

Experts Are The Difference Makers

How To Get The Right Human Assets On Your Projects?

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Have You Encountered These...

- Performance Issues
 - Completed late
 - Cost increases
 - High volume of change orders
 - Projects don't meet the expectations of the user
 - Lack of accountability (everyone blames a different party)
 - Skilled craftspeople decreasing
- Cost Issues
 - Costing more money to complete projects/services

Problems?



What People Have Tried

Again...And Again...And Again...

- Different delivery methods
- Better contracts / terms & conditions
- Strengthening partnerships
- Longer-term relationships
- Rely on technology & software
- Profit sharing
- Incentives / penalties
- Fast tracking



**There Is A Fundamental
Problem With Our
Traditional Approach
To Business**



**THERE WILL ALWAYS BE SOMEONE WHO
SAYS THAT THEY CAN DO IT CHEAPER...
BUT AT WHAT COST?**



Change Order

Original Contract

YAMAHA

Minimum Standards



Who Will Be Selected?



Perception on Standards



**Just because something is
written in a contract
does not make it so**

What Percent of Solicitations / RFP's Are 100% Accurate?

**Who Should Know
More About
Performing/Delivering
the Services Required?**

**It Is More Important For The
Vendor To Know What To Do
Than It Is For Client To Know
What The Vendor Should Do**

Proven Solution To Increase Odds
of Success On ANY Project:

Hire Experts

(High Performing Individuals & Teams That
Actually Know How To Create Value & Mitigate Risk)

This Is **Not As Simple**
As It Sounds

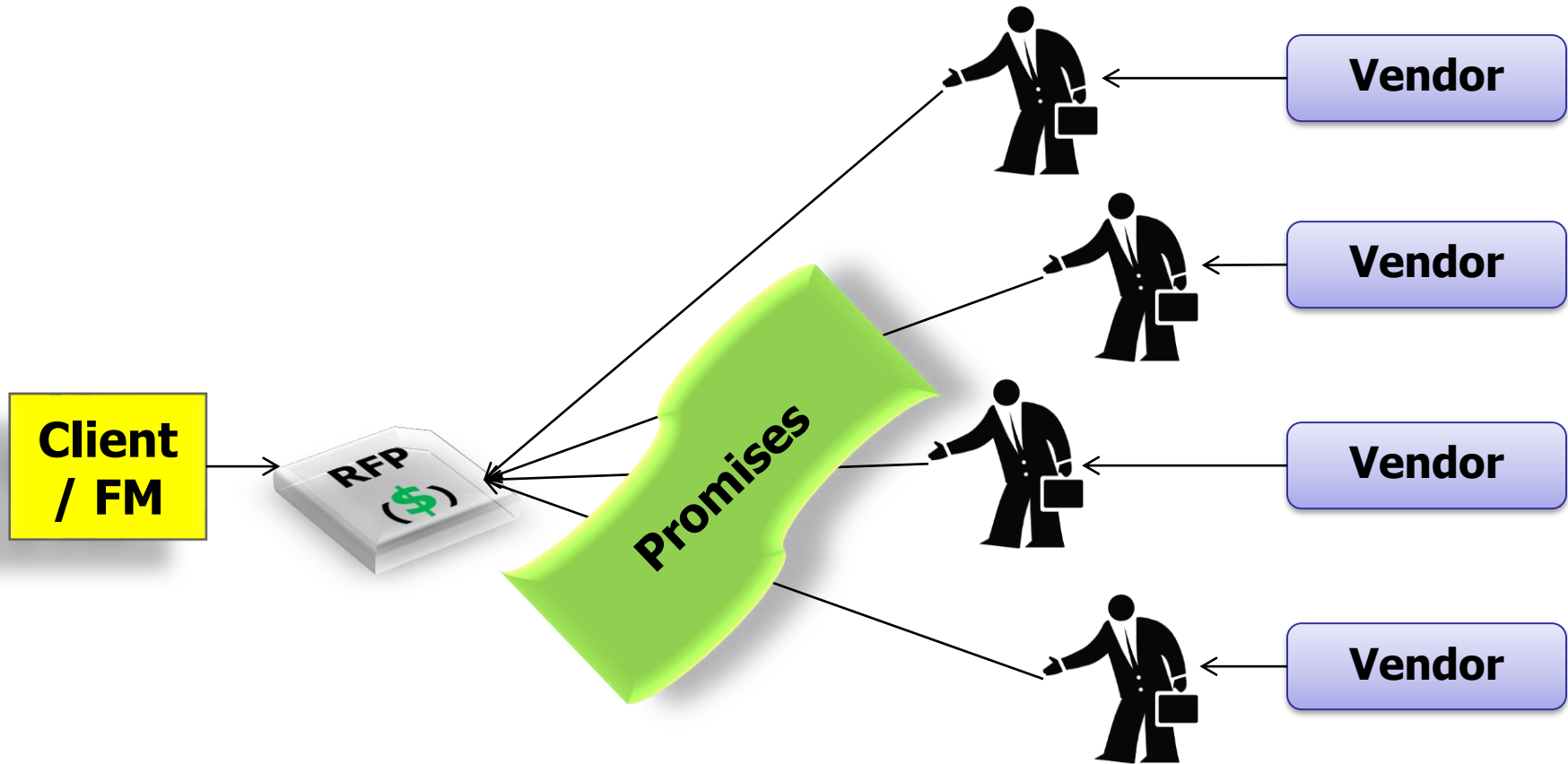
Starts With The Client / FM

1. Create an environment that **attracts expertise**
 - A structure that allows your vendors to use their expertise
 - A structure that allows them to maximize profit
 - A structure that gives experts the advantage in the procurement
 - A structure that encourages vendor's to partner with the best subs
 - A structure where the vendor can pre-plan and identify their risk
2. People make the difference...Hire the **right people**
 - Does not mean getting a vendor with a big name
 - We want the best 'people' from the best vendor and sub-vendors

