



How to start: Preparation phase

- Sponsor
- Strategic plan
- Core team and education
- Choosing a project
- Defining project goals
- Planning
- Weighting
- Specification
- Shortlisting
- Education of vendors

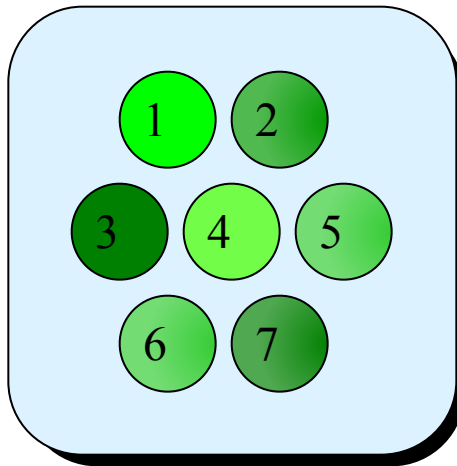
Four Phases



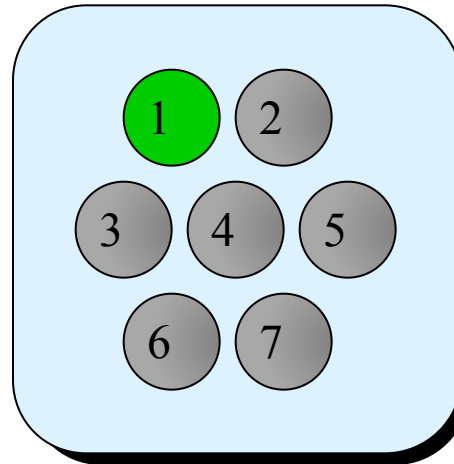
Dominant information

Question: Which is the most green circle?

