

# THE IMPACT OF BVP IN A TVD BASED PROJECT DELIVERY

Ph.D Cand. **Tobias O. Malvik** - NTNU

Prof. **Bo Terje Kalsaas** - UiA

Ph.D. Cand. **Rouzbeh Shabani** - NTNU

Independent researcher **Karl Oscar Sandvik**

# AGENDA

- Background
- Aim of the research
- Research method
- Target Value Delivery vs. Best Value Procurement
- Case study of a large Norwegian highway project
- Conclusions

## BACKGROUND

- BVP and collaborative approaches presented as means to deal with increasingly complex projects
- A lack of connection between procurement method and the level of integration in development and execution phase

## AIM OF THE RESEARCH

- BVP as procurement method
- TVD as a central element in the development- and execution phase
- What is the link between BVP and TVD?

## RESEARCH METHOD

- Direct observation for one year
- Literature review, focusing on TVD and BVP
- Document analysis
- Semi-structured interviews



# BEST VALUE PROCUREMENT

- Choosing the expert vendor with the best experience to prevent and minimize risk for both parties [1]
- Value focus

[1] Kashiwagi, D. (2011). Best Value Procurement/Performance Information Procurement System Development. Journal for the Advancement of Performance Information and Value, 3(1), 12-12.

# TARGET VALUE DELIVERY

- An incentive structure to share risks and benefits from cost reduction
- Value focus
- Trust, collaboration, cross-disciplinary problem-solving and transparency [2]

[2] Do, D., Chen, C., Ballard, G., & Tommelein, I. (2014). Target value design as a method for controlling project cost overruns. International Group for Lean Construction, 22.

## BVP VS. TVD

- Fundamental objective is to capture and preserve value, but how is value achieved?
- In TVD, by collaboration
- In BVP, by the contractor
- This seems contradicting



# PROPOSITION

*Best Value Procurement (BVP) is not consistent with the  
Target Value Delivery (TVD) approach*

# CASE STUDY OF A LARGE NORWEGIAN HIGHWAY PROJECT

Case description	Highway case
Scope	32 km four-lane highway
Procurement method	Best Value Procurement
PDM (project development phase)	“Integrated collaboration” (inspired by IPD) with TVD and other LC principles
PDM (construction phase)	Design-Build with a target price
Contract size	\$432 million
Planned construction start-finish	2021-2025

**Table 1.** Case description

## CASE STUDY – CLIENT INVOLVEMENT

- ICE meetings for decision-making
- “Best alternative” later overruled by client – but this was not generalizable for the project

## CASE STUDY – COST ESTIMATION ISSUES

- The client did not take part in the cost estimation
- BoQ and output estimation presented aggregated
- Made it difficult to be transparent
- Not according to the concept of target costing

## CASE STUDY – DEVIATIONS IN PROJECT EXPECTATIONS

- Solutions from the contractor did sufficiently, but not perfectly, meet the clients expectations
- The contractor felt ownership to the work done in the BVP process – which made them more reluctant to change

*“Expert in what – to build roads or collaborative processes?”*

## CONCLUSIONS

- BVP is about selecting an expert based on technical skills – the TVD process require collaborative skills
- BVP is based on the idea that there might be an imbalance between client and contractor – this is not always the case
- Examples from the case suggests that BVP leads to inefficient use of TVD:
  - Impatience to start the work immediately after contract-signing resulted in lack of further clarification to agree on optimal and uniform solutions
  - The fact that the contractor is seen as the “expert” in the BVP process did not act in accordance with the collaborative nature of the TVD practice

**THANK YOU!**

**Contact Details:**

**[tobias.o.malvik@ntnu.no](mailto:tobias.o.malvik@ntnu.no)**