You Can't Trick Vendors Into Believing That You Are A "Good" Client!



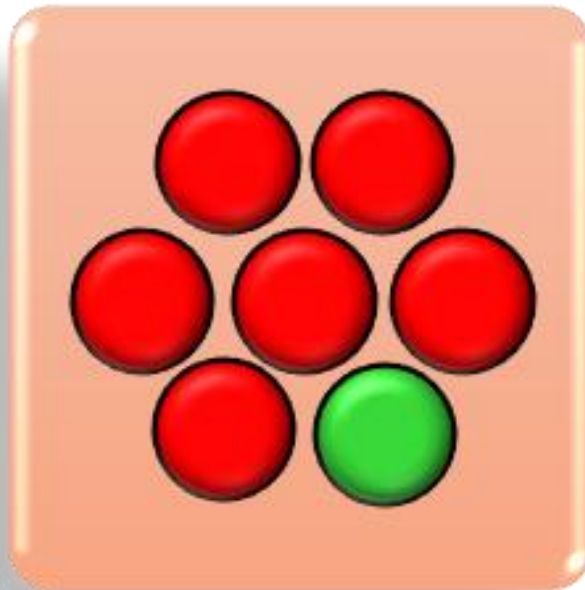
What we have seen...



Which would you purchase?



Which would you purchase?

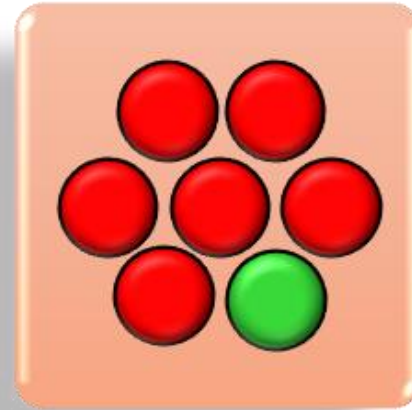


What Is Dominant Information?

