

- NIMA: Norwegian Purchasing and Supply Association
- Statkraft: largest renewable energy provider in Europe
- Introduction of Best Value PIPS 24 Sept 2012



- 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

2012 RICS COBRA Conference

- Australia
- Chile
- Japan
- Ireland
- Africa (Congo)



University of Alberta – Best Value Effort

- Started implementation in October 2010
 - 3 year strategic plan



University of Alberta Best Value Implementation

Best Value Procurements (<i>Completed</i>)	3 projects	\$52M
• 1 Service, 1 Construction, 1 Design		
Best Value Procurements (<i>In Progress</i>)	6 projects	\$157M
• 1 Information Technology (IT), 3 Design, 1 Service, 1 Construction Management Program		
Total Effort to Date	9 projects	
Total Savings	\$12M	
Client PM Satisfaction	9.9 (out of 10)	

University of Alberta – Best Value Performance

Project	Value	Cost Savings	Schedule Impacts	Satisfaction / Performance
1. Custodial Services (campus-wide)	\$18M	\$2M 10%	5.5% performance Improvement	10 (out of 10)
2. DB Construction (Research Facility)	\$30M	\$8-12M 25%	14-18 months	9.7 (out of 10)
3. Design Services (Building Redevelopment)	\$4M	\$500k 12%	0% Cost & Schedule CO's	\$190k in Value Added Options



Expanding Best Value in Canada

Best Value Seminar – Edmonton, AB

- 80 Attendees from 4 Provinces
- 41 Organizations
 - 18 Owners
 - 7 Designers
 - 14 Contractors
 - 2 Service Vendors



4 Potential New Research Partners

Upcoming Efforts

- W3 Conference in Vancouver – Sept 2012
- Modular & Off-Site Construction Summit in Edmonton – Nov 2012
- Best Value Seminar in Halifax, NS – Dec 2012

Client Causes Most Project Deviations

Best Value PIPS records sources of all deviations

- ✓ PIPS creates *transparency*
- ✓ PIPS allows vendors to *identify and mitigate risk* that they do not control
- ✓ PIPS forces client and buyer to be *more accountable*

	City of Roseville	City of Rochester	Rochester Public Schools	Hennepin County	ISD 287	University of Minnesota
General Overview						
Total Number of Projects	1	6	16	2	3	318
Total Awarded Cost (\$M)	\$2.2	\$37.8	\$12.2	\$0.8	\$29.5	\$198.4
Projects where BV lowest cost	100%	83%	44%	50%	33%	45%
Percent Awarded Below Budget	N/A	1%	20%	-8%	12%	6%
Cost Increases						
Overall Change Order Rate	0.0%	0.5%	2.6%	0.0%	0.1%	15.6%
Client	0.0%	0.5%	2.1%	0.0%	0.0%	13.6%
Designer	0.0%	0.1%	0.4%	0.0%	0.1%	0.4%
Contractor	0.0%	-0.1%	0.0%	0.0%	0.0%	0.0%
Unforeseen	0.0%	0.0%	0.1%	0.0%	0.0%	0.8%
Schedule Increases						
Overall Delay Rate	0.0%	23.2%	5.1%	2.5%	0.0%	53.6%
Client	0.0%	0.0%	1.8%	2.5%	0.0%	24.5%
Designer	0.0%	0.0%	2.5%	0.0%	0.0%	4.8%
Contractor	0.0%	19.9%	0.0%	0.0%	0.0%	2.6%
Unforeseen	0.0%	3.4%	0.8%	0.0%	0.0%	4.6%

State of Oklahoma Best Value Projects Performance

Oklahoma Best Value Project Information	
# of Best-Value Procurements	20
Estimated Value of Best-Value Procurements	\$100M
Protest Success Rate (# of protest won / # of protests)	3/3
# of Different Services	13
% Where Identified Best-Value was Lowest Cost	71%
Project Performance	
# of Completed Projects	8
Average Customer Satisfaction	9.5 (out of 10)
Cost Savings	\$29M
% On-time	100%
% On-budget	100%

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BV Research in Malaysia

- Developing country
 - Experts
 - Motivates others to be experts
 - BV PIPS structure helps the inexperienced to see into the future without changing their human tendencies
- Changing from management, direction and control to using “expertise”
- Best value is the “best available”

Using “Out of the Box” Concepts “Information Measurement Theory” see Kashiwagi on “youtube.com”

