

INTERNATIONAL 2011 CIB W117 AND BEST VALUE CONFERENCE

The February 14-18, 2011 Best Value Conference and CIB W117 Using Performance Information in Construction - Working Commission Annual Meeting exceeded the expectations of previous years. The conference attracted over 260 participants representing 28 different US states and 5 different countries (USA, Canada, Costa Rica, South Korea, Malaysia, and the Netherlands).



The following characteristics make the annual best conference unique:

1. The Conference is an intense, continual review of simple but new paradigms and concepts which have been quickly tested in prototype tests or implementations.
2. The participants are all research based partners, or parties who are very interested in implementing change and the best value performance information based systems being developed by Arizona State University and other CIB W117 partners.
3. The conference is much focused networking of participants from the entire supply chain in the delivery of services including the buyers/clients, the vendors, and the suppliers.
4. The clients/buyers were represented by engineers/designers/professionals, procurement/contracting personnel, and management/leadership.
5. The conference covers:
 - a. Leadership/information/supply chain/project management theory, prototype testing results, and implementation of systems.
 - b. A new project management, supply chain optimization, and risk management model development.
 - c. Results of large "real time" tests of the new models.
 - d. A new model of research. The research done in the W117 and ASU program is not government research funded research, but use of operational funding of research partners who can see a direct application of the research to minimize risk, cost, and inefficiency of the their operations.
 - e. A new set of manuals of the Performance Information Procurement System (PIPS): the Best Value Standard and Information Measurement Theory (IMT.)

The conference was organized by four parties: the Performance Based Research Group (PBSRG), the research clients of PBSRG, the CIB W117 international committee, and the KSM group.

CIB W117 & Leadership Meeting: Working in Groups

The CIB W117 meeting opened the conference under the leadership of Kenneth Sullivan. Professor Kashiwagi followed with a short status report of the entire year, and then the visionaries broke up into smaller groups and conducted Q&A with project managers from other owners.



Opening CIB W117 session attended by Nathan Chong, a CIB member and others.



CIB W117 members had time to meet with others with diverse backgrounds.

The conference integrated the major CIB W117/PBSRG research efforts:

DUTCH "MIRACLE"

Twenty two key Dutch participants attended the conference.

- A contingent from the Rijkswaterstaat (the agency in charge of Dutch waterways and transportation infrastructure, led by their project managers Wiebe Witteveen and Carlita Vis and other significant personnel.)
- The W117 Dutch platform leaders and PIPS experts Sicco Santema and Jeroen van de Rijt.
- The director Theo van der Bom, of NEVI (Dutch procurement industry group - a combination of Institute of Supply Chain Management (ISM) and National Institute of Government Procurement (NIGP) in the United States)
- Long time Dutch practitioners of best value PIPS including Guido Koreman, from Ballast Neendam (a major Dutch contractor)
- Many contractor personnel from the 16 test projects in the \$1B Rijkswaterstaat best value PIPS fast track projects.

The Dutch, as a country, have implemented best value PIPS faster than any other large group or organization in the 18 years of PIPS development. When asked why such a success, the Dutch architect of the movement, Sicco Santema responded, "The Dutch are a trading county. They require continual improvement in value. The Dutch need increased quality and decreased cost. Under the traditional procurement model, where the buyer directs the expert vendor through detailed specifications, then identifies the low bidder, and then negotiates the price lower, the Dutch found quality going down and cost going up. This is unacceptable to the Dutch. When they were introduced to the "win-win" of best value PIPS (increased profits, decreased cost, improved quality and value), they immediately gravitated to the system."

Carlita Vis, Rijkswaterstaat project manager, added a more detailed and conservative perspective. "The Dutch government made a major change following the collusion [case] and after the European legislation forbid price regulations. In order to improve the quality and to stimulate innovation and expertise for private parties, Rijkswaterstaat decided no longer to do the design work themselves and to request for proposals including Design & Build (and sometimes Maintain and Finance). This requires a more abstract/functional request for proposal and the best value for money (MEAT). Quality control must be done by the contractor; the client checks this quality management system in order to make sure he gets what is in the contract (quality assurance). These small steps were made before the big leap of Best Value PIPS could be made. In my opinion, Best Value PIPS found in the Netherlands a rich soil but still needs a lot of care and attention to flourish!"

In 5 years, the Dutch have become the fastest moving best value PIPS implementers. They have done what normally takes a lifetime in a few short years. Professor Kashiwagi has identified the Dutch effort as a "miracle", something rarely seen in academic/industry research, the changing of a country, culture, and practices as a result of close cooperation between academic researchers, government visionaries and public and private efforts.

