



Rijkswaterstaat
*Ministry of Infrastructure and the
Environment*



Best Value approach

Why, what and how

Wiebe Witteveen

Prague, 10th of April

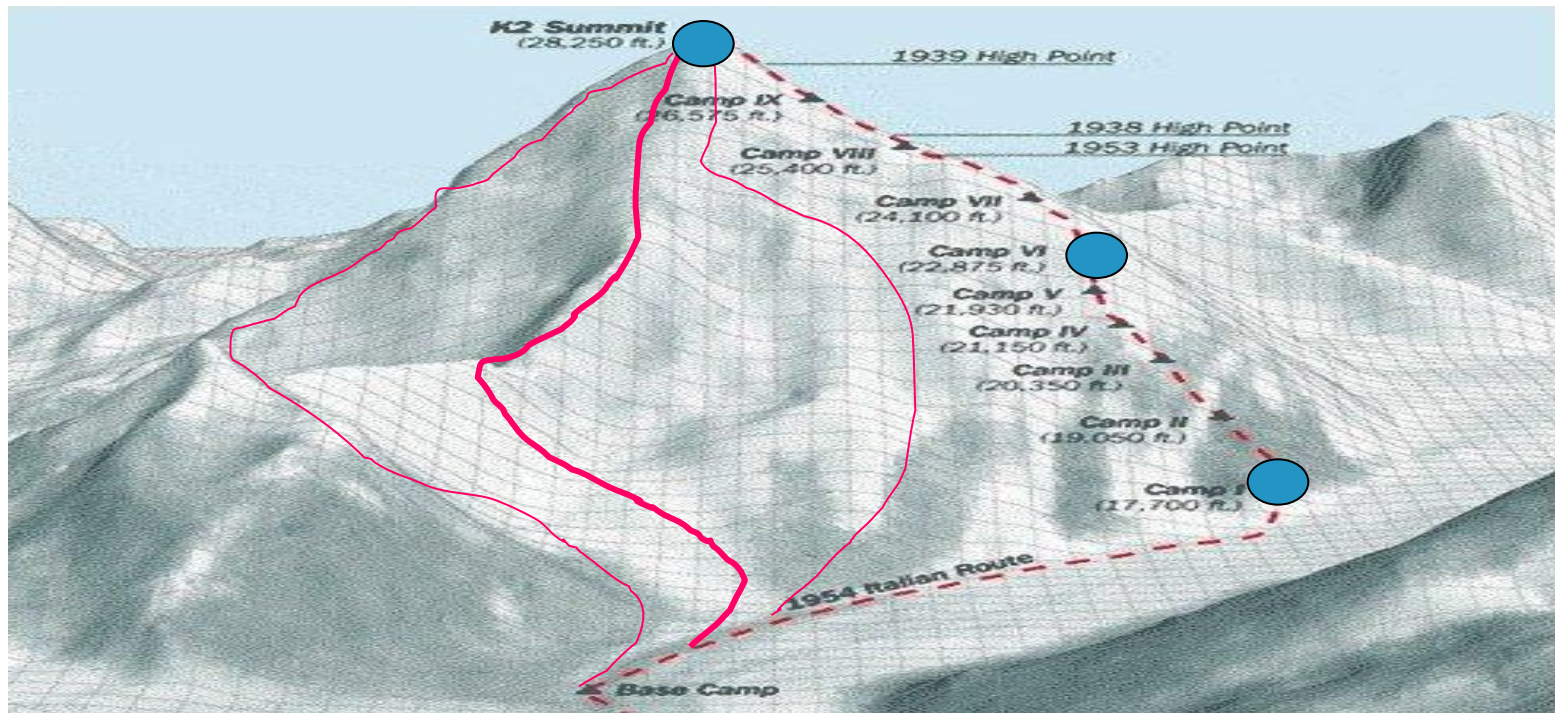


Wiebe Witteveen

- Rijkswaterstaat since 2001; Best Value Procurement effort since 2008
- Member of NEVI BV-certification Board; A+-certified since 2012
- Involved in > 25 projects with a total value > 750 mln. Euro; average customer satisfaction project teams RWS 8 (out of 10)
- Dutch Sourcing Awards 2012 voor Operational Excellence and Best Procurement Performance
- 8 papers and 1 book published on Best Value Procurement
- PhD-student at University of Technology Delft