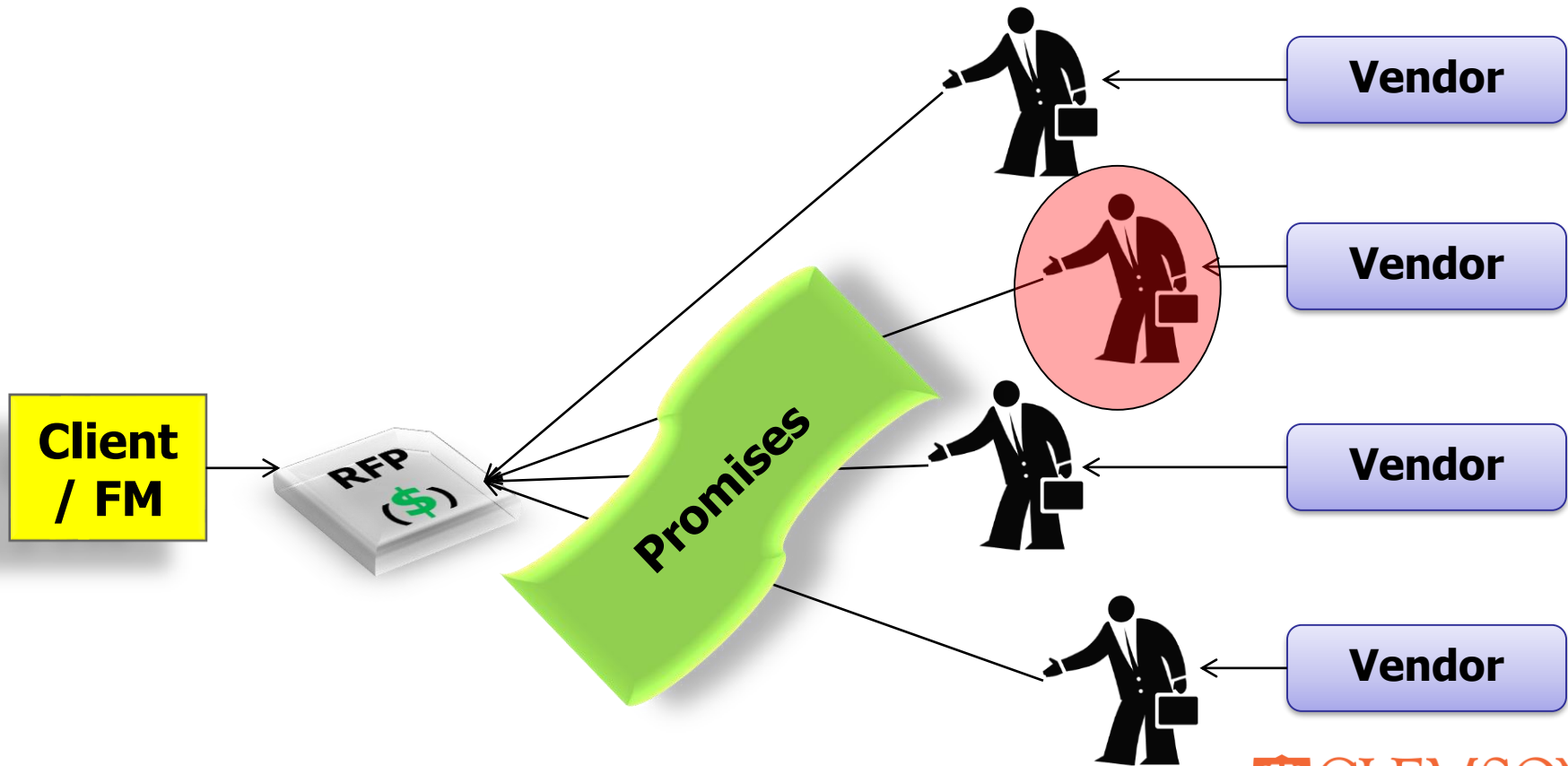
SCENARIO 1



SCENARIO 2



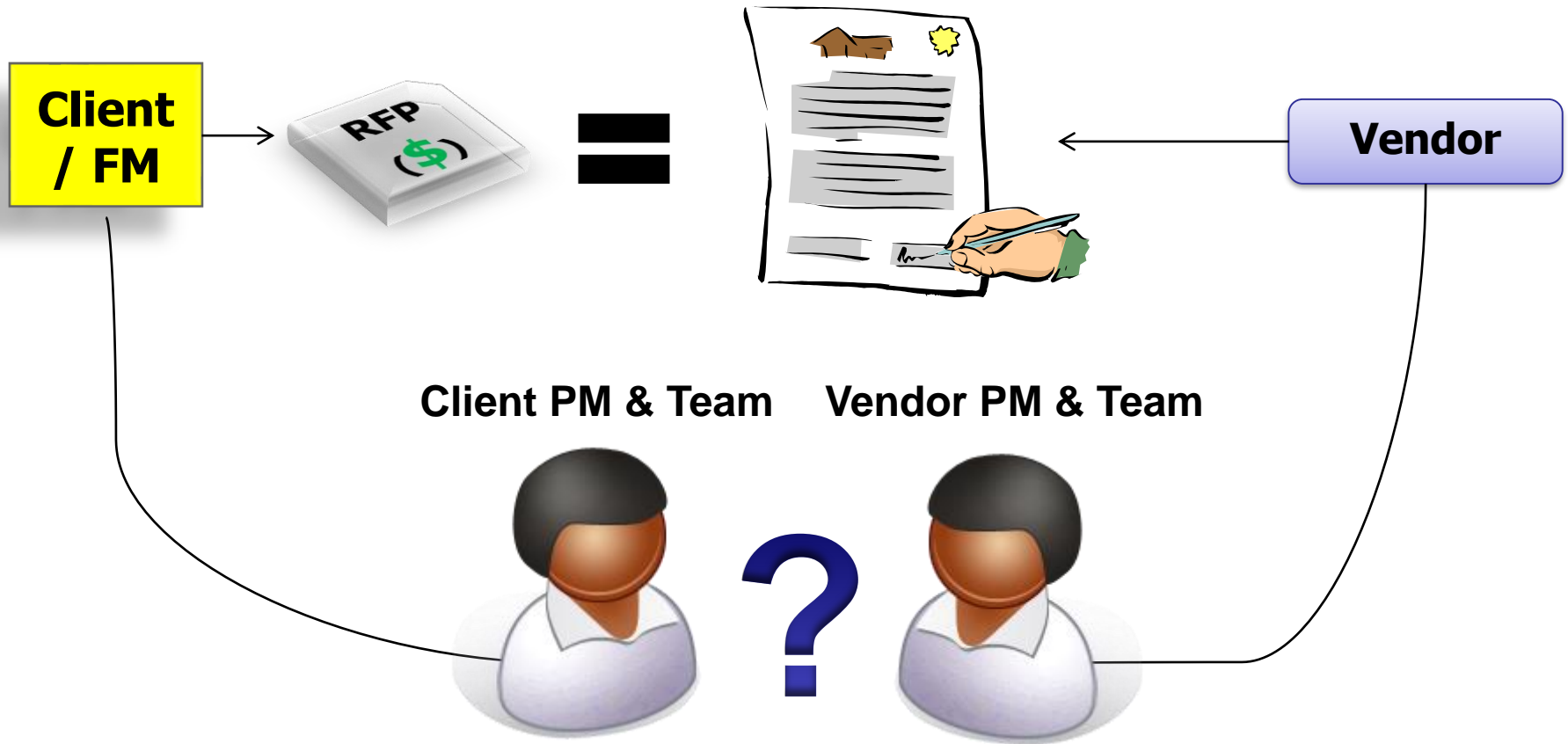
What we have seen...