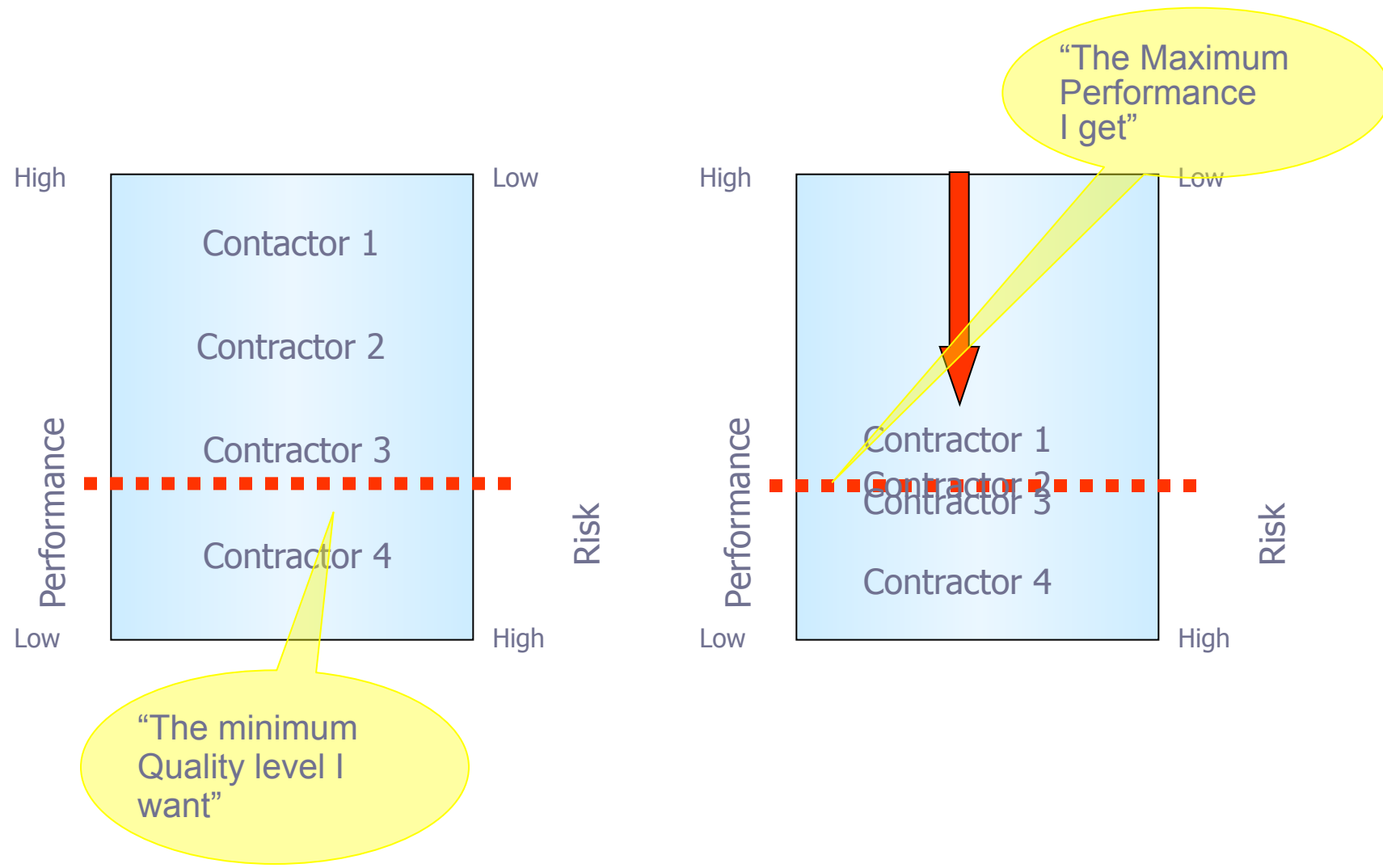
Scenario 1



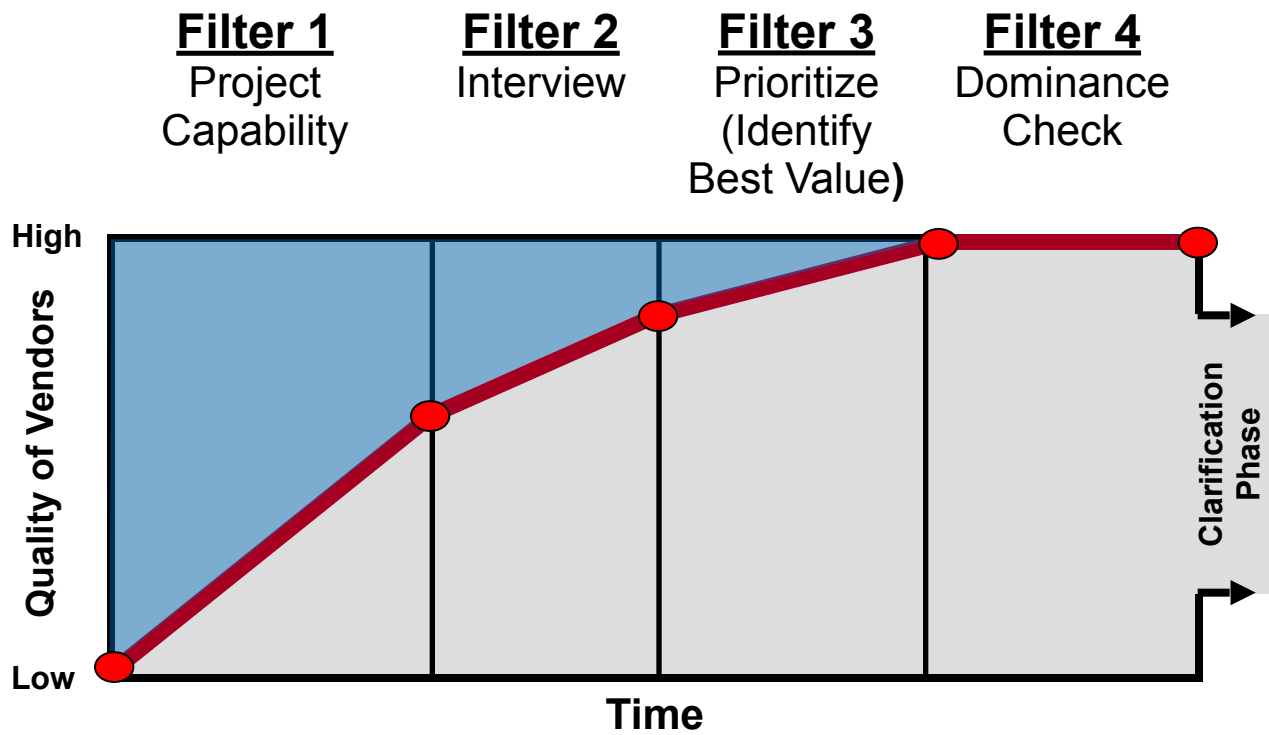
Scenario 2



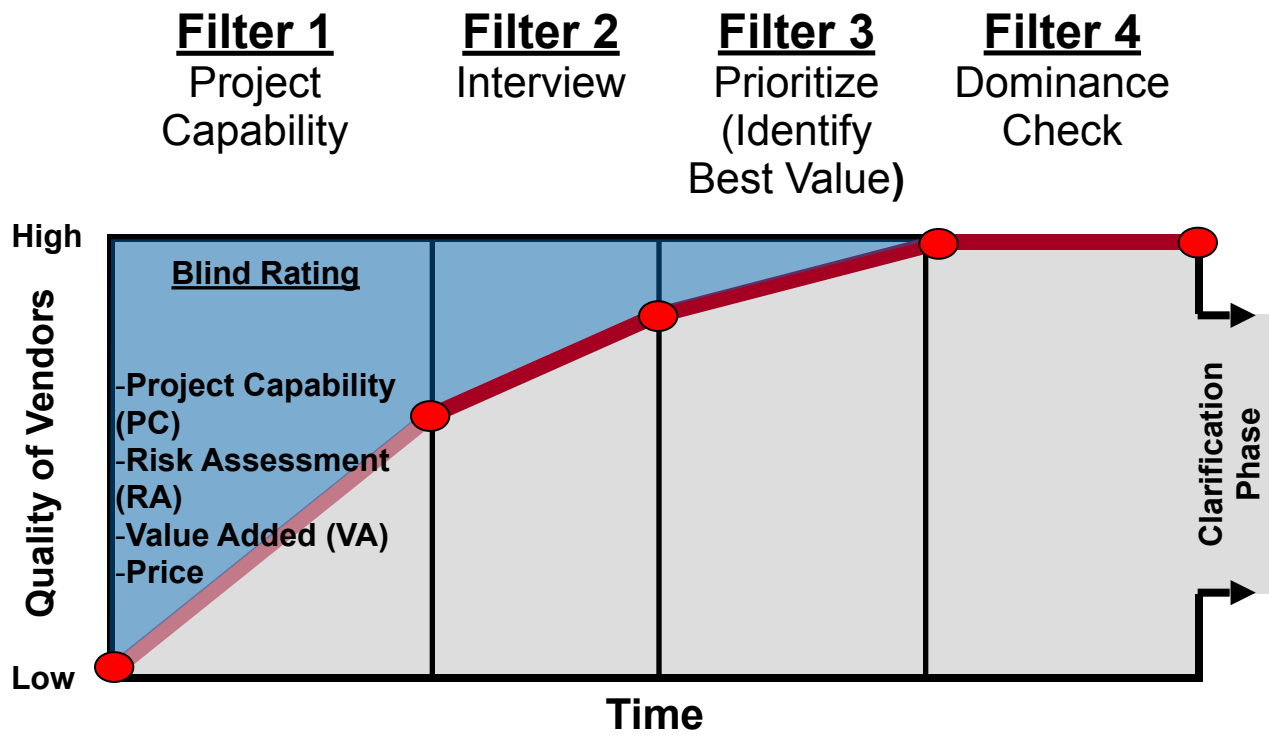
Impact of minimum Standard



Selection Filters



Selection Phase PIPS Filters

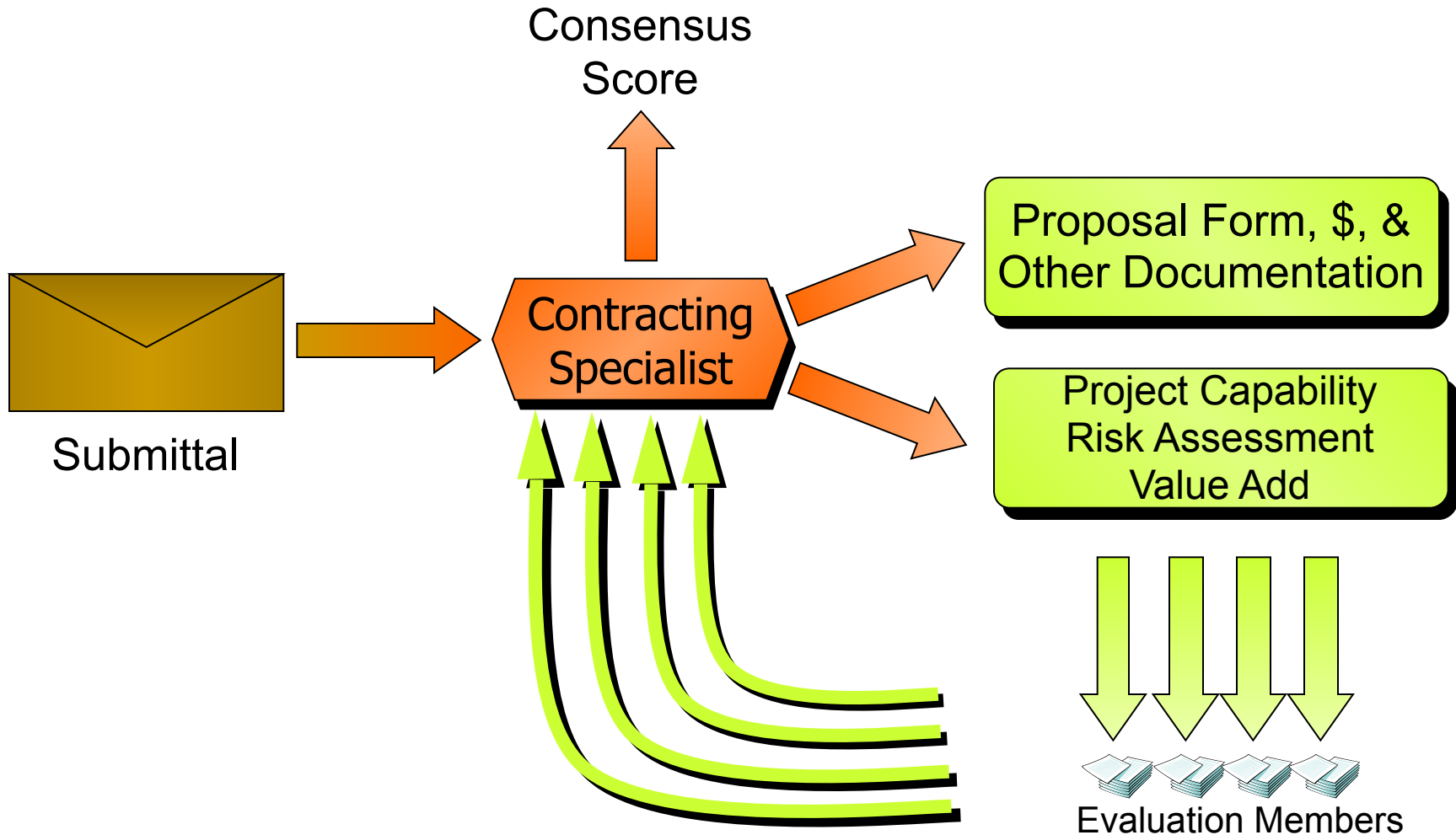