Climbing mountains



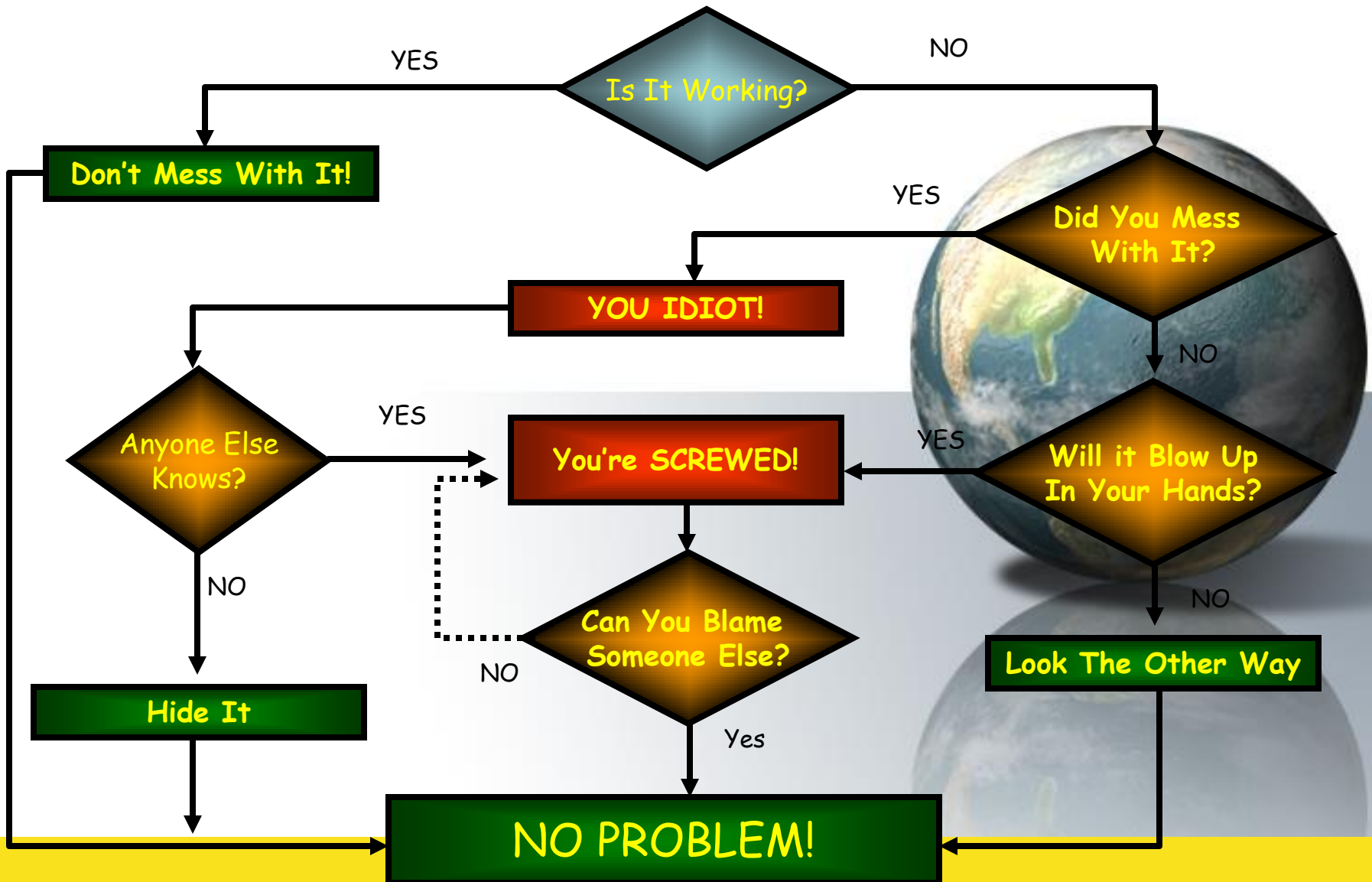


THERE IS ALWAYS SOMEONE...



... WHO WILL DO IT CHEAPER!

"Micro-manager's Code" The movement of risk.....





Examples are everywhere!

<https://www.youtube.com/watch?v=IWfmqOOrFpU>





Problems with price base systems

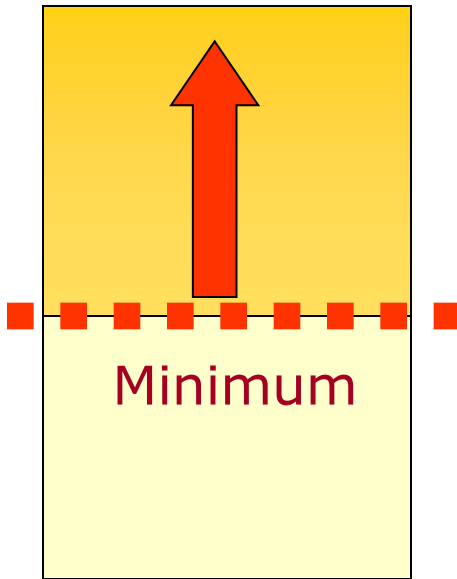
Owners

“The lowest possible quality that I want”

High

Performance

Low



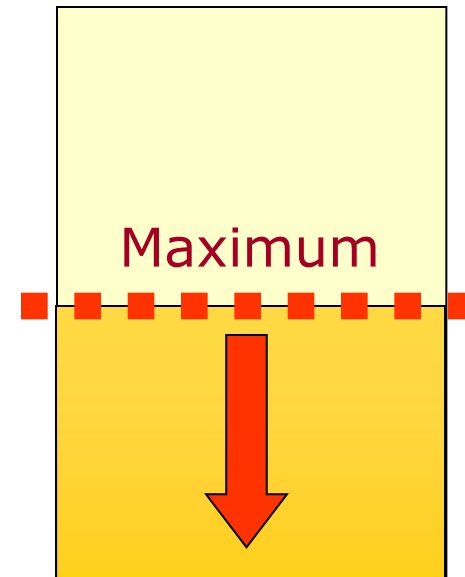
Contractors

“The highest possible value that you will get”

High

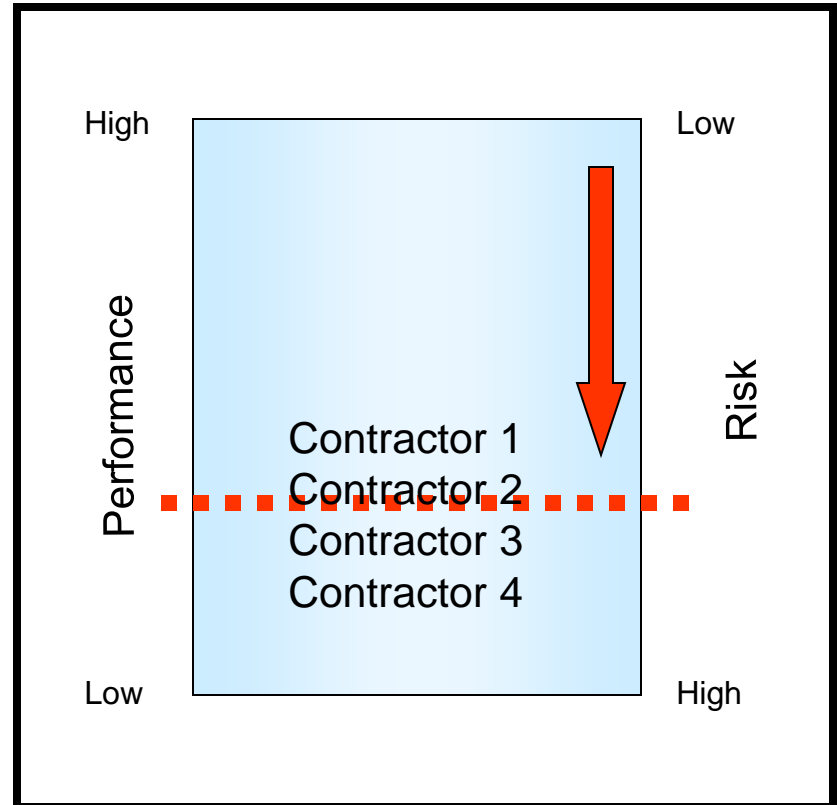
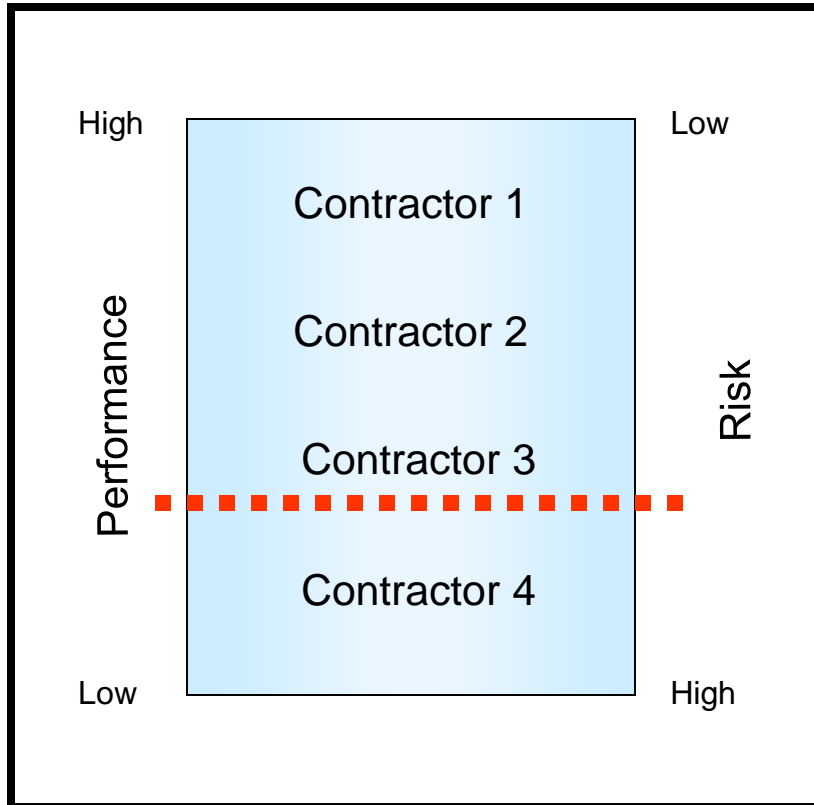
Performance