What we have seen...



What we have seen...



“The Greatest Risk we always face is how to accomplish all the things that our sales team promised we could do.”

How do we attract, select,
and leverage
“Experts”?

Expertise-Based Approach



Scope

Award
Contract
Conflict

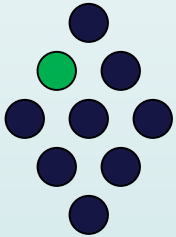
SELECTION

PRE PLANNING

PROJECT
MANAGEMENT

Filter 1

Proposal
Evaluations

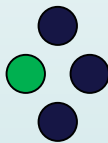


Evaluation Criteria

- Price / Cost / Fee
- Risk Assessment
- Value Added
- Past Performance Information (PPI)

Filter 2

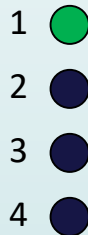
Interview
Key Personnel



Short List
prior to
Interviews
(if necessary)

Filter 3

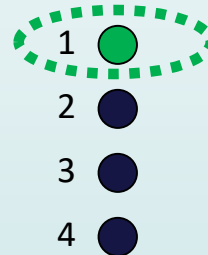
Prioritization
(Identify
Best Value)



Total Evaluation
Scores are
determined

Filter 4

Cost
Reasonableness
Check



Decision Matrix to
confirm Selection of
the potential Best
Value Proponent

Filter 5

Pre-Award &
Clarification



Pre Award Activities

- Training
- Kickoff Meeting
- Plan & Clarify
- Summary Meeting

Project Execution

Risk Reporting &
Close Out Rating



Project Execution

- Weekly Risk Report
- Director Report
- Performance Meas.
- Close Out Ratings

Contract Award

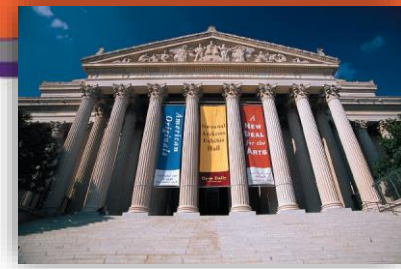
Filter 1

Risk Assessment

= risks you control
and risks you don't
control

Value Added

= additional
expertise beyond
requirements



- **RISK:** Noise from our demolition may result in student/staff complaints (since we will be doing demo in an in-operational library during finals week).

- **VENDOR 1 Solution**

Partnering is a key to success on any project. We will work with the user to develop the best strategies that can be implemented to minimize the impact of noise from demolition.

- **VENDOR 2 Solution**

To minimize this risk, we have planned to demolition during off hours and weekends. We will also install rubber sheets on the floors and foam pads around the wall to diminish noise and vibrations.



RISK: A poor roofing system can result in roof leaks, which may inconvenience building occupants, and increase complaints, maintenance, damage, etc.

Vendor A Solution:

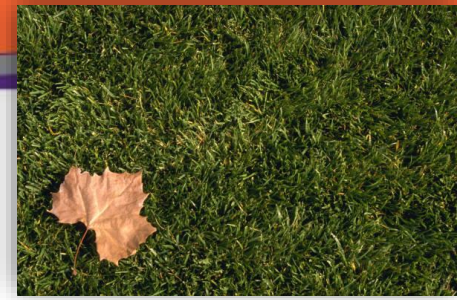
- Use our extensive roofing history to install the best system for your needs.

Vendor B Solution:

- To minimize this risk, our proposed roofing system has been installed on over 400 roofs and has had an average roof age of 18 years, in which 99% of the roofs don't leak and 100% of the end clients are satisfied.

Vendor C Solution:

- To minimize this risk, we are proposing a thermally-welded roofing system that has a tensile strength of 2,130 PSI, elongation of 300%, tear strength of 312lbs, has been tested for 10,000, and has a cold brittleness of -30°C.



• VENDOR 1

- RISK: The local water company must have the water turned on by June in order for us to water the newly installed recreational fields (or the grass will die).
- SOLUTION: We will coordinate and plan our schedule with the water company as soon as the award is made to make sure that we get water to the site to irrigate the fields.

• VENDOR 2

- RISK: The local water company must have the water turned on by June in order for us to water the newly installed fields (or the grass will die).
- SOLUTION: On past projects, the water company has failed to meet the schedule 90% of the time. To minimize this risk, we will coordinate our schedule with the water company as soon as we are awarded the project. If they fail to meet our schedule, we can connect temporary waterlines to the nearby fire hydrants, or we can also rent water trucks to irrigate the fields.

Value Example

Option to Reduce Project Cost:



- Instead of purchasing “Named Licenses”, the Agency may want to consider purchasing “Concurrent Licenses”. In a “Named Licensing” model, the software designates a license per user and only that particular named user can use/access the license. If that named user is in meetings, on vacation, or not using the system, the license is not utilized.
- In a “Concurrent Licensing” model, the server keeps track of the total number of licenses and loans the licenses to users as they log in. If a user is inactive, the server releases the license and allocates the license to the next user. The advantage is that the Agency is not required to purchase licenses that are not being used, which can result in approximately 25% savings in cost.