- Minimize management, direction and control
- Minimize decision making
- Minimize meetings and communication
- Vendors should control projects
- Contract scope written by vendors
- “win-win”
- No negotiations!!!!!!!
- Buyer has intent, doesn’t need to know final product
- Experts can see into the future
- Experts have no risk
- Experts identify and mitigate risk that they do not control
- Risk is in the mind of the individual
- Risk cannot be transferred
- Risk is caused by the inability to see into the future
- Contract not used to control
- Performance metrics on the risk that the vendor does not control

Traditional FM: Price Based Activities

- Using standards and requirements
- Using direction and control
- Increased communications
- Discussing sharing of risk
- Prequalification
- Decision making
- Client use of technical expertise in selection
- Leveling the playing field
- Transferring risk

Solution

- Simple
- Obvious [dominant]
- Change
- Lead to win-win [higher profit and lower cost]
- Accurate perception of reality
- “Easy to do”

Changing FM Approach

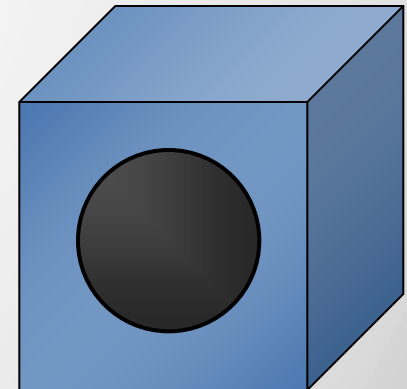
- Owner/buyer control lead to the degradation of industry expertise and quality
- Contracts have little value in ensuring success
- Management, direction and control used to minimize risk increases risk
- Experts have no risk
- Expert vendors should write their own scope of work
- The buyer/client causes over 90% of project deviations and risk
- Passing of information should be minimized

Traditional Leadership Model: Abusive *nfluence*

- Focus on changing people
- Followers are the constraint
- Requires lots of resources
- Relieves management from accountability
- Win-lose; abuse; negative results

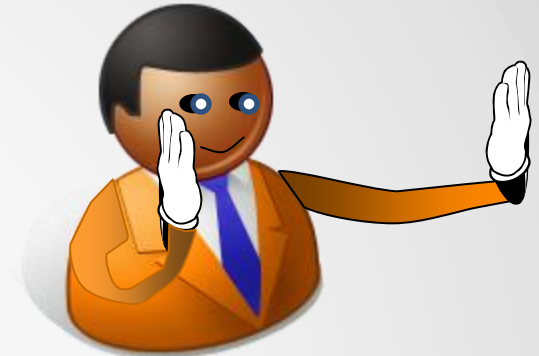


Reactive

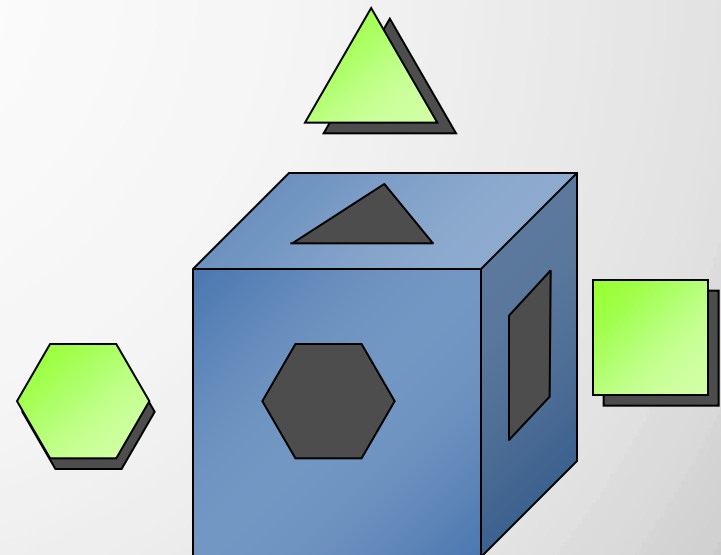


Efficient Leadership Model: *No Control*

- Alignment
- Requires Understanding
- Leader is the constraint
- Focus is on changing the system
- Efficient