Low





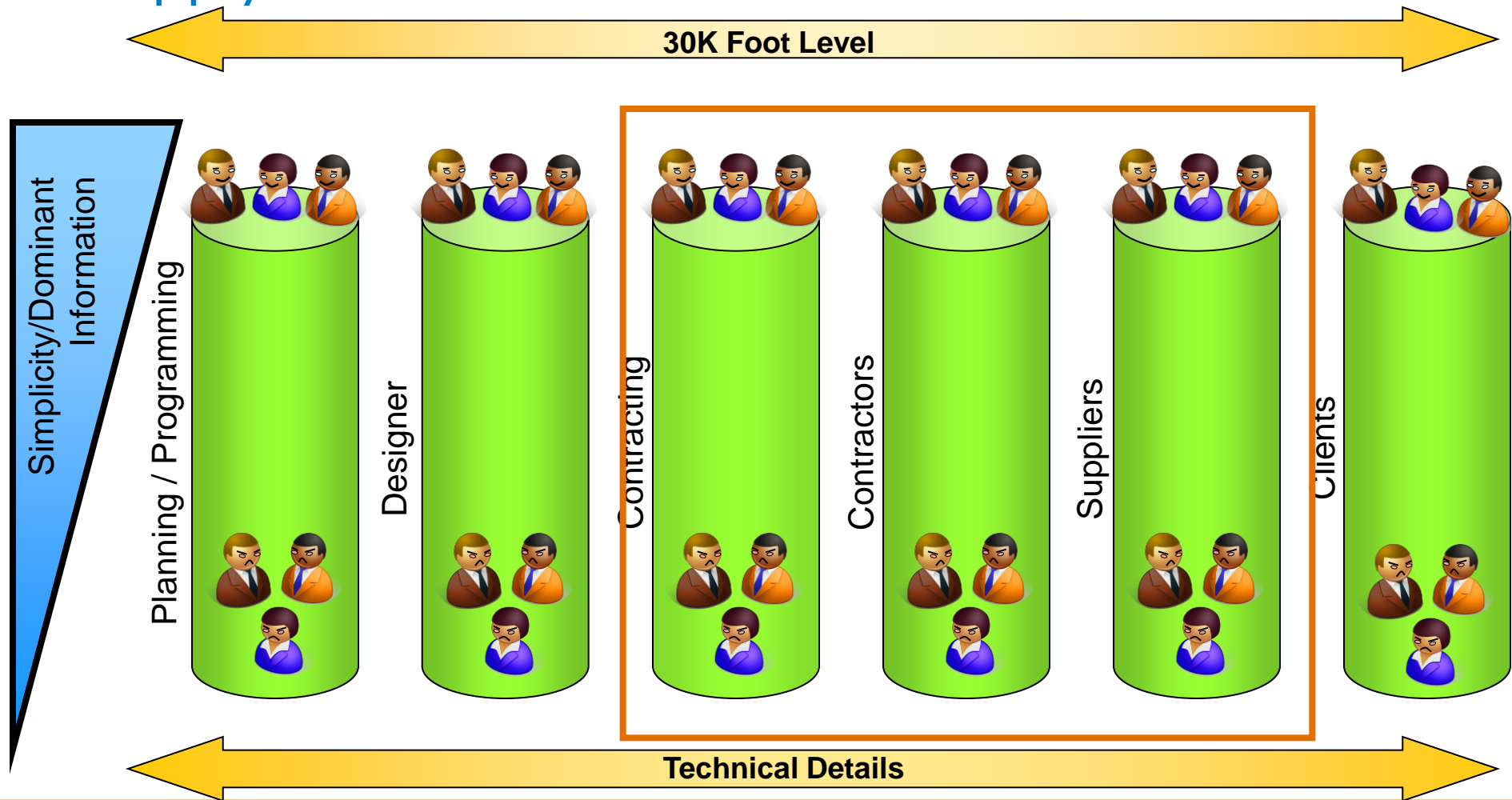
Impact of Minimum Standards



Decision making: what is the minimum standard, and do all contractors meet the minimum standards



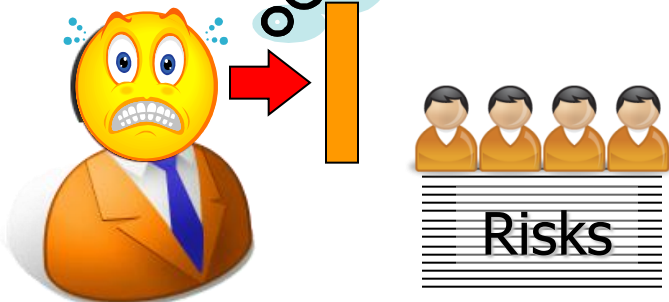
Supply Chain: We work in Silos





Me vs. Them

Client, user,
designer, and
inspector etc....



Us

Client, user,
designer, and
inspector etc....



Inexperienced
contractor



Technical
Requirement

Don't Control

Experienced
contractor



Control

Don't Control



Industry Structure

High

III. Negotiated-Bid

Minimized competition
Long term
Relationship based
Vendor selected based on performance

II. Value Based [vendor controlled]

Buyer selects based on value
Vendor uses schedule, risk management, and quality control to track deviations
Buyer practices quality assurance

Contractor minimizes risk

IV. Unstable Market

I. Price Based [owner controlled]

Buyer selects lowest bid
Specifications, standards and qualification based
Management, direction, and control
No transparency