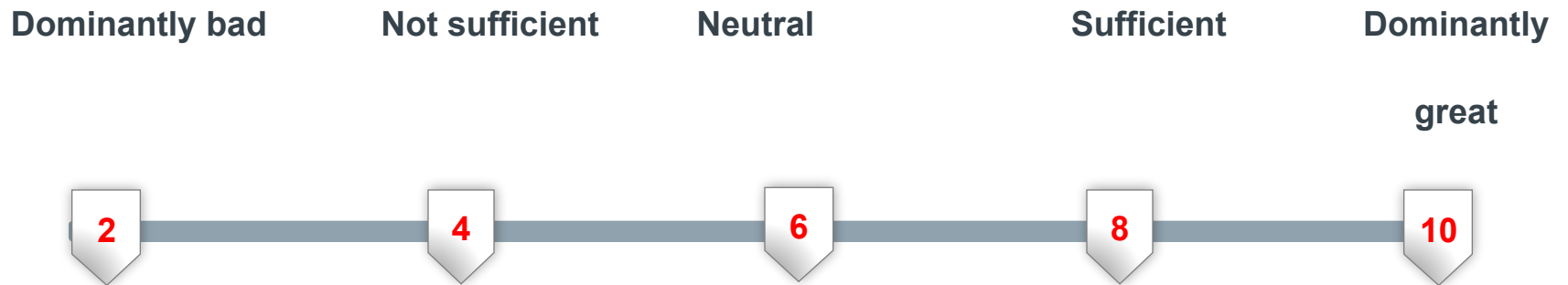
Project Submittals

Project Capability, Risk Assessment, Value Added

- Two pages each
- Claims and verifiable performance metrics

How The Submittal Process Works





The client should be able to motivate the scores!