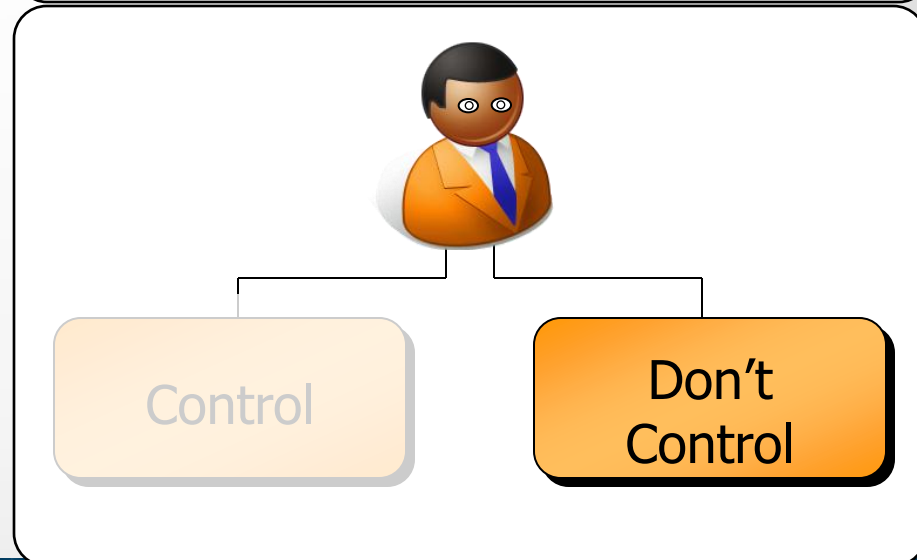
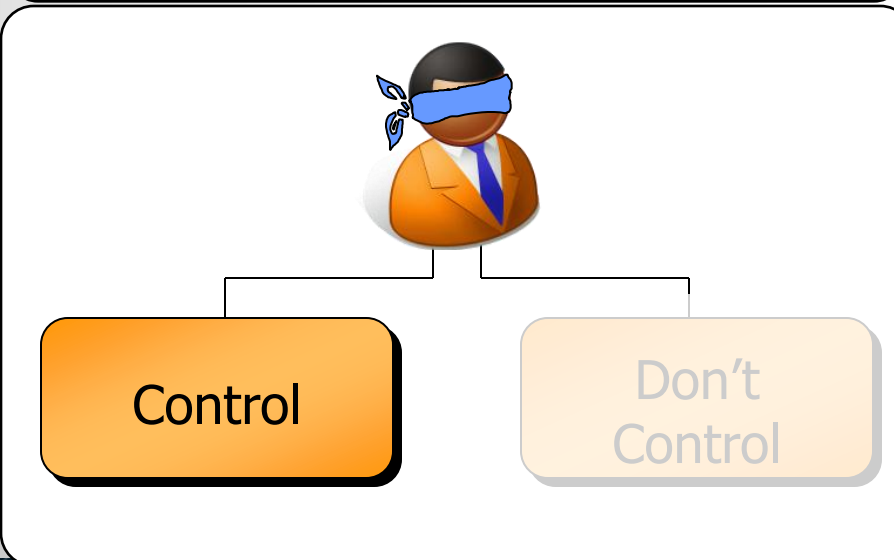
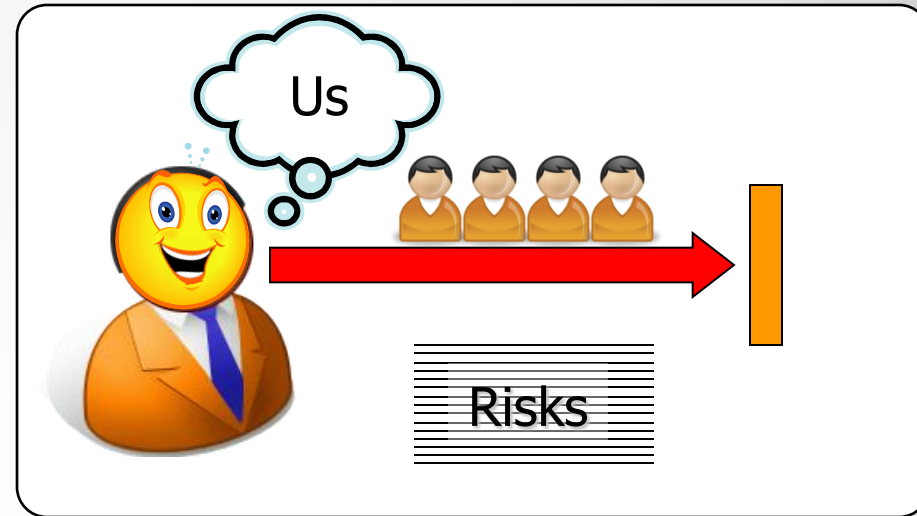
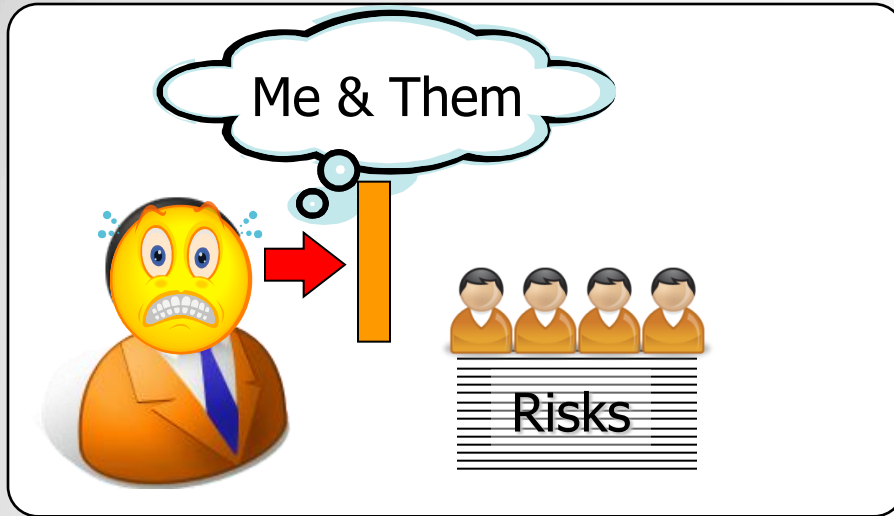
Proactive