Client minimizes risk

Collusion

Performance

Low

Perceived Competition

High

Lowest price



Business Model for Experts



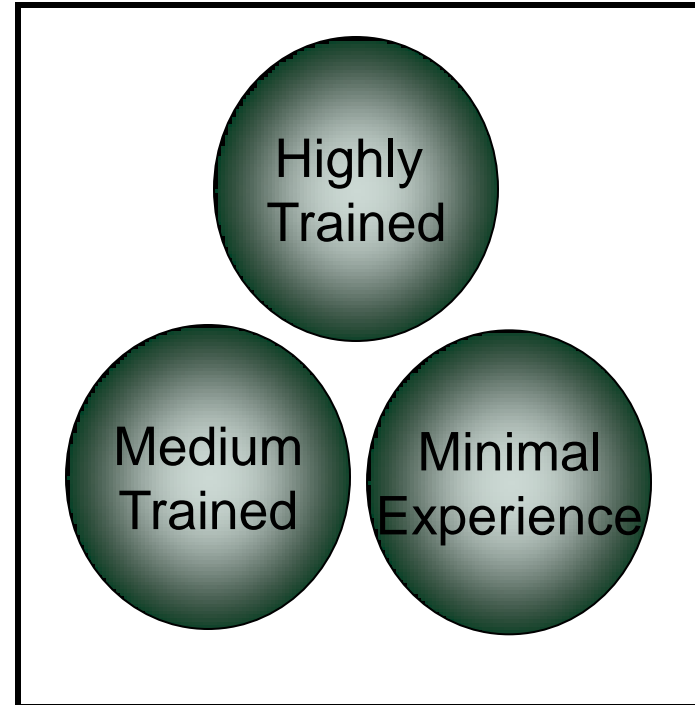
Customers

Outsourcing
Owner

Partnering
Owner

MDC
Environment

Vendor X



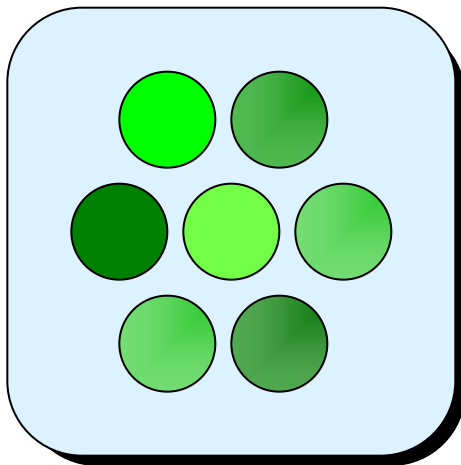


Within procurement, what are we trying to accomplish?

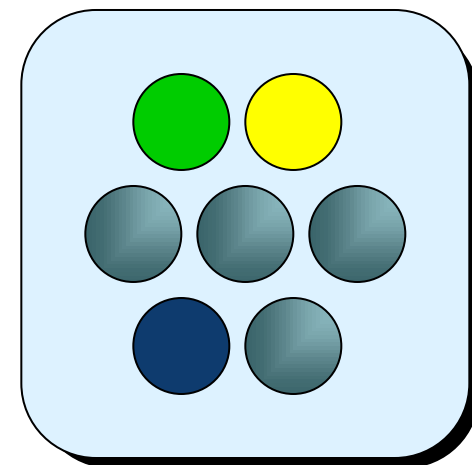
Question:

If Purchasing wants to buy a “green circle”, in which scenario is hiring the right “green circle” easiest to justify?