Key To Evaluations

- Must NOT make any decisions
- Must minimize technical expertise
- Must minimize personal bias (difficult to do for technical experts)
- Must assume that vendors are experts
- Must assume that what they are saying is true

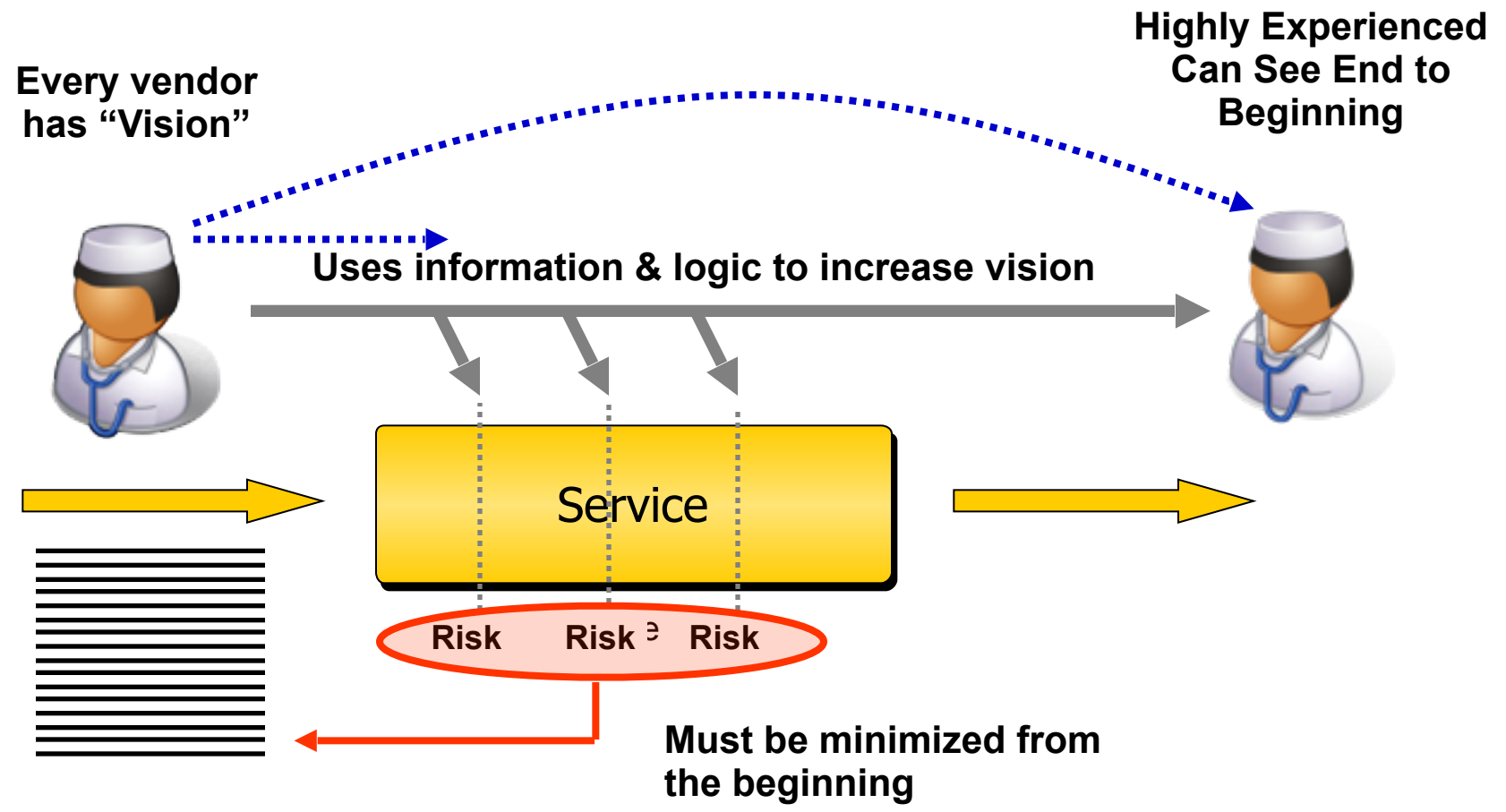
Rating Process

- Evaluation Committee **MUST** rate the documents/interviews individually (it must not be a group rating)
- There should be no discussion amongst evaluators until all scores have been submitted
- They should all receive a 6 rating (average score / no decision) unless there is ***dominant information*** to give a higher/lower rating
- Evaluators job is **not** to try and ‘figure out’ who is best...it should be obvious. Raters should not rank (but look for any dominant information).
- Evaluators should document any “dominant” statements

Objectivity

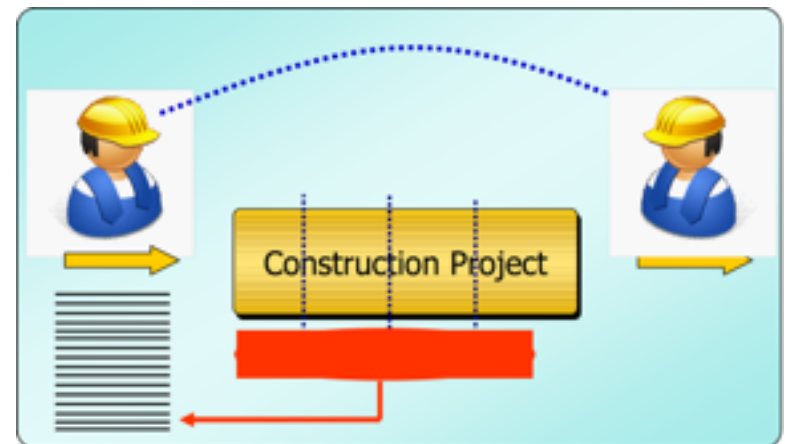
- Plans are rated by multiple individuals
- Individuals are multi-disciplinary
- All individuals score in a dominant way (2-4-6-8-10)
- Individuals do not know the price of the proposals
- Individuals do not know the name of the vendors
- Individual scores are discussed and a consensus score is reached (2-4-6-8-10); no average score!
- Process is facilitated by a third party

