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Best Value Procurement - The Practical Approach In The Netherlands

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Abstract

Traditional procurement methods leave much room for improving risk management and value creation. However, Best Value Procurement (BVP) is designed to increase project value by mitigating risks and increasing the transparency by underscoring the pre-award phase. This shift in paradigm is reached by following a sequence of elements with the principles of transparency, performance information measuring and contractor clarification.

The BVP philosophy is developed in the USA. Following is the Netherlands which has practiced it in many projects. Suggested is to follow firmly the method for obtaining the enhanced yields. However, little research has been done on the alignment of the practice with the original philosophy. The purpose of this paper is to fill part of this knowledge gap by identifying process elements from the theoretical versions and examine the extent of practice in real projects. The findings form the foundation for recommending elements to be used in practice.

The chosen approach for this research was a literature study and an eleven-project study. The case study was carried out by conducting interviews with key persons including clients, vendors and involved experts in a range of market sectors.

The findings show that the proposed core elements of the theoretical processes are indeed in-line with most of the practiced processes in the projects. As reflected by the case study, using the BVP principles and the elements sequentially has secured use of expertise. Consequently, an increase in quality and transparency whilst decreasing price of projects were achieved.

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1. Introduction

With traditional ways of project procurements (typically characterised by sequential phases), the involved parties are often working in their own specialised silos. As a result, the ones at the end of the sequence of project phases is to manage all the errors made up to that point. In each phase, unnecessary errors can be made. In addition to this silo-thinking, it can also decrease customer satisfaction^{1,2}. When overall complexity and need for collaboration in projects increase, new endeavours for procurement methods are required^{3,4}.

A solution to these common problems is solved with the early involvement of contractors where the parties are merged into one single contract^{5,6}. After the client has identified his needs to be satisfied, it is the vendor who is required to be the expert and identifies risks throughout the entire chain⁷. Vendors are to look outside their silos to coordinate from the start by identifying and minimising the impact of risks. This is where Best Value Procurement (BVP) is rooted. This method was created by Dean Kashiwagi at Arizona State University and it is about selecting the best vendor suitable for the job after the client has identified the needs and facilitating the space required for him to come through and minimising the client's management and control⁸. BVP is about less and management and more added value throughout the entire supply chain. The method has been applied throughout many industries and has been shown a substantial impact on quality and efficiency⁹. It has proven to be one of the few methods to both contribute to the client's as well as the vendor's benefit¹⁰.

BVP can create a transparent relationship with minimised risks by making the expert vendor responsible. It aligns available knowledge in the best way to come to a win-win situation. Project risks are with the client but its management and control are shifted towards the vendor who is selected to be the expert. He is the one who can see the project from beginning to end and is most capable of identifying these risks, handling and minimising them throughout the entire chain. This can lead avoiding unnecessary difficulties. The work is executed in much more effective and efficient manner and the project's relationship will improve significantly.¹

After the client has identified his need, the contractor takes over and is in the lead from the Execution Phase. The contractor is the one who will finally decide what will be delivered. This lowers decision making and decreases the risk level, especially when the client would make these⁸. Rather than trying to reduce the impact of risks in the Execution Phase with the traditional ways, BVP enables to identify and mitigate additional work upfront⁷.

According to the explorative study carried out prior to the presented results here, little research seems to be available on the extent of the practicality of the proposed theoretical processes. Also, it cannot be ignored to state that BVP can claim to be the elixir to every procurement problems. The awareness of its results, however, is increasing. This has led to clients using (elements of) the BVP according to their specific procurement. The Netherlands has applied most BVP after the United States since 2005 with 130 registered projects until 2012 and has been exploded since^{11,12}. As are result, these procurements called Best Value (BV) are actually hybrids with traditional elements and do not have the same ideal results. This can 'dilute' the proposed theoretical process¹³. Considering the number of projects, not much data has reached academia so the need for practical documentation can be considered high. For this reason, this research's function is to analyze the presence of the theoretical process elements in real projects. To address this perceived knowledge gap, the following research questions have been acted upon:

- What are the elements of Best Value Procurement?
- What are the experiences from the use of BVP in Dutch projects?

This paper focuses on identifying the process elements of the BVP. This is done by first presenting literature review in section 2, after which the methodology in section 3 describes how this is used for finding the implementation of the elements. The case findings are then discussed based upon the proposed theoretical processes elements in section 4. The answers to the research questions and implication of future projects are summed up in section 5 in which the limitations of the research are revisited as well.

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