

Intro Clips:

Mike: "We're looking for vendors in our process that basically have the best vision and the best ability to pre-plan, and when they come to us we're basically looking for people that have put their proposals together with that in mind."

Mike: "We're not interested in their marketing presentations or their marketing people and we're not interested in hearing regurgitated information about how strong our relationship is."

Mike: "This one of the most logical, streamlined, factually based processes that actually measures performance that I have seen."

Interview Start:

Welcome to New Construction Strategies with Ted Garrison.

Ted: "Welcome to the program Mike, You know, in conversation with owners, it's clear that the majority understand the need to evaluate performance as well as price. The problem in evaluating contractor performance is it's usually very subjective, which causes a lot of problems for organizations. Fortunately, PBSRG at Arizona State University has developed a Performance Information Procurement System, or PIPS, that converts this process to a transparent, objective process. It's great that academics, consultants, and contractors proclaim that the system works, but the true test is what do owners think of this process. Our guest today, Mike Perkins, is Associate Vice President for Capital Planning and Project Management at the University of Minnesota and has been using the best value and PIPS processes. With all that said, Mike, from your perspective, what do you see as the benefits of best value and PIPS?"

Mike: "There are numerous benefits. I think about accountability, and what I mean by that is placing accountability with the appropriate party in any sort of a transaction for construction project. I think about risk, risk mitigation, risk minimization, this is the system is designed to minimize that. Oftentimes people think minimization is elimination, it is not elimination, it is minimizing. I want to be very clear about that. I think about anonymity and transparency. And when we select our vendors we do with this system, which operates under a veil of anonymity which gives us total transparency in the whole process. This is the most transparent process that we have ever worked with. It's a simple system. It is designed to eliminate or minimize decision-making and if you let it work properly, it will do that. It will put decision-making back contractor, back on the architect, basically back on the people that really have the expertise to make those decisions, not the owner. Also I think about expertise and accountability. This system is really focused on trying to find the entity, the corporation, the architect/engineer, the person that has the most expertise. Our job then is to put them in charge, hold them really accountable for the entire process, and then probably most importantly, we've got to stand aside and really let them do the job they're capable of doing. And finally the most important part, I think, is the closed evaluation loop. when people work with us, their coming into a project and they know right off the bat that their evaluation at the end of the project is totally dependent on them, a good one, is totally dependent on them getting more work, more jobs at the University of Minnesota, and they come into the project with

that knowledge and understanding, and they know at the day they're evaluated, and that evaluation actually mean something. Those are the things that immediately come to mind, Ted."

Ted: "You know the one that was interesting to me was your mention of accountability, assigning the responsibility to the person most able to handle it. You know, most owners take the position, well the best thing for me to do is assign the risk or the accountability to the contractor. How would you respond to that?"

Mike: "That's what we're trying to do in this process. Right now, I would say, well, before we started the evaluation process and using PIPS, we were basically taking responsibility for the majority of our projects. We were taking control, we managed the decision-making, we wanted to be, sort of, the central focus of the whole process. But what we have found out in terms of information from this system, that the owner is actually the biggest impediment to the process. We cause more of the deviation than any of our contractors or any of our architects and engineers. So the challenge with this is to step back and put the people with the expertise in charge and then give them the space and the latitude to really do the work, do the job. And where we do that, and we don't do it perfectly yet, we're getting tremendous results."

Ted: "If I hear you right, you know, the mistake that a lot of people make, is that they want to delegate the responsibility, but keep the authority. What you're saying is that you delegate the authority and the responsibility."

Mike: "Well we're trying to do both. You know, we're coming at it with imperfect people and we're still learning the process even though we've been at it for five years, and what we're really struggling against, our biggest challenge is working on all the predispositions, and all the learning and experience that we bring to our jobs from our past, and that past is when you're involved in construction projects as a project manager, your job is control, your job is decision-making, and your job is detail. But this is a system that tries to really divorce you or remove you from that and really put those responsibilities with the entities that have the most expertise to do the best job, and that clearly not the owner. The owner is not a contractor, not a certified contractor, generally, not a certified architect or engineer, generally, you may have those disciplines on your staff, but those people probably are not really licensed to perform at that capacity, such as a truly licensed professional."

Ted: "You know, how specifically have you been able to use these techniques to improve your capital improvement projects at the university?"

Mike: "We have implemented the program just as ASU has defined it for us, and educated us in the process. In terms of problem solving, whenever problems have come up in the past usually WE the client and the owner are the first ones to jump in and try to solve the problems. We're now pushing that back and we successfully pushed it back to the vendors. you're here to do that, that's why you were hired, that's the expertise you have, now do the job you were hired for, and that's starting to work much better for us. We have a process now, because of the anonymity and the transparency aspect of the process, where we're much better able to defend any challenges that we may have on our project selections, even though since we started we have had none, really. but it also gives us the ability when a

vendor loses a particular project and there's only one winner and several losers and we give everybody the opportunity to come in and debrief on the winner's proposal, we now have the ability to sit down and tell those folks very specifically what they didn't do well, and much more importantly, what they could do better next time to be a better performer on the next go around. We've never have that ability before. The process has been much more streamlined for us, typically when we get proposals in the governmental situation, you know, we get a three ring binder with an inch and a half of information, most of it marketing information or anecdotal information. Now we're getting very streamlined proposals. We can go through fifteen or twenty proposals in maybe an hour and a half and do justice to it, whereas before it would take several days to go through it, so it's really streamlined our process. But probably the most effective aspect of this whole thing has been our ability to report to management. Before, I used to do that, but I used to do that based on a lot of speculation and a lot of information that I thought my audience would want to hear and frankly some of it was made up. I didn't stray too far from the facts or what I thought the facts might be, but I really never had the facts to be able to document everything that I would tell people. But now as we produce management reports, they are much more accurate, they are definitely comprehensive, and they are meaningful for the first time. So that's what I'd outline kind of as the benefit of use."

Ted: "Mike, this has been a fascinating discussion, I'm sure you and I could talk about this for hours, but we're almost out of time. So what final thoughts would you like to leave with our listeners?"

Mike: "Well, we've been at this for five years, we have done 281 projects over those five years, our out-of-pocket costs for this program have been about \$475,000. That's a consulting relationship or a research partnership relationship with ASU, over those five years, where they have supported us 100% in our efforts. And through that process we've saved about \$42M or 31% off of our expected spend in our construction projects. As soon as we started using this program, Ted, our payback was virtually immediate. The first year we did 8 projects and within 8 projects we certainly paid back our first year's expense and actually went into year 2 and 3. And so as I look at it, this is been documentably, probably the most significant thing that we've been able to do to improve our process in the eight years that I've been at the university. Now we've done a lot of other process improvements, but by and large this is one that I can document, and I can show that we have actually gotten a payback and we've got all of the performance measures that would show that."

Ted: "Mike, I want to thank you, you've provided some great insights, and I'm sure this will be very helpful for our listeners. Thanks Mike"

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