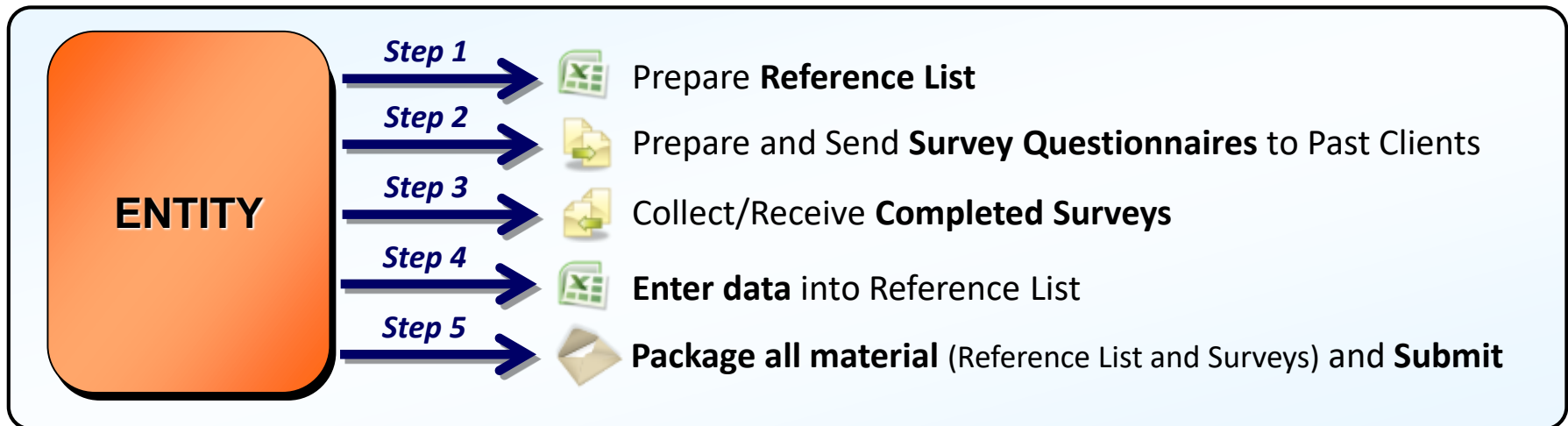
Value Added Items



- Reroofing this building will not stop all water leaks. The majority of the leaks are caused by cracks in the parapet walls, broken/missing glass, and poor caulking. We can repair/replace all of these issues to minimize all water leaks, for a minimal impact to time/funding.


Past Performance Information

- PPI will be collected on the critical Entities:
 - Firm/Key Firms
 - Project Manager (Individual)/Team Leader(s)
 - Key Subs or Suppliers and Other Key Individuals



Financial Proposal/Bid Cost

- Dependent on project type

	PART V - SUBMITTAL	CITY OF PHOENIX Procurement Division 251 W. Washington Street 8th Floor Phoenix, AZ 85003 Phone: (602) 262-7181
ATTACHMENT 2 – FINANCIAL PROPOSAL OPTION A (Based off scope, set parameters)		
1. PROPOSAL PRICE SCHEDULE		
Complete category descriptions are found at Part IV, Section 13, "Billing and Payments."		
<u>PROPOSAL ITEM 1. ZONE A PRECINCT 2 – BLACK MOUNTAIN</u>		
A. Level 1 (less than 10,000 lbs., no special circumstances)	\$ _____	(Flat Rate)
B. Level 2 (less than 10,000, with special circumstances)	\$ _____	(Flat Rate)
C. Level 3 (10,000 to 15,000, no special circumstances)	\$ _____	(Flat Rate)
D. Level 4 (10,000 to 15,000, with special circumstances)	\$ _____	(Flat Rate)
E. Level 5 (15,000 to 35,000, no special circumstances)	\$ _____	(Flat Rate)
F. Level 6 (15,000 to 35,000, with special circumstances)	\$ _____	(Flat Rate)
G. Level 7 (35,000 or more, no special circumstances)	\$ _____	(Flat Rate)
H. Level 8 (35,000 or more, with special circumstances)	\$ _____	(Flat Rate)
I. Level 9 (mobile home)	\$ _____	(Flat Rate)
J. Level 10 (abandoned vehicles)	\$ _____	(Flat Rate)
K. Storage Rate (for non-30 day tows)	\$ _____	(Daily)
L. Storage Rate (30-day tows – A.R.S. § 28-3511 and P.C.C. § 23-55)	\$ <u>\$15</u> _____	(Daily)
M. After Hours Gate Fee	\$ _____	(Per occurrence)
N. Hourly Standby Rate Charge	\$ _____	(per hour)
Solicitation No. RFP 12-008(RMC)		Page 56 of 77

Blind Evaluation – Make it Fair

- The evaluated proposal documents **MUST NOT** contain any names that can be used to identify who the Proposer is.
- Including: company names, personnel names, project names, or product names.