Intent of Interviews



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



Interview

The interview is different in the following ways:

- The key person who will do the work is the one who will be interviewed.
- The interview is searching for an "expert".
- The interview is non-technical.
- The interview is searching for an individual who can lead a team.

The interview should have the following characteristics:

- Be as short as possible, circa 45-60 minutes duration is sufficient.
- The number of questions should be limited to a few questions, and clarifications can be asked if the key personnel do not respond in a dominant fashion.

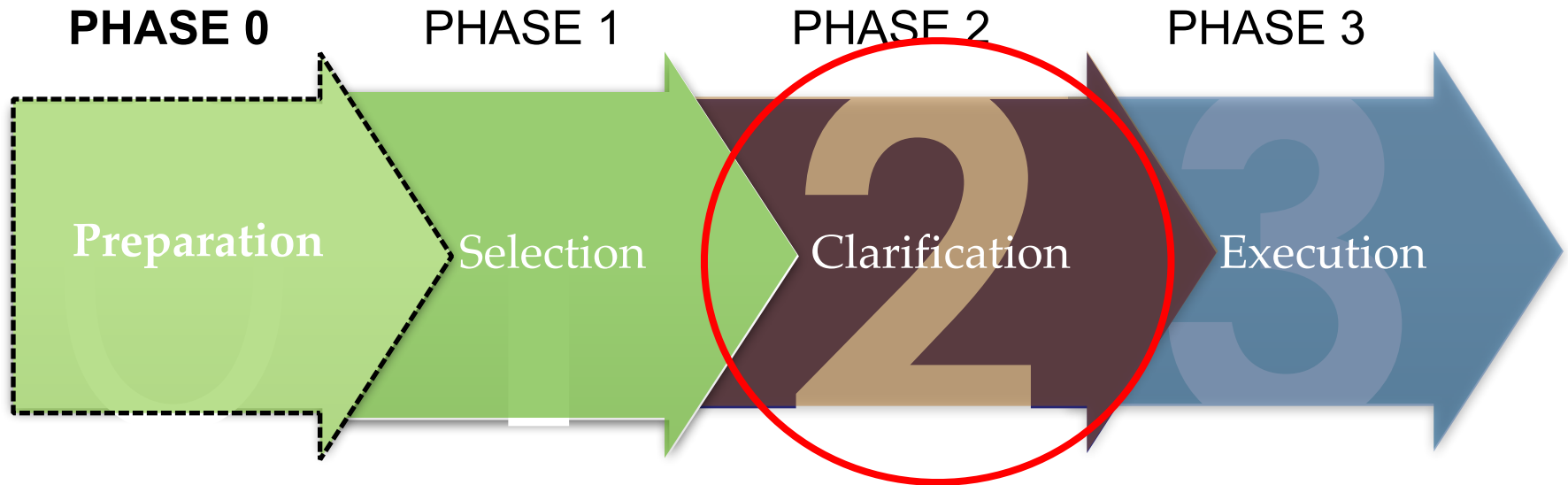
Common claims

“Our people aren’t used to interviewing...they just don’t communicate/present very well”

“What if a vendor gets someone that can really speak well, but has no experience doing this type of work?”

“What if a vendor gets the personnel to memorize what to say, but they still have no experience”

Four Phases



Clarification Phase Deliverables

- Scope of Work (what is “in” and “out”)
- Detailed project schedule
- Cost/time
- Risk activities
- Performance measurements
- Risk mitigation plan
- Weekly Risk Report
- Milestone Schedule

Clarification Phase

What is it / Why is it important

Period of time allotted to potential best value vendor (aka the Expert) to:

- Know how they are being successful and adding value (measurement)
 - What metrics you will use and how you will report them
 - What is the current baseline condition we are comparing against
- Identify what you need from the client and have a plan for getting it
- Have completely aligned expectations between all parties so everyone knows what is going to transpire and what they are supposed to do
- Coordinate the schedule

Implementation risks

Performance Risk

- Vendors may not know how to accept accountability
- Vendors may not know how to perform in best-value environment
- Agency does not implement correctly or makes changes to the process

Political Risk

- Program is not legal
- Process is wasting money
- Process is not being fair or process only picks favorite contractors
- Process is not open and it limits competition
- Non-performing vendors who don't like the program
- Internal personnel that do not want to change

Program Risk

- Agency loses discipline once program has been successful
- Agency expands the program too rapidly (speed is our enemy)
- Agency does not buy into the basic concepts and theory

Conclusion: Paradigm Shift

- Different thinking
- Do not use “management, direction and control”
- Minimize communication
- Dominant information is “metrics”
- Forces the improvement in vendor skills, planning, increased profit
- Vendor expertise is increased

BEST VALUE & LEGAL

Adaptation BVP to European Legislation



MEAT

- Most Economically Advantageous Tender
- Price & Quality

Calculating MEAT

- Add “quality” and “price”
- 1) turn “price” into points and add that to the points based on quality
- 2) turn “quality” into a price and add that to the price

How to calculate MEAT?