STATE OF MINNESOTA EXPERIMENT

The State of Minnesota has multiple users in the best value PIPS effort. Led by Michael Perkins and Nacole Kaai from the University of Minnesota, and Richard Freese from the City of Rochester, James Kelly of Rochester School District, District 287 led by Tom Shultz, and Judy Hollander from Hennepin County, government groups in the state of Minnesota are trying to optimize the delivery of services. Their approach is to change the existing paradigm of, “buyers dictating to the vendors”, to where the “best value vendors step up and take accountability for the quality and value of delivered services”. With rising costs and diminishing funding, the Minnesota visionaries are attempting to set up a totally voluntary, transparent, and vendor-driven environment, where government units receive the best value for the least number of transactions. Construction is the major service that is being targeted; however, the visionaries are focused on the reduction of transactions provided by the best value PIPS project management and risk management model. This is shared by many high performance contractors who have now been regular attendees at the best value annual conference.

US ARMY MEDICAL COMMAND (MEDCOM)

MEDCOM is, by far, the longest running test of the best value Performance Information Risk Management System (PIRMS.) Led by Col Guy Kiyokawa and LTC William McCarthy and project manager Charlie Jay, and visionary regional managers, the MEDCOM team has been minimizing risk by using a transparent information reporting system that has minimized change orders and increased accountability in the system. It has also proven that when a system is transparent (measured using dominant information) the level of accountability and efficiency is increased. The MEDCOM case study highlighted IDIQ contractors who had taken the best value model internally, achieving the MEDCOM project goal: moving the best value model to the vendor, who is now managing and minimizing risk caused by the owner, and thinking in the best interest of the owner to maximize profit and value. One IDIQ vendor had turned the best value model reporting scheme into their own risk management system, while another had used the philosophy to triple their production with very little additional manpower requirements.



STATE OF IDAHO PROCUREMENT PARADIGM SHIFT

Led by Procurement Director Mark Little, the state of Idaho is attempting to change the role of procurement from "writing contracts" to motivating vendors to become best value vendors, and the State of Idaho users/buyers to transfer risk and control to the vendors. The biggest challenge becomes to change the "government mindset" and vendor practice of relationships, to planning, measurement, and accountability.

WESTERN STATES CONTRACTING ALLIANCE (WSCA)

Led by the states of Idaho, Alaska, and Oregon, visionaries are using best value PIPS to ensure project delivery in many areas that were previously risky with poor performance. WSCA is currently attempting to sign an agreement with Arizona State University (ASU) which gives priority, immediate access, and lower licensing fees to WSCA members. Led by Vern Jones and Mark Little, WSCA sees best value PIPS as a major improvement in procurement practices.

NEOGARD MODEL OF RISK MANAGEMENT OF WATERPROOFING SYSTEMS

Neogard, led by its visionary director Will Rich and its program manager Denise DiGruccio, has developed the risk management model utilizing performance information and the weekly risk report and risk management plan. The Neogard model manages the risk of installed waterproofing systems by tracking performance information through Arizona State University. They have taken the concept that risk is minimized proactively documenting performance and not by reactive warranties. Neogard has been developing its risk management programs (the Alpha program) of selective contractors for the past 14 years, investing over \$1.4M into the program.

STATE OF OKLAHOMA PROCUREMENT/CONSTRUCTION PARTNERSHIP

The state of Oklahoma construction and procurement divisions have merged efforts to bring the best value and risk management PIPS to the State of Oklahoma. Led by visionaries John Morrison, Scott Schlottaheir, and Steve Hagar, they have been one of the fastest moving entities in using the best value concept to as many types of services and complex combinations of services. Their strength is in understanding that the traditional processes were not minimizing transactions, so that their risk was very low in pushing the logic based, common sense principles of PIPS.

"MALAYSIAN EXPERIMENT"

Two years ago, Professor Kashiwagi was introduced to one of the most visionary leaders he has met in his 18 years of research work, Dato Gan. Dato Gan is the leader of Brunfield, one of the largest developer/contractor vendors in Malaysia. Brunfield has a strategic model that includes development, strategic sourcing, real estate/facility management, and construction. Brunfield value added capability, ability to deliver high quality, speed of delivery, and low construction cost, exceeded any operations that Professor Kashiwagi had seen. Brunfield saw the best value structure as a methodology to increase their production and leverage their financial model without increasing risk. For the next three years, Brunfield will be integrating the best value environment into their supply chains. Brunfield will also develop a Pacific based PBSRG research center, the first of its kind under a contractor/developer's control.