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

Inexperienced vs. Experienced



PBSRG Best Value Research (Performance Based Studies Research Group)

“Win-win” , common sense, logical

- 1992-present, \$12M research (**20 year** research program, **1600+** tests)
- Delivered \$4.4 Billion Services
- **100% increase in Vendor profit**
- **Minimize up to 90% of client/buyer transactions**
- **98% Customer satisfaction** and LT 1% vendor deviations
- Testing: Finland, Netherlands, Canada, Malaysia, Africa and U.S.
- ASU – investments of over **\$100M over 10 years** due to “change in paradigm”

FULBRIGHT

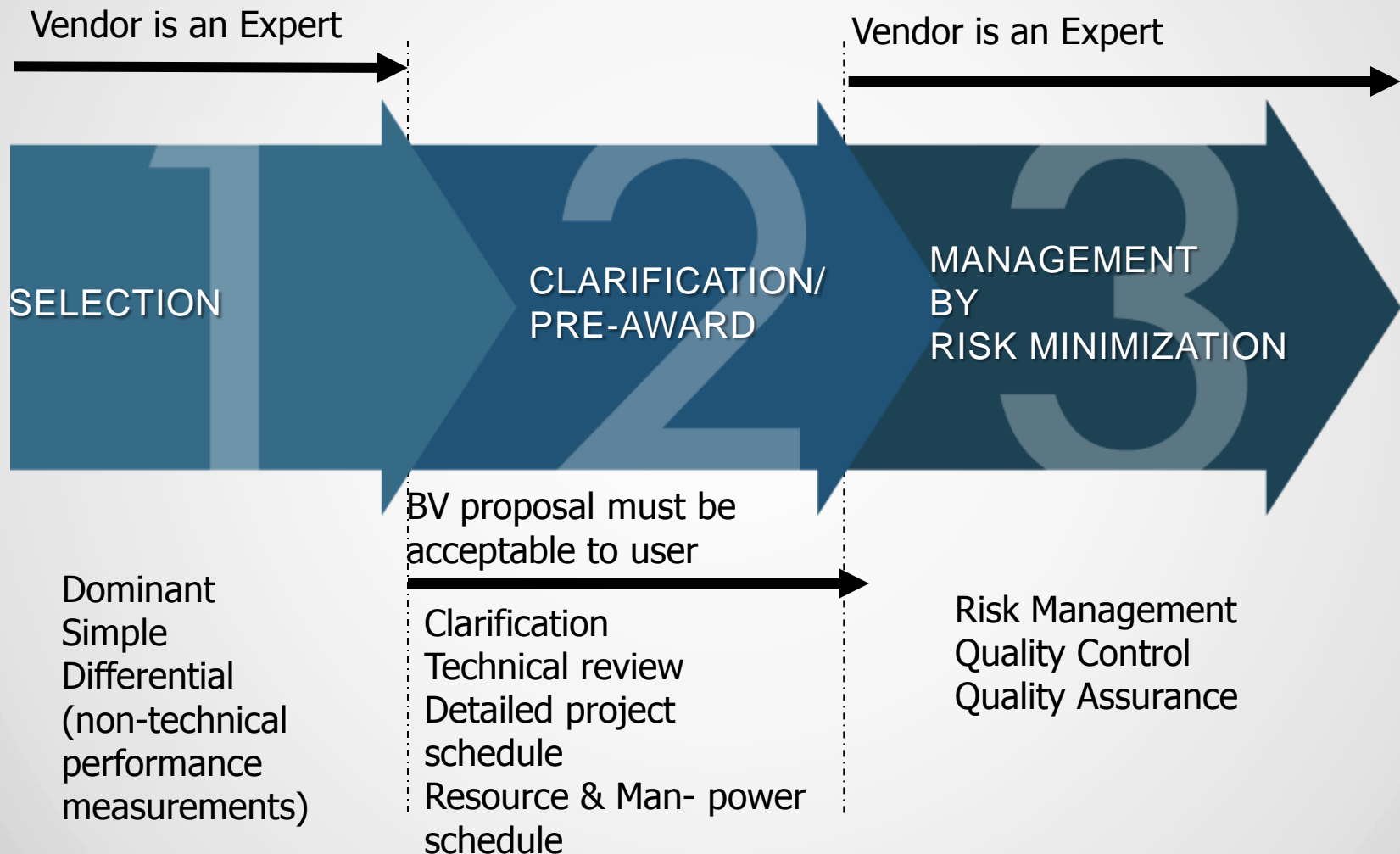


Lessons Learned

- BV PIPS is a “business approach” based on efficiency, expertise and profit
- Client use of BV PIPS **reduces cost dramatically**
- **Vendors can apply it on every project** even if client does not fully understand
- Constraint: education needed, not a one day turn around
- Vendors need education as well as client
- **Need more certified trainers and BV experts!!!!!!!!!!!!!!!!!!!!**

FM Model of the Future: Performance Information Procurement System

(details documented in manuals at pbsrg.com and ksm-inc.com)