Scenario 1

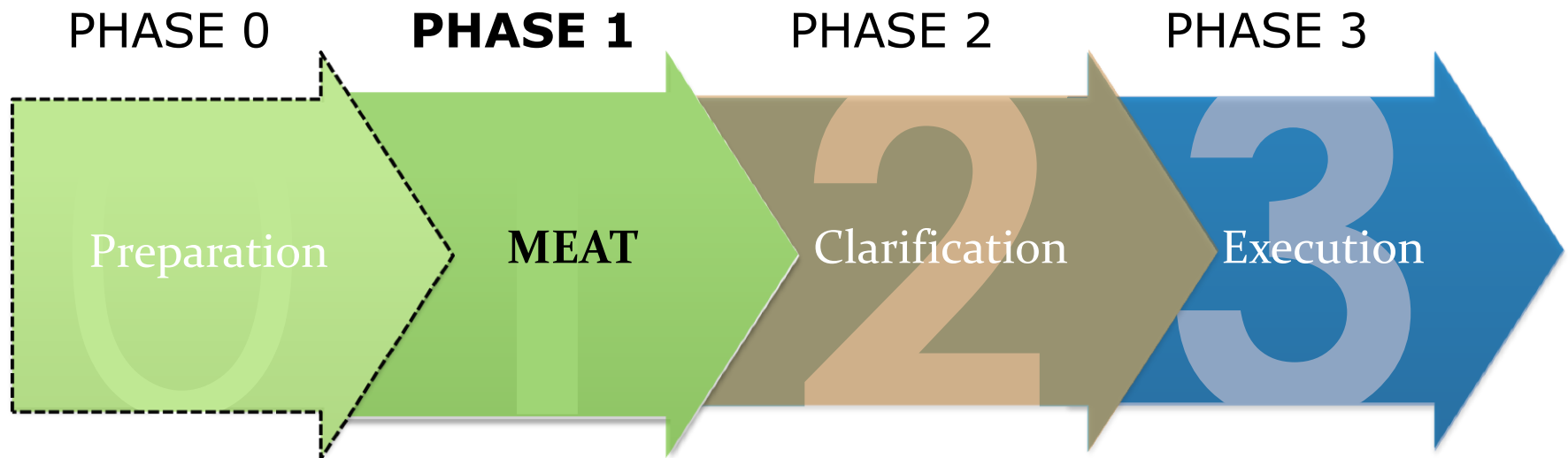


Scenario 2



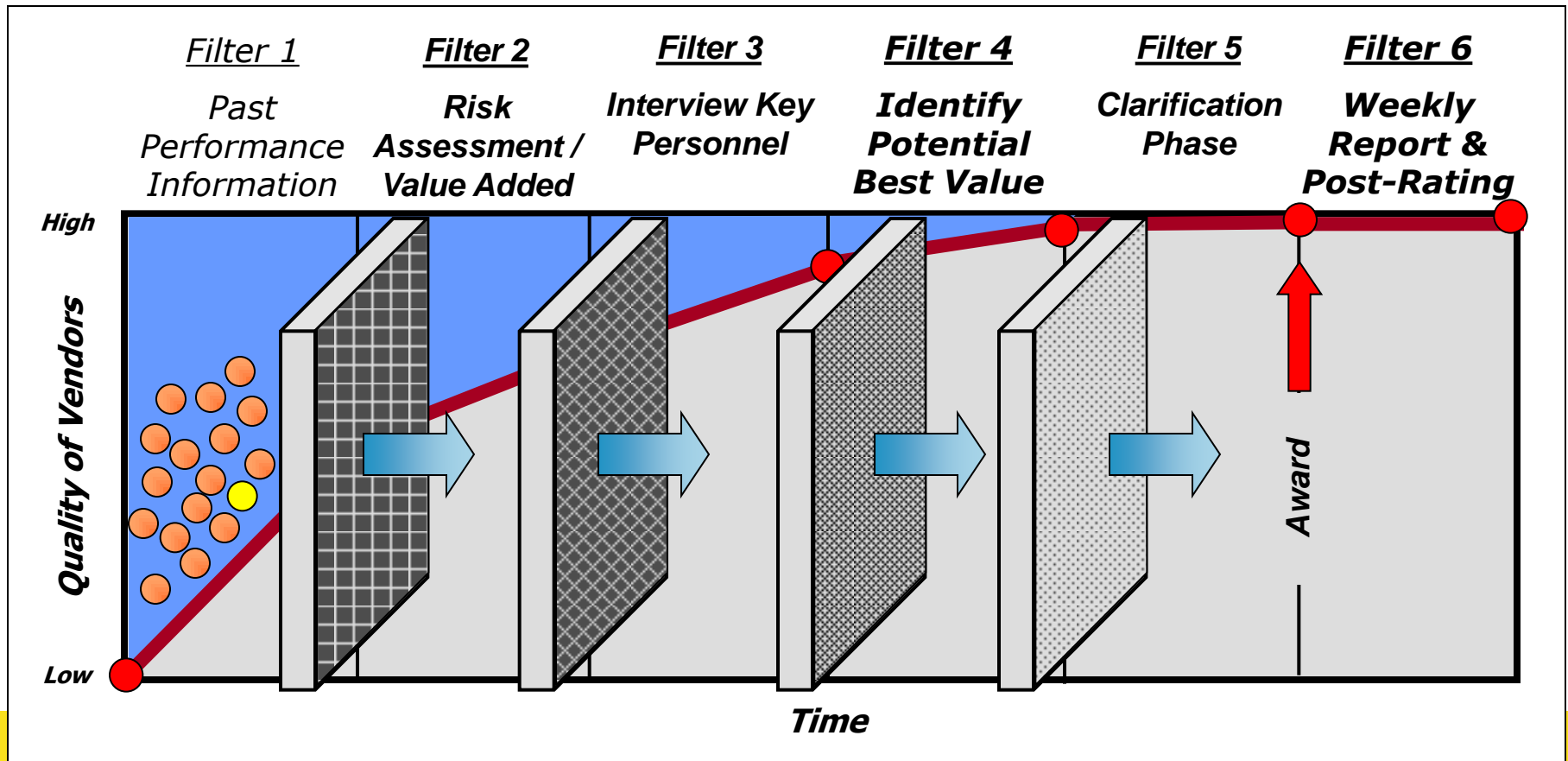


Best Value process



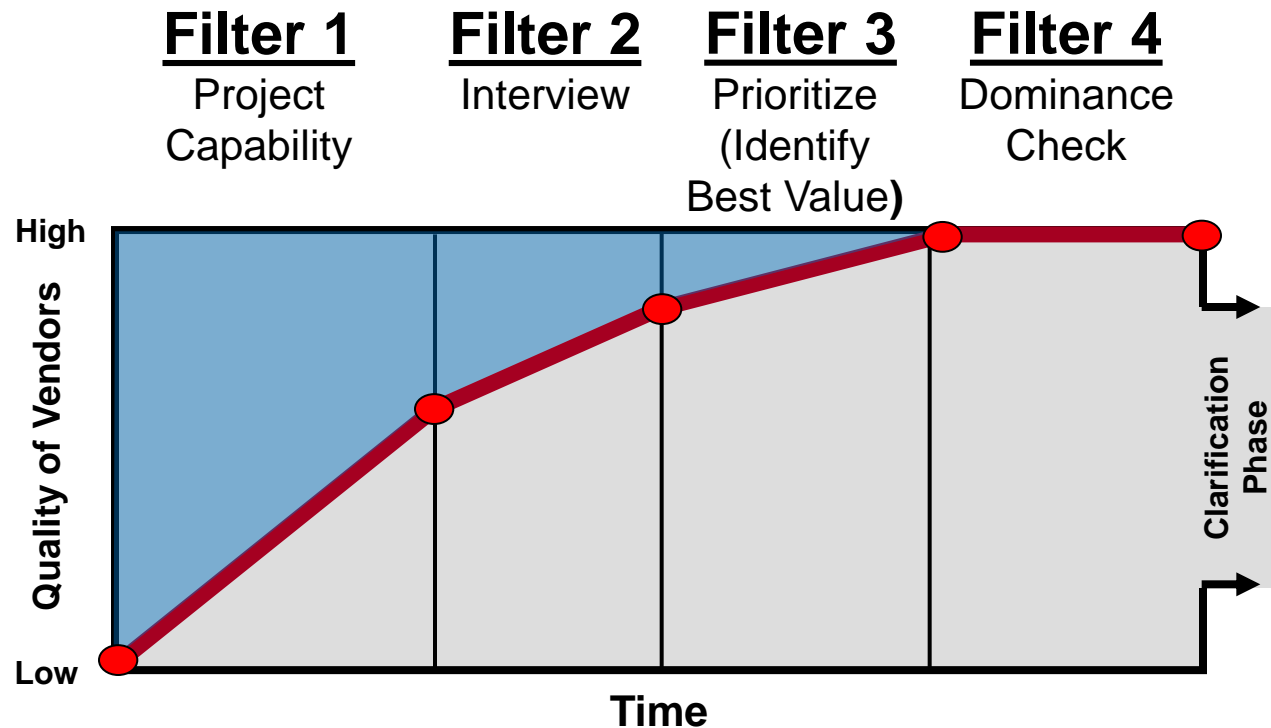


Best Value works like a sieve



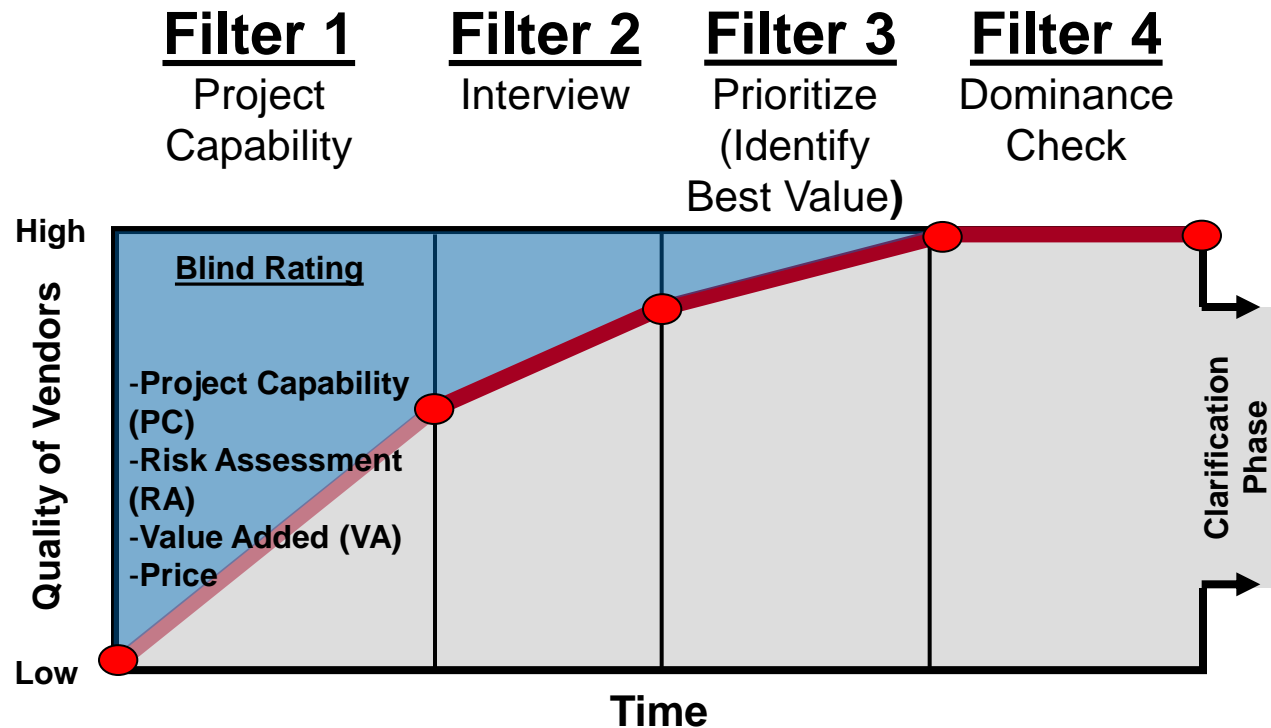


MEAT Filters



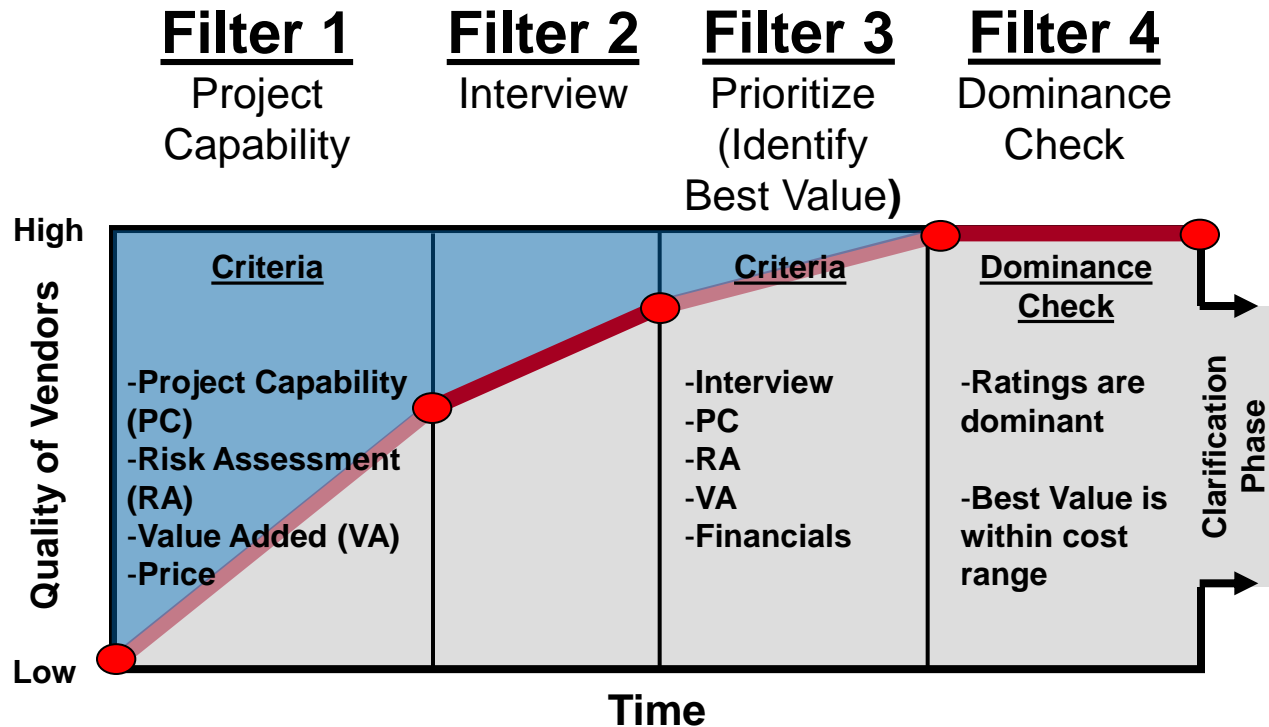