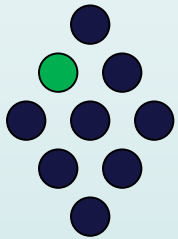


1
SELECTION

2
PRE PLANNING

3
PROJECT
MANAGEMENT

Filter 1
Proposal
Evaluations



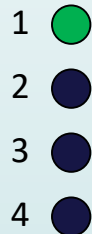
- Evaluation Criteria
- Price / Cost / Fee
 - Project Capability
 - Risk Assessment
 - Value Added
 - Past Performance Information (PPI)

Filter 2
Interview
Key Personnel



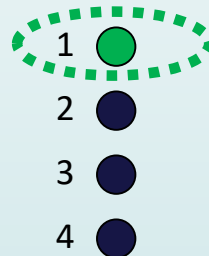
Short List
prior to
Interviews
(if necessary)

Filter 3
Prioritization
(Identify
Best Value)



Total Evaluation
Scores are
determined

Filter 4
Cost
Reasonableness
Check



Decision Matrix to
confirm Selection of
the potential Best
Value Proponent

Filter 5
Pre-Award &
Clarification



- Pre Award Activities
- Training
 - Kickoff Meeting
 - Plan & Clarify
 - Summary Meeting

Contract Award

Project Execution
Risk Reporting &
Close Out Rating



- Project Execution
- Weekly Risk Report
 - Director Report
 - Performance Meas.
 - Close Out Ratings

Filter 2: Interview (Different)

1. Get Team Members Up Front (ID in Proposal)
2. 15-25min Interview
3. Interview is One-on-One, No Notes
4. **Key Question:**

On the whiteboard: Quickly layout the project/service (from start to end) with the following:

- Identify the major activities with approximate durations
- Identify the greatest risks and where they are on the timeline
- Identify what you need from the client & when you need it

Comments

Goal Is To Minimize Risk

“I have no idea why I am here today”...“My boss called me last night and told me to show up for this interview” - \$10 Million Project

“I did not participate at all in preparing our proposal” - \$3 Million Project

“I am not currently employed by this company, but if we win this project, they will then hire me” - \$25 Million Service Project

“I have never managed a project of this size/scope” - \$30 Million Project

“There is no risk on this project” - \$5 Million IT Project

“The greatest risk that I always face, is how to accomplish all of the things that our sales team promised we could do” – \$5 Million Cleanroom Design

Case Study - Roofing

- Scope: Remove and replace various roofing systems on 3 different buildings
- Estimated Budget: \$1 Million



Key Personnel

- All superintendents had significant experience (over 20 years in industry)
- Some individuals did not 'look' professional
- Some individuals did not 'speak' very professionally

Interview Statements

- **Superintendent 2**

- “I got a call yesterday to be here today. I haven’t walked the roof yet.”*

- “I can determine the risks once we are awarded the project and after I walk the roof.”*

- **Superintendent 3**

- “I just found out 2 days ago that I was assigned to this project.”*

- “I haven’t had time to investigate the roof since I just flew into State.”*

- “I haven’t walked the roof. I tried to take a look at it this morning.”*

- **Superintendent 4**

- “I haven’t walked the roof, but I’ve seen pictures. I don’t think there should be any ponding issues.*

- “I was not involved with preparing the proposal at all.”*

Blind Evaluations: standard templates, no modifications, and no names.

**Risk
Assessment**

Value Added

**1-2 pages each,
2-6 pages in total
+ 20min Interview**

Filter 3: Prioritize

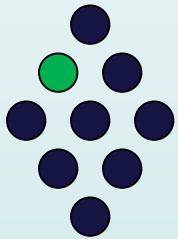
No	Criteria	Weights	RAW DATA			PRIORITIZED DATA		
			Firm A	Firm B	Firm C	Firm A	Firm B	Firm C
1	Total Cost	300	\$ 1,000,000	\$ 1,025,000	\$ 1,300,000	300	293	231
2	Interviews	300	5.0	8.5	4.2	176	300	148
3	Risk Assessment Plan	200	4.2	8.0	5.0	105	200	125
4	Value Assessment Plan	100	5.0	8.0	5.2	63	100	65
5	PPI – Firm (1-10 Scores)	25	9.6	9.4	9.1	25	25	24
6	PPI – Firm (# of Surveys)	25	5	5	5	25	25	25
7	PPI – Project Manager (1-10 Scores)	25	9.0	10.0	9.8	23	25	25
8	PPI – Project Manager (# of Surveys)	25	5	3	5	25	15	25
		1000				742	982	667

1
SELECTION

2
PRE PLANNING

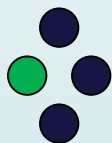
3
PROJECT
MANAGEMENT

Filter 1
Proposal
Evaluations



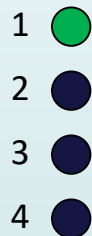
- Evaluation Criteria
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Filter 2
Interview
Key Personnel



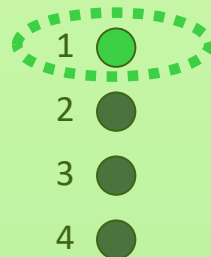
Short List
prior to
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Filter 3
Prioritization
(Identify
Best Value)



Total Evaluation
Scores are
determined

Filter 4
Cost
Reasonableness
Check



Decision Matrix to
confirm Selection of
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Value Proponent

Filter 5
Pre-Award &
Clarification



- Pre Award Activities
- Training
 - Kickoff Meeting
 - Plan & Clarify
 - Summary Meeting