Vendor and FM Actions

- Identify most visionary people in organization
- Give them freedom
- Use a certified best value expert
- Use the BV system to plan and measure the success of the plan
- Create transparency with the simple measurements
- Don't expect others to "believe" or "trust" you

Measurement



Project Capability Submittal

Claim: best project manager in company, does only clean room projects, best in the Midwest area

Verifiable performance metrics:

- 1.last 10 years
- 2.20 clean room projects
- 3.scope \$50M
- 4.customer satisfaction 9.5
- 5.cost deviation .1%
- 6.time deviation 1%

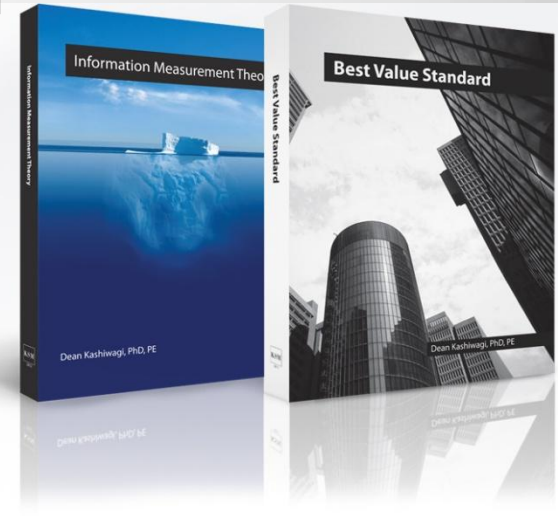
Recommendations

- Educate visionary FMs
- Use Best Value practices
- Change the paradigm [use dominant metrics]
- Changes the work environment [supply chain replacing silo thinking]
- Don't expect people to understand you

Come and Learn How to be a Part of the FM Future [pbsrg.com]



- Netherlands
- Canada
- Malaysia
- United States
- Africa
- Finland
- Proven results
- Dominant results
- 20 years, 1000+ tests
- 98% customer satisfaction
- Win-win



Comments / Questions



WWW.PBSRG.COM