MEAT phase BV Filters





MEAT phase BV Filters



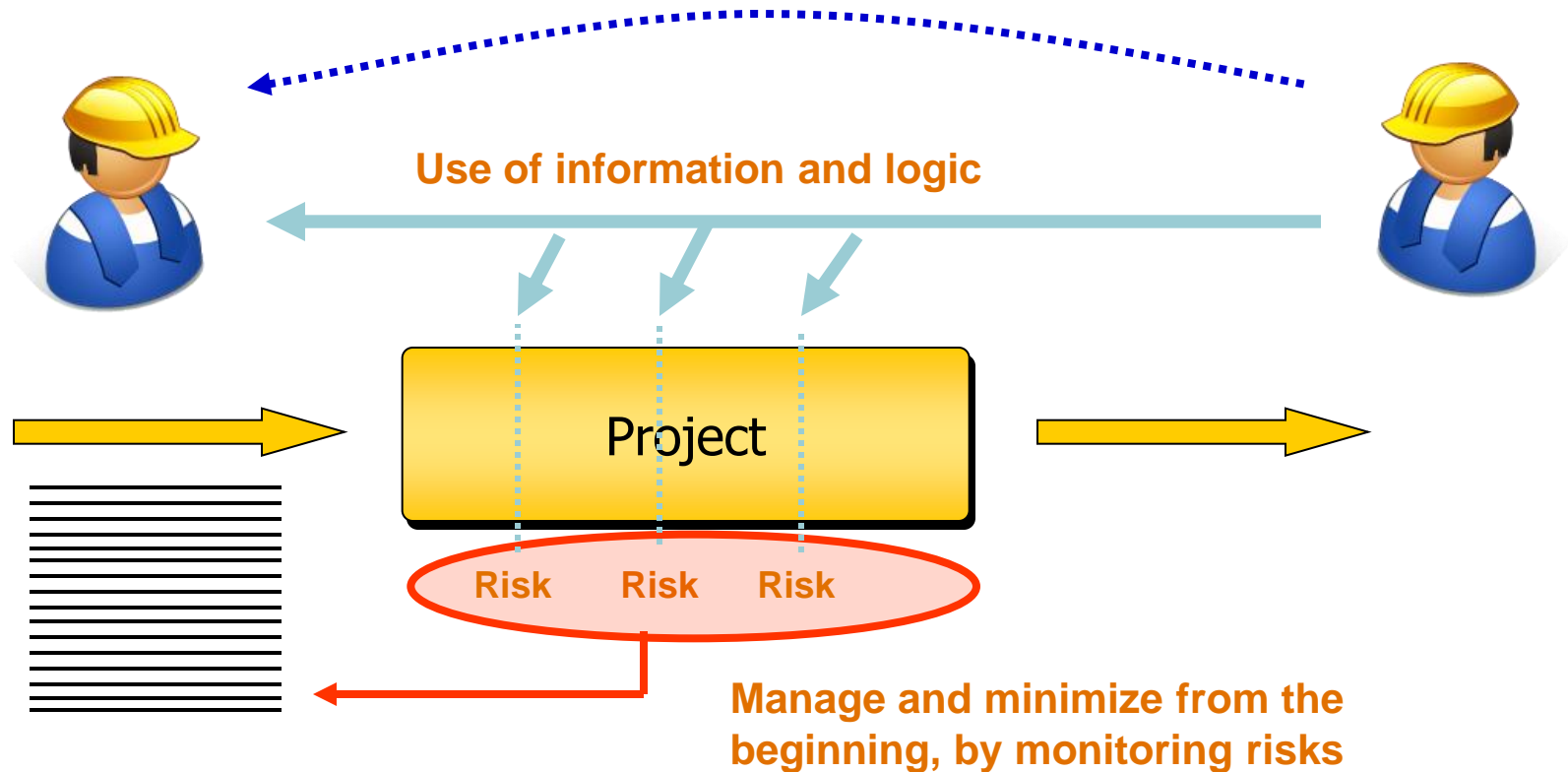


Submittals and MEAT Criteria

- Project Capability (PC)
 - Risk Assessment Plan (RA)
 - Value Added (VA)
 - Price
 - Interview
-
- Milestone schedule [not MEAT criterium]



Minimizing risks from the beginning!





