Best Value Procurement from a contractor point of view

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Introduction

- Best Value Procurement (BVP) introduced to Norway in 2016

- Several pilot projects varying from kindergartens to mega-infrastructure projects

- Limited research has been carried out to explore the contractors’ experiences with the method

- Research questions:
  1. How was BVP implemented in practice?
  2. What were the contractors’ experiences with BVP?
  3. How can the method be improved in the future?
Method

- Literature review
  - To learn about the method, explore previous experiences and develop a theoretical background

- Document study
  - Procurement protocols

- Interviews
  - Three semi-structured interviews of personnel from the contractor
Results – BVP in practice

- BVP in Norway aligns closely with the theoretical approach set by the Dutch

- All four phases of the method were used in all five projects

- Three of five projects are in the execution phase to date, these projects have moved to a standard Norwegian contract designated NS 8407

- The weekly risk report was added to other reports required by the contract.
  - This results in using extra resources and does not align with the BVP philosophy where a key factor is less management from the client
  - NS 8407 does not support the use of the weekly risk report alone
  - BVP is mostly being used as a procurement method for the projects
Results – Experiences with BVP

<table>
<thead>
<tr>
<th>Pros</th>
<th>Cons</th>
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<tbody>
<tr>
<td>Improves the efficiency in producing an offer</td>
<td>Learning the method is time consuming</td>
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<tr>
<td>Reduces costs and resources in producing an offer</td>
<td>Vagueness regarding evaluation of price</td>
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<td>Able to influence the project early</td>
<td>Detailed management from client in execution phase</td>
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Results – Experiences with BVP

- Two different formulas used to evaluate price:
  - Formula A and Formula B

- Formula A used in the three of five projects and Formula B used in the two remaining

- Formula A motivated the contractor to price low in order to gain many points

- The table shows the difference in points if formula B was to be used in these three projects
Results – BVP in the future

- The evaluation of price
  - Formula B was considered more reasonable and should be used in future projects

- The execution phase
  - The weekly risk reports + mandatory reports due to the contract increase the need for resources and cost in the project.
  - A change in contract is therefore required

- Learning the method is time consuming
  - The contractor used a lot of resources and money developing the first 6 pages required.
  - By hiring a BVP expert and taking courses in BVP the one time cost is high.
  - Nevertheless, the second offer proved to require fewer resources, it gets easier every time.
Conclusion

- **How was BVP implemented in practice?**
  - All four phases were followed
  - In the execution phase, the contract NS 8407 has taken over
  - None of case projects are finished to this date

- **What are the contractors’ experiences with BVP?**
  - In general, positive.
  - The method encourage early involvement and gave the contractor the feeling of being the expert
  - Criticism to how the price was evaluated.
  - Increased need of resources and greater costs in the execution phase

- **How can the method be improved in the future?**
  - In order to facilitate the implementation of Lean in future projects by using BVP, the practice of the method should be improved.
    - Improvement measures include implementing BVP philosophy and methods during the execution phase,
    - minimizing micromanagement of the contractor
    - having a transparent evaluation method.
Thank you for your attention!

Questions?