<i>Budget Ceiling price</i>			€ 1.000.000,00
Project Capability	15%	€ -150.000,00	maximum fictitious value
Risk Assessment Plan	20%	€ -200.000,00	maximum fictitious value
Value Add Plan	10%	€ -100.000,00	maximum fictitious value
interviews	30%	€ -300.000,00	maximum fictitious value

maximum fictitious value
€ -750.000,00

Model	Fictitious Deduction			Fictitious Addition	
	100%	50%	0%	50%	100%
Score	10	8	6	4	2
Criterion	Value of the score				
Project Capability	€ -150.000,00	€ -75.000,00	€ -	€ 75.000,00	€ 150.000,00
Risk Assessment Plan	€ -200.000,00	€ -100.000,00	€ -	€ 100.000,00	€ 200.000,00
Value Add Plan	€ -100.000,00	€ -50.000,00	€ -	€ 50.000,00	€ 100.000,00
Interview1	€ -150.000,00	€ -75.000,00	€ -	€ 75.000,00	€ 150.000,00
Interview2	€ -150.000,00	€ -75.000,00	€ -	€ 75.000,00	€ 150.000,00

Example

	A	B	C	D
<i>Price</i>	€ 920.000,00	€ 800.000,00	€ 990.000,00	€ 930.000,00

Scoring by assessment Committee

Score Phase 1

	A	B	C	D
Project Capability	10	6	6	8
Risk Assessment Plan	8	6	6	8
Value Add Plan	10	8	4	6

Monetary Value

Project Capability	€ -150.000,00	€ -	€ -	€ -75.000,00
Risk Assessment Plan	€ -100.000,00	€ -	€ -	€ -100.000,00
Value Add Plan	€ -100.000,00	€ -50.000,00	€ 50.000,00	€ -

<i>Fictitious Value of the documents</i>	€ -350.000,00	€ -50.000,00	€ 50.000,00	€ -175.000,00
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Score Phase 2

	A	B	C	D
Interview 1	8	4	4	6
Interview 2	10	6	4	6

Monetary Value

interview 1	€ -75.000,00	€ 75.000,00	€ 75.000,00	€ -
interview 2	€ -150.000,00	€ -	€ 75.000,00	€ -

<i>Fictitious Value of the interviews</i>	€ -225.000,00	€ 75.000,00	€ 150.000,00	€ -
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Total fictitious value (documents & interviews)	€ -575.000,00	€ 25.000,00	€ 200.000,00	€ -175.000,00
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fictitious Tender sum	€ 345.000,00	€ 825.000,00	€ 1.190.000,00	€ 755.000,00
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Ranking	1	3	4	2
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EU law

- Objective
- Transparant
- Non-discriminatory

EU law

- Difference between
 - * prequalification criteria: tells you something about the “bidder”
 - * selection criteria : tells you something about the “bid”

Sources

- J. van de Rijt & S. Santema, *Prestatieinkoop* (2013)
- *Journal for the Advancement of Performance Information and Value* (2011) Vol. 3, Issue 1:
 - M. van Leeuwen, ‘Using Best Value PiPS Procurement in Europe, Need for Compromise?’, p. 56-71;
 - R. Apostol, ‘Legal Perspective: Is Best Value Procurement achievable within the framework of the ARW 2005?’, p. 72-89.

- Functional specification ☺
- Start of procurement process ☺
- Offers, consisting of
 - Price ☺
 - Project Capability ☺ / ☹
 - Risk Assessment Plan (RA) ☺
 - Value Added Plan (VA) ☺ / ☹
 - Schedule ☺
 - Interviews with key personnel ☺ / ☹
- Assessment, rating and weighting ☺

- 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.
- Award and contract close 😊
 - Unless vendor drops out

PILOT PROJECT: FAST TRACK PROJECT

Fast track program: the problem





Priority Road Investment Programme

- Ambition from Minister of Infrastructure and the Environment: 30 starts of work of road widenings and rush hour lanes and 10 openings for road users before june 2011
- Start september 2008
- May 2011:
 - 30 ‘shovel hits the ground’
 - 10 ‘cutting the tape’