MEAT Criteria Weights

• Project Capability	10%
• Risk and Risk Mitigation	20%
• Value Added	15%
• Price	25%
• Interview	30%



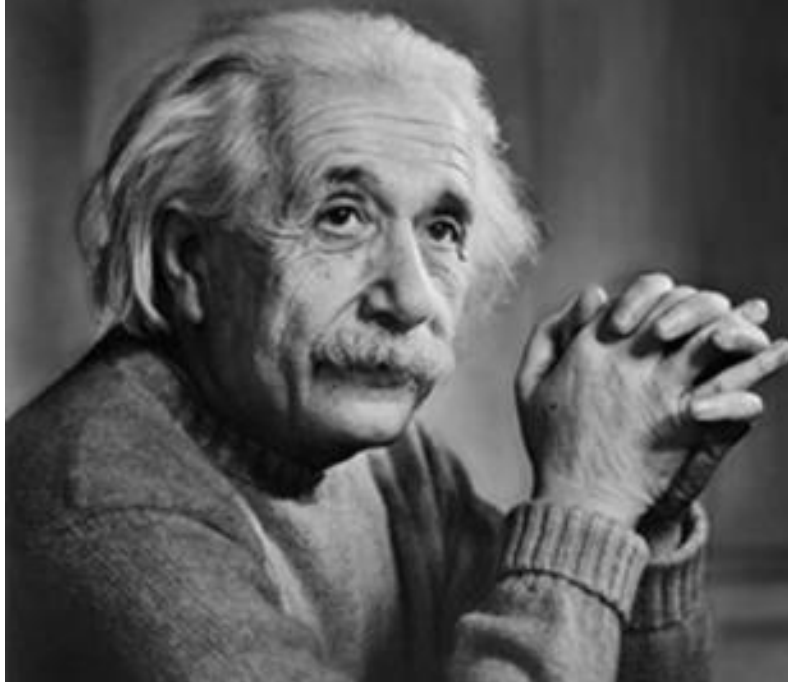
Weighting

- Client must be comfortable
- General Guideline
 - 30% Price (but always have dominance check!!!!)
 - 70% Performance
- Performance order of importance
 - Interview
 - Risk Plan
 - About equal
 - Capability Plan
 - VA



If you can't explain it **simply**, you
don't understand it well enough.

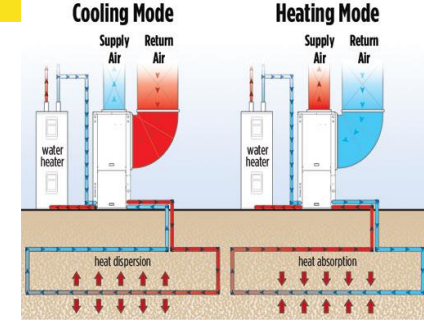
– Albert Einstein



Example of Solutions

Risk: Design of Heating/Cooling System

Type: Technical Risk

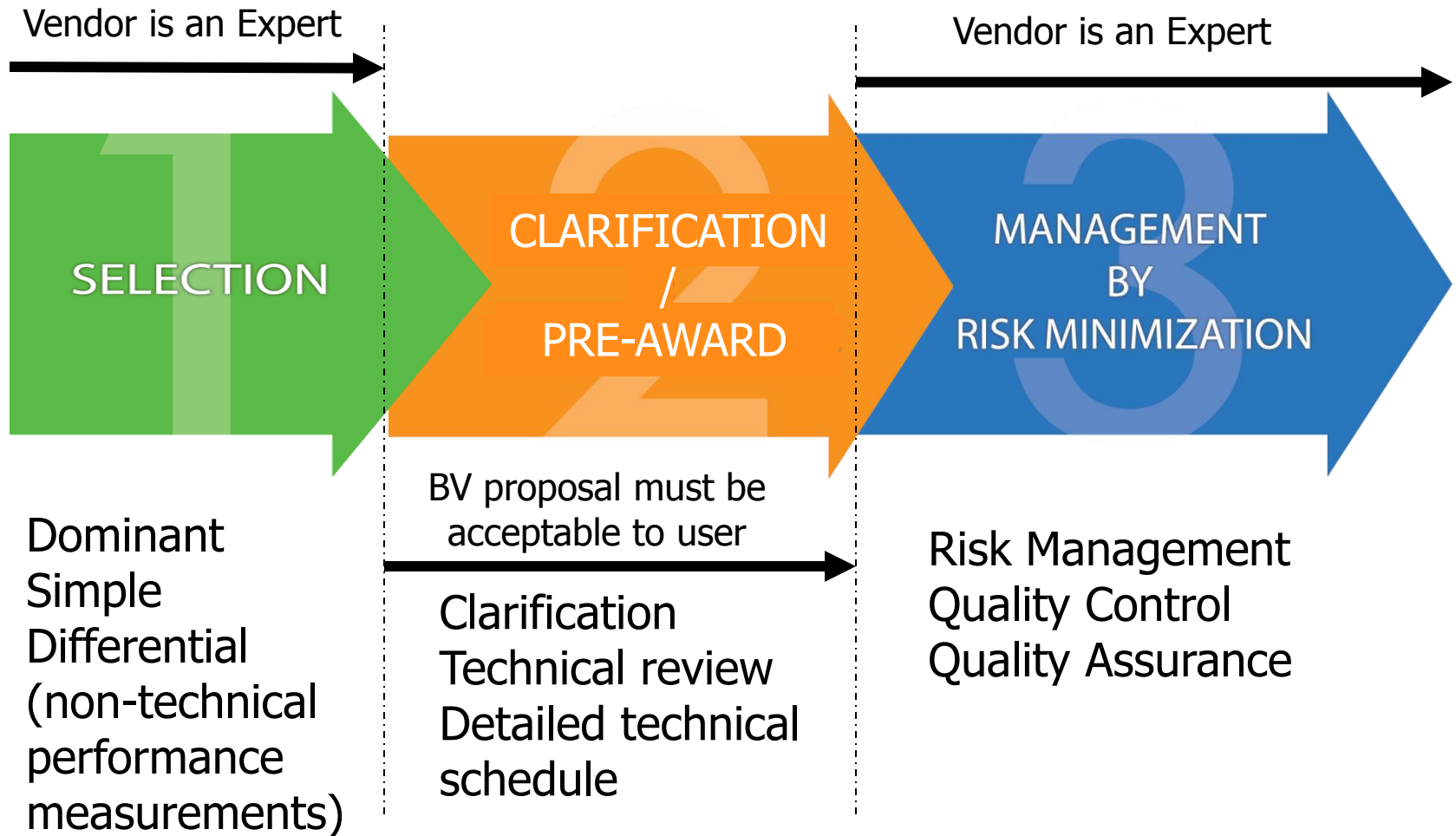


- **Plan 1**

- We will use our 20 years of experience in working with mechanical systems to minimize the risk of the heating and cooling system design.