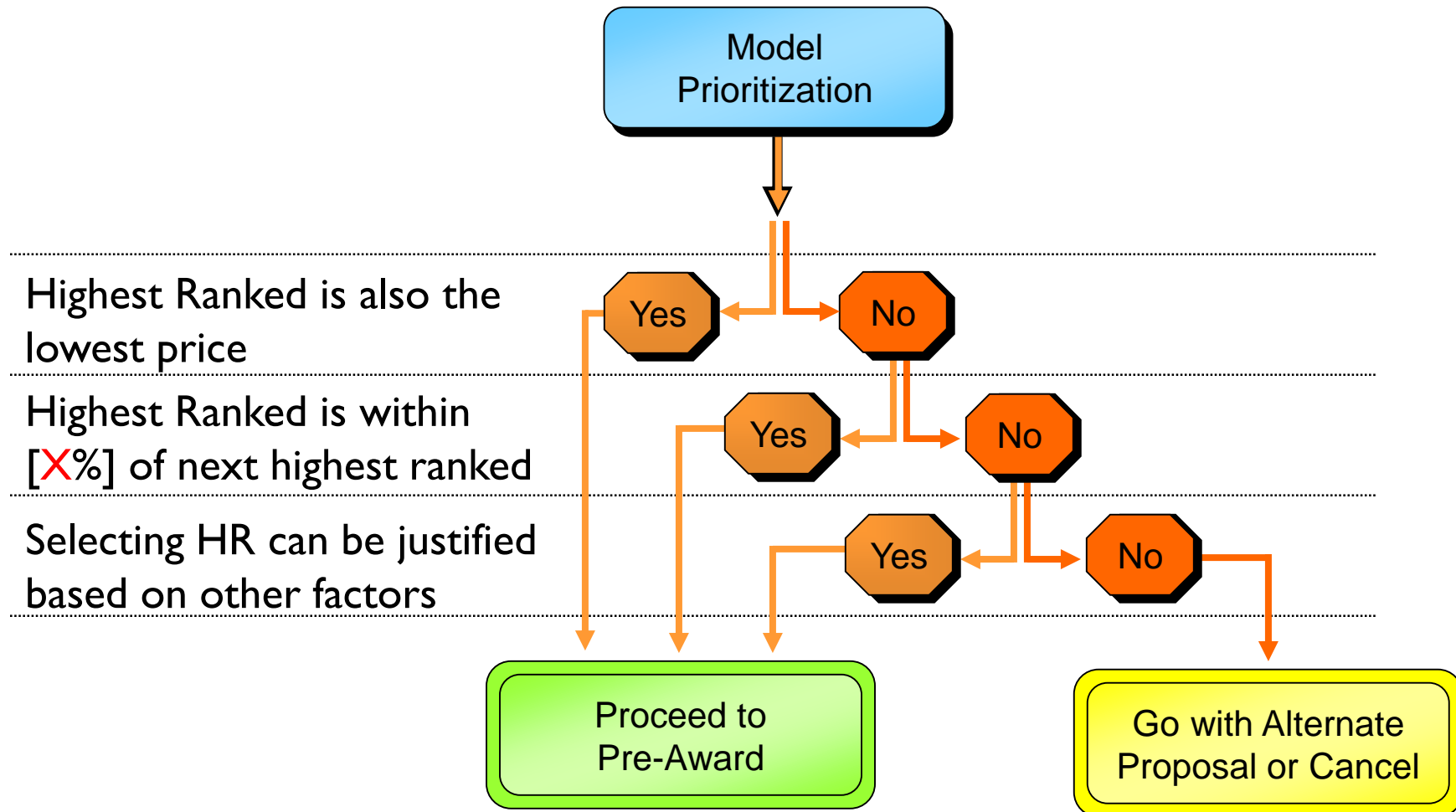
Contract Award

Project Execution
Risk Reporting &
Close Out Rating



- Project Execution
- Weekly Risk Report
 - Director Report
 - Performance Meas.
 - Close Out Ratings

Filter 4: Cost Reasonableness Check



The Process

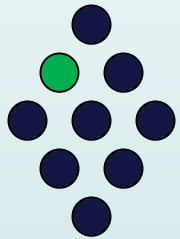


SELECTION

PRE PLANNING

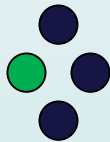
PROJECT
MANAGEMENT

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Proposal
Evaluations



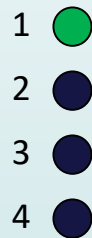
Evaluation Criteria
- Price / Cost / Fee
- Project Capability
- Risk Assessment
- Value Added
- Past Performance
Information (PPI)

Filter 2
Interview
Key Personnel



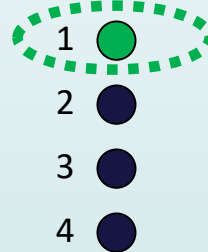
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Risk Reporting &
Close Out Rating



Project Execution
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- Director Report
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- Close Out Ratings

Filter 5: Pre-Award / Clarification?

(Proactive vs Reactive)



Minimize All Surprises!!!