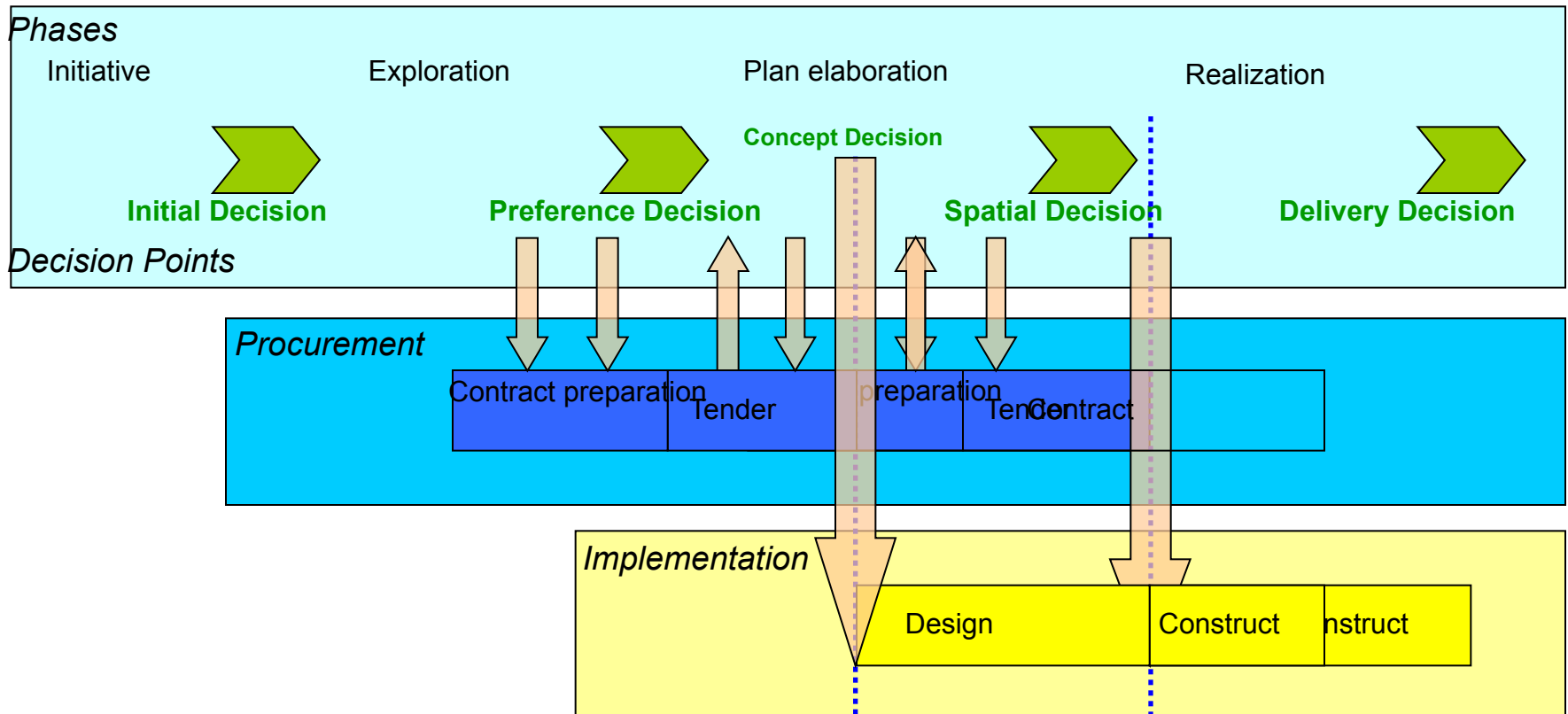


Traditional approach

Innovative approach

Sequencing...

...or Entwinement

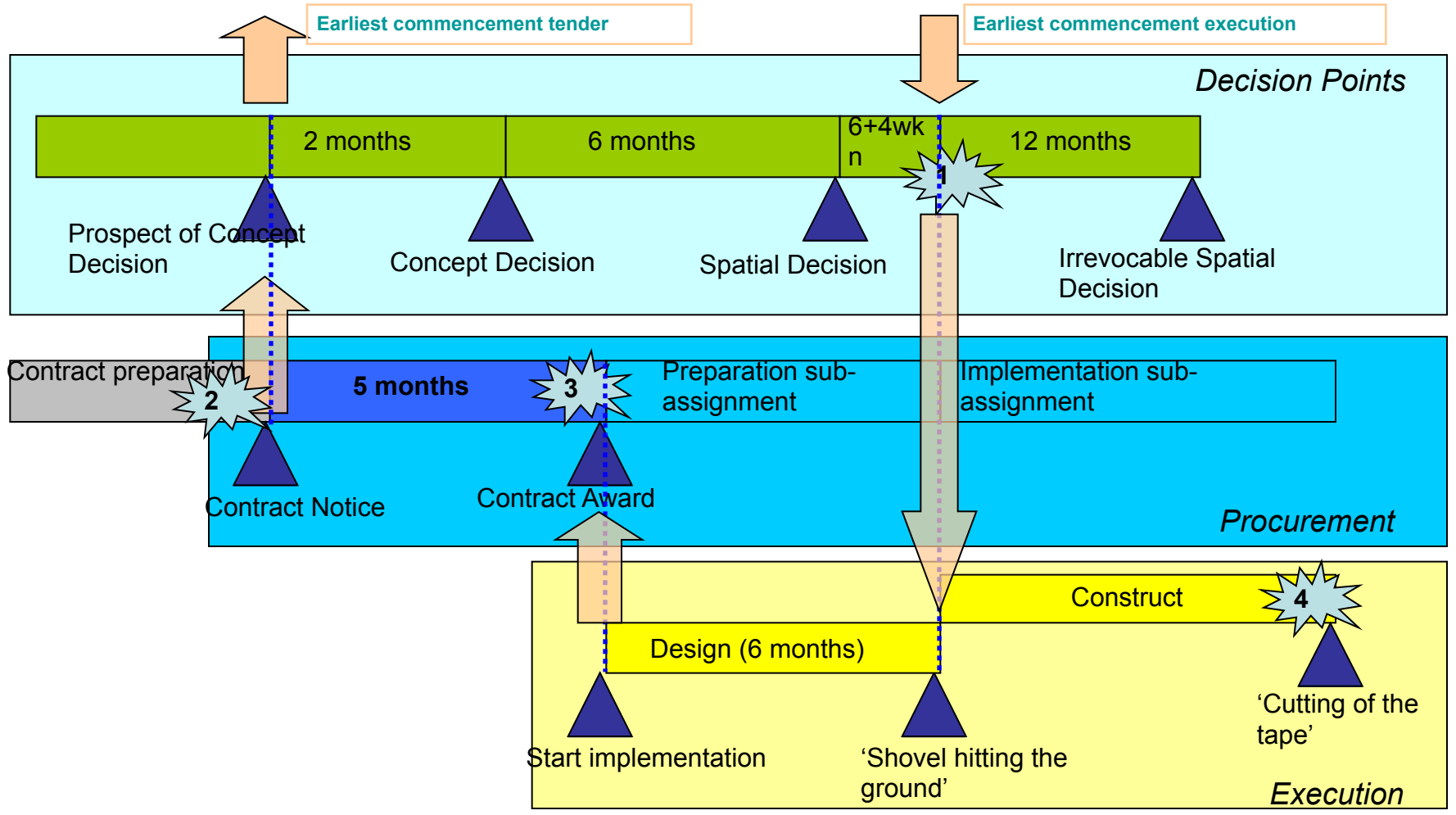


Innovative market approach

- Intensive communication with vendors:
- “Not impossible, but...”
- call for beauty contest because of high tender costs for design & build proposals
- Acceleration through early contractor involvement, faster within EU legislation framework



