

Best Value Performance Information Procurement System (BV PIPS)

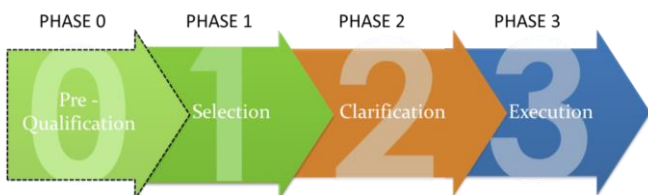
CHALLENGE

Organizations are finding it difficult to deliver high performing business services due to ever increasing requirements and decreased funding. Twenty years of testing has identified that the inefficiency of the owner's traditional delivery system creates non-transparency, which nullifies the majority of the value that new technology brings, and makes it impossible to use the experience of the vendor community. Performance Based Studies Research Group (PBSRG), located at Arizona State University, has developed a new delivery method that is able to minimize complexity and increase transparency, enabling owners to utilize expertise and improve project performance.

INNOVATION

The new delivery method is called Best Value Performance Information Procurement System (BV PIPS).

The BV PIPS has three phases: the Selection Phase; the Clarification Phase; and the Execution Phase.

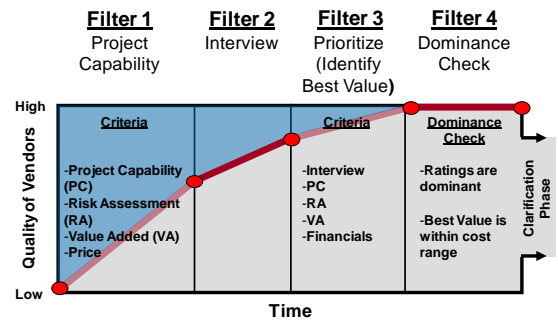


The BV PIPS is able to simplify the delivery system by the following:

1. Requiring vendors to differentiate their level of expertise based on performance metrics.
2. Requiring vendors to create a plan before they receive a contract.
3. Requiring vendors to measure their performance throughout the entire contract.
4. Require all communication to be non-technical and simple.

SELECTION PHASE

The BV PIPS Selection Phase has four filters: (1) Project Capability, (2) Interview, (3) Prioritization of Vendors, and (4) Dominance Check.



The BV PIPS Selection Phase uses five selection criteria in which a selection committee rates four. These criteria are how the vendors will differentiate their levels of expertise. All five criteria are given a weighting to determine the "Best Value Vendor." They are:

1. Project Capability (PC)
2. Risk Assessment Plan (RA)
3. Value Added (VA)
4. Interview
5. Price

Before a vendor is allowed to proceed to Phase 2 (Clarification), a dominance check will be performed which consists of the following:

1. Ensure ratings are understandable and justifiable.
2. Verify that the information the vendor(s) submitted is accurate.

PROJECT CAPABILITY SUBMITTALS

Project capability submittals (PC, RA, and VA) address a vendor's competence to perform the project, capacity to identify/mitigate/minimize risk occurrence, and ability to increase value for costs outside the normal budget. All three have the following criteria:

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1. Maximum of two pages per document (Maximum of six pages for all 3 submittals).
2. Should only contain claims and supporting dominant information [performance metrics] to validate the claims.
3. Must not contain any marketing material or information used to identify the vendor.

THE INTERVIEW

The vendors are required to send key personnel who will be actively working on the project to the interview. The interview is based upon non-technical/non-scope specific questions. The goal is to identify if the interviewee is an expert/visionary not to verify or scrutinize their scope. An interview may last from 15 – 25 minutes depending on the project.

CLARIFICATION PHASE

Only the highest prioritized vendor(s) moves into the Clarification Phase. Before a contract is awarded the owner must clearly be shown the vendor's proposed scope and deliverables. Items the vendor provides to show how they will deliver high performance is as follows:

- One page summary of scope and deliverables
- Detailed schedule
- Milestone schedule with a financial breakout
- Deliverables and performance in terms of metrics
- Identified risk within schedule (Activities outside control of vendor or which vendor does not have enough information)
- Risk mitigation plan (Plan to prevent risk from occurring and plan of action if risk occurs; plans of prevention and reaction must be defined in terms of metrics)

After the Best Value vendor has their offer approved by the owner, contract is awarded.

EXECUTION PHASE

After the Best Value vendor receives a contract they must generate a Weekly Risk Report (WRR) throughout the Execution Phase. WRRs are used to mitigate risk and document performance until project completion.

The WRR should include:

1. Milestone schedule
2. Performance Metrics
3. Risk Management Plan
4. Documentation of risks that occurred and the impact to the original time, cost, and quality, of the contract.

VALIDATION

The BV PIPS has been developed over the last 20 years. It has been tested by multiple clients in both construction and non-construction services. The table below shows BV PIPS's key performance metrics.

PROGRAM CRITERIA	METRICS
FOUNDED	1994 by Dr. Kashiwagi
OPERATION	20 years
PROJECTS AND SERVICES DELIVERED	1600 +
PROJECTS AND SERVICES DELIVERED	\$6.3 Billion
CUSTOMER SATISFACTION	98%
% OF PROJECTS ON BUDGET	96.7%
% OF PROJECTS ON TIME	93.5%
CLIENT RATING OF PROCESS	9.0/10
RESEARCH FUNDS	\$13.3 Million
LICENSES	31

ADDITIONAL INFORMATION

Websites

www.ksm-inc.com

www.pbsrg.com

Manuals

<http://ksm-inc.com/publications/best-value-procurement-and-risk-management/>

Contact

Isaac Kashiwagi

Phone: 480.242.7860

E-mail: isaackashiwagi@ksm-inc.com