UNIVERSITY OF ALBERTA, EDMONTON, CANADA

The University of Alberta is in their first year of Best Value education and testing. Their organizational objective is to become a more effectively measured environment where risk is minimized through the expertise of their outsourced service providers. The effort is led by Brian Stewart, Director of Procurement & Contract Management, Hugh Warren, Executive Director of Operations & Maintenance, and Wendy Abel, Manager of Major Acquisitions. The executive sponsors of the effort are Phyllis Clark, VP of Finance and Don Hickey, VP of Facilities and Operations. The University of Alberta team is moving quickly and has already awarded an extremely large custodial project with exceptional success and team satisfaction. Over the next few years the University is seeking to apply preplanning and performance measurement to other areas including construction and IT services. The Alberta Core Team has embraced the best value philosophy and is making the system their own, mastering the processes, and learning the thinking paradigm behind the best value approach.

GENERAL SERVICES ADMINISTRATION (GSA)

The GSA Heartland Region, Region 6, has been implementing best value PIPS for the last two years. After being hit with a restriction of travel due to the late approval of the federal budget, the director of Region 6 decided to implement PIPS in 1-1/2 years instead of 3-1/2 years. The quick implementation into one of the largest and most bureaucratic organizations, which is designed to be top down, is a real test of the leadership of the region. They are fortunate to have visionary regional director Cy Houston, and project manager Jeff Meyer.

SPEAKERS AND TOPICS

The conference had 15 major speakers headlined by Dr. Kashiwagi and the PBSRG staff. The major topics of this year's conference were:

1. The identification of the client's delivery system, and not the lack of technical expertise, as the major problem facing delivery/supply chains.
2. The best value PIPS model is a vendor centered model, as well as a buyer model to deliver services. An optimal buyer best value model is where the vendors are using the best value model as their operating model.
3. Performance information should be documented and used by vendors to show dominant performance in best value deliveries. The performance information should not be the responsibility of client organizations.
4. The pre-award period is the most important phase of the best value PIPS process. Without a productive and efficient pre-award period, the weekly risk report (WRR) and the risk management plan (RMP) will not be effective.

The third point above ensures that paradigm shift will occur from the buyers attempting to minimize risk through management, decision making, direction, and control to the alignment of expertise. This point was driven home by many of the practitioners on the leading edge tests who observed client representatives and vendors using best value PIPS as just another way to procure or get a job, and then reverting to their management, direction, and control methodology.



Conference Speakers: Top Row: Dean Kashiwagi, Sicco Santema, Kenneth Sullivan, Jeroen van de Rijt and Ray Hatwell. Middle Row: John Kudach, John Morrison, John Savicky, Wiebe Witteveen, Jacob Kashiwagi Bottom Row: Blair McNeil, Jeff Sawyer, Thom Tisthammer, Roy Campbell, Mark Little.

The conference was focused around the theme of best value PIPS being a standard best value process which minimized risk by the alignment of expertise and experts, and not by management, direction, and control.

PBSRG made major changes to the PIPS structure in 2010 to ensure the movement to the alignment of expertise. This clearly identified the major source of risk as a system issue, and not the lack of technical expertise.



Every year, PBSRG identifies the top contributors to the Best Value Effort. This year the Best Value Award Recipients (Left to Right) Thom Tisthammer, Wattle & Daub, Contractor of the year; Denise DiGrucchio, Neogard, Manufacturer of the year; Dr. Dean Kashiwagi; Mark Little, State of Idaho, Procurement Office of the Year; and John Morrison, State of Oklahoma, Construction Administrator of the year.

CONFERENCE ATTENDANCE AND OBJECTIVE

Professor Kashiwagi admonished research clients and annual attendees to have a strategic goal when attending the conference. This could include:

1. Identifying clients who were ahead in testing and experience, and asking them to mentor their efforts.
2. Partnering with groups having the same objectives and time in development.
3. Using the conference to discuss and teach among a user's participants and using the conference to gather ideas, then meeting in a sidebar meeting, improving on their tactical and strategic plan, and ensuring that everyone took the certification exam at the end of the conference.
4. Identifying needs of the client before coming to the conference and sending those issues into the conference planners ahead of time.
5. Spending time with PBSRG staff to identify solutions to issues.

Professor Kashiwagi proposed to conference attendees that preparation ahead of the conference is as important as actual attendance.

2012 CIB W117 AND BEST VALUE CONFERENCE

The next annual conference will be in Tempe, AZ, Feb 13-17, 2012. It will emphasize:

1. Certification and testing of vendor and client personnel.
2. Availability of videos to reinforce the paradigm shift.
3. Methodology to implement and educate the weekly risk report and risk management plan.
4. Teaching aids and how to teach your personnel.

Other major presentations identified at the conference are:

1. Pianoo (Dutch government procurement group) keynote address, May 26, 2011, Utrecht, Netherlands
2. Early Contractor Involvement, Innovation conference hosted by major European Dredging Associations, June 23-24, 2011, London, UK.
3. Eden Doctorial Seminar, August 19, 2011, Lille, France.
4. CITC VI, Kuala Lumpur, July 5, 2011.