Innovative market approach



Innovative market approach

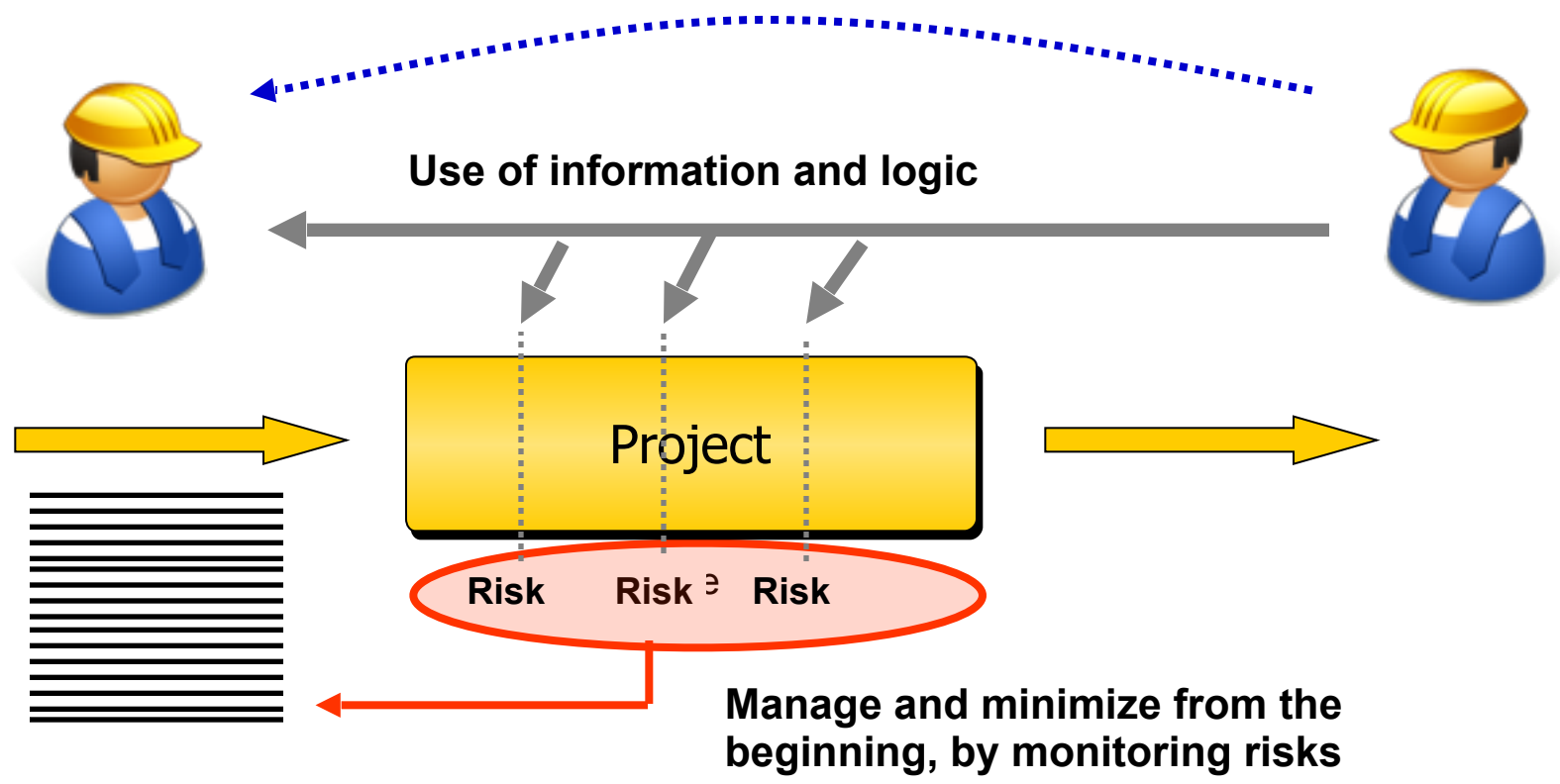
Summary:

- Award contract (MEAT) with Best Value Procurement
- Quick tender phase, but risks for the client (Quality, Time, Cost) need to be mitigated:
 - Target price
 - A bonus of 2.5% of the target price if the building costs do not exceed the target price
 - 25% of remaining risk-reserve paid after completion
 - Bonus/penalty scheme to ensure early opening
- Personal commitment of key players
- Uniform contract

MEAT

- Price
- Risk Assessment plan
- Value Add plan
- Interview

Minimizing risks from the beginning!



Why did we apply BVP?

- Enables quick selection of a contractor
- Focuses award criteria on risks most occurring (client risks)
- Vendors are challenged to take interests of the client into account and act accordingly (RAVA plan)
- Vendors are challenged to think with 'the end in mind', i.e. to think 'supply chain'

Risk caused by the client!

Rijkswaterstaat <i>Project teams, departments, road districts, traffic centrals</i>	245	88.4%	90.3%	57.4%
Provinces	2	0.7%	0.1%	0.0%
Water boards	3	1.1%	0.5%	0.0%
Municipalities	4	1.4%	0.4%	0.0%
Stakeholders in the environment <i>E.g. a gas company, the planning authority, cables and pipes managers</i>	19	6.9%	8.3%	25.0%
Rijkswaterstaat	271	98.6%	99.5%	82.5%
Contractors	4	1.4%	0.5%	17.5%
Total	277	100.0%	100.0%	100.0%
<i>Total compared to planning</i>			18.2%	9.6%

From complexity to simplicity!



Q & A