- **Plan 2**

- We have identified the design of the heat/cooling system as a risk. It has not been used before in the area. Will ensure that the system performance and installation is verified in the pre-award period.
- We have bid using best rated mechanical contractor in the area (rated at 9.8 out of 10.0, next best rated 9.1)
- Mechanical contractor identified modifications to the design to improve output and sustainability of the system with the following impacts (mechanical system cost minimized by 15% - see VA#1)
- Mechanical system provided by one manufacturer, and manufacturer will be commissioned by the manufacturer, contractor, and general contractor will take full responsibility of commissioning the system

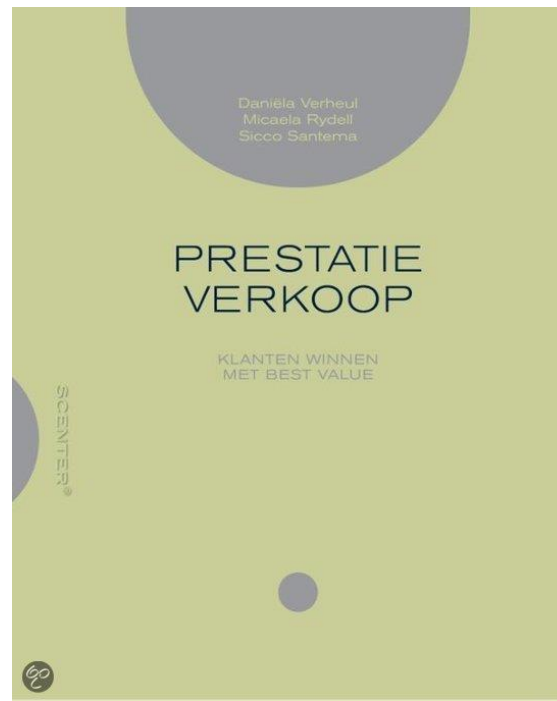
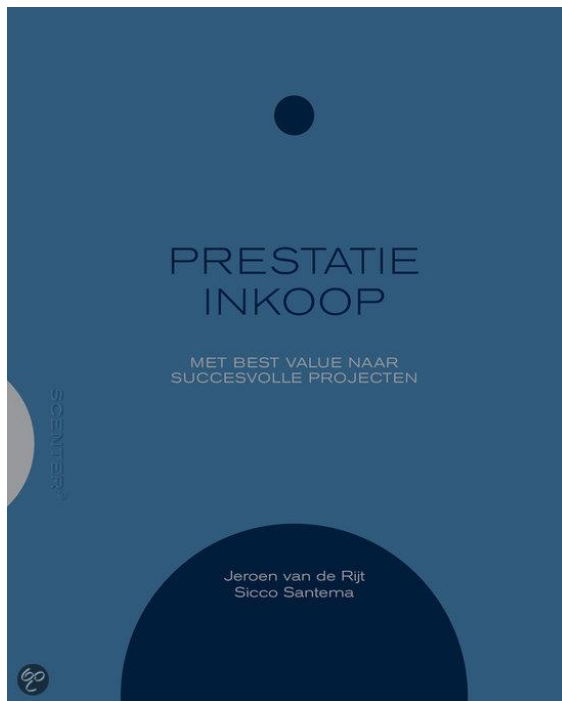




Weekly Reporting System

- Excel Spreadsheet that tracks only unforeseen risks on a project
- Client will setup and send to vendor once Award/NTP issued
- Vendor must submit the report every week (Friday).
- The final project rating will be impacted by the accuracy and timely submittal of the WRS

No	Date Entered	Risk Items	Plan to Minimize Risk	Planned Resolution Date	Actual Date Resolved	Impact Days to Critical Path	Impact to Cost	Owner/ Contractor Generated	Satisfaction Rating (1-10)
0	3/17/2006	EXAMPLE: Risk A	Risk A Plan: 1) Problem background - why is this an unexpected project risk? 2) What will be done to minimize this? 3) Who is responsible for the plan? 4) What kind of impact will this have?	9/9/2006		75	\$ 10,000	O	5
1									
2									
3									



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Which would you buy?

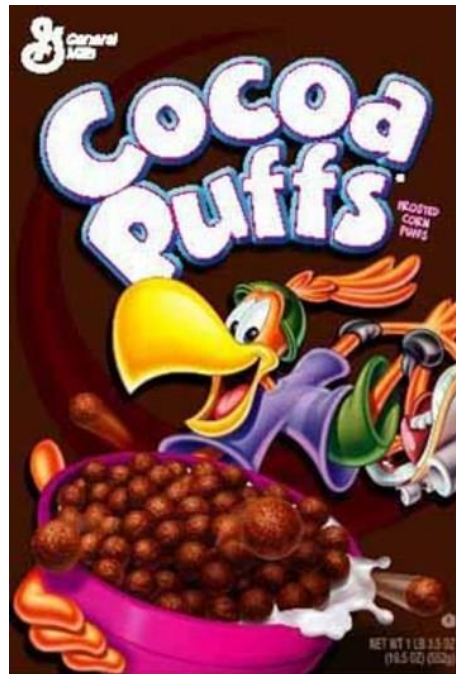
(If you need to buy Cocoa Puffs)

A



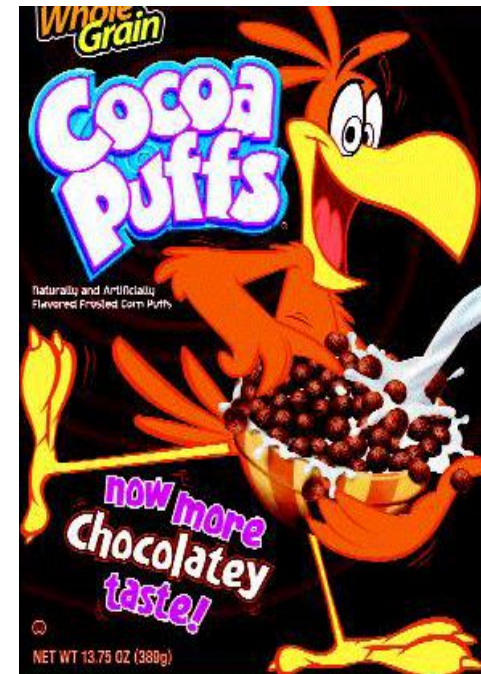
10 OZ
\$3.75

B



10 OZ
\$3.99

C



10 OZ
\$3.50



Which would you buy?

(If you need to buy Cocoa Puffs)

A



10 OZ
\$3.50

B



12 OZ
\$1.25

C



14 OZ
\$2.99

"Dominant Information"

Scenario A



Scenario B