How Can We Minimize Surprises

1. Cost Verification

- Provide a detailed cost breakdown
- Identify why the cost proposal may be significantly different from competitors
- Review big-ticket items
- Review value added options
- Identify how payments will be made and all expectations regarding finances

2. Preplan in Detail

- Coordinate the project/service with all critical parties
- Revisit the sites to do any additional investigating
- Prepare a high level project schedule
- Prepare a schedule of client activities
- Prepare a detailed project work plan (transitioning, training, safety, security, staffing, etc)

How Can We Minimize Surprises

3. Align expectations

- Review and address all assumptions
- Clearly identify the client's roles and responsibilities
- Technical review of product/system & demonstrations if necessary
- Potential deal breakers
- What is included and excluded in the proposal
- Review any unique requirements with the client
- Review and approve all contract terms and conditions

4. Identify and mitigate all uncontrollable risks

- Identify all risks or activities not controlled by the Offeror
- Identify the impact of the risks
- Identify what the client can do to mitigate the risks
- Address how unforeseen risks will be managed

No	CRITERIA	Traditional RFP	XPD
1	Number of projects analyzed	11	10
2	Total awarded cost	\$14,244,385	\$9,994,887
3	Total awarded schedule	1,822	1,373
4	Percent awarded cost below budget	4.4%	6.0%
5	Average time RFP Release to Contract	68 days	78 days
6	Average BV-PA duration (days)	0	7
7	Average Overall Change Order Rate	50% Decrease	
8	Average Overall Project Delay Rate	38% Decrease	
9	GSA Satisfaction Rating of Contractor/Job	34% Increase	

For within BV projects, also tested “<1 week” PA vs “>1 week” PA

- Longer PA had **33%** lower change order rate (**73% reduced overall**)
- Longer PA had **69%** lower delay rate (**73% reduced overall**)

Particle Accelerator / Cyclotron Facility

- **SCOPE:** Renovate an existing curling-rink facility into a specialized radiopharmaceuticals research facility that houses a 24MeV cyclotron. The cyclotron will be housed in a specialized vault that will house the particle accelerator. The facility will produce and provide a steady supply of isotopes (including clinical-quality technetium-99m - isotope used for 80% of nuclear medicine diagnostic procedures) used to help patients with cancer, cardiac, neurological and other diseases.

- **BUDGET:** \$30 Million





Proposals

- 4 contractors proposed
- Best-valued contractor was not the lowest or highest bid, but was 5.3% below average cost
- Best-valued contractor had a risk / value proposal that was rated 81% higher than the competitors

Impact of Clarification / Pre-Award

- The contractor caught and identified the issue prior to award
- This allowed the owner to address and resolve the issues prior to awarding the contract
- In the traditional procurement approach, auditors determined that these issues would not have been caught until 5 months into the project (and would have resulted in significant delays and cost increases)

Project Results

- Performance:
 - 0% project delays
 - 0% cost increases
 - 10 out of 10 customer satisfaction rating



“Through this approach, the contractor was able to save

14-18 months in schedule and

\$8-12 Million in cost

“(when compared with the traditional approach)”

- Hugh Warren | Executive Director Operations & Maintenance at University of Alberta –
as measured by the governmental Auditors Office.



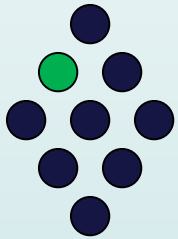
**Award
Contract**
CONTRACT

1
SELECTION

2
PRE PLANNING

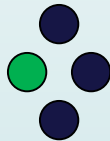
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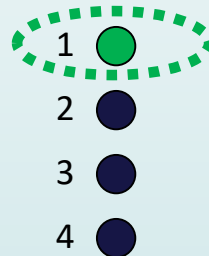
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Contract Award

Measured Environment

- Must be simple and dominant
- Must be for the purposes of positive accountability
- Transparency and openness
- Measuring against a plan (or expectation created by the individual/team doing the work)



Weekly Risk Report

Sample WRR - CONSTRUCTION [Compatibility Mode] - Excel

John Savicky

NO	DATE	RISK CATEGORY	RISK DETAILS	IMPACT TO PROJECT DURATION	IMPACT TO PROJECT COST	PLANNED RESOLUTION DATE	ACTUAL DATE RESOLVED	CLIENT PM SATISFACTION RATING
0	1/15/11	Party Responsible for the Risk: 1. Vendor 2. Owner 3. Unforeseen	Describe: 1. What is the risk (high level)? 2. What is the plan to mitigate this risk (high level)? 3. Name(s) of individuals responsible for resolving the issue? 4. Potential impacts?	15 Days	\$10,000	2/15/11	2/1/11	(1-10) Rating Of Risk & Solution
1								
2								
3								
4								
5								
6								
7								
8								
9								
10								
11								
12								
13								
14								

SUMMARY UNFORESEEN RISKS

Report – Analysis of Risks

Risk Category	Number of Risks	Impact to Cost	Impact to Schedule	Percent Impact to Cost	Percent Impact to Schedule
1) Client Impacts	114	\$660,369	1,200	59%	46%
Client Scope Change / Decision	111	\$ 660,369	976	59%	37%
Client Requested Delay	3	\$ -	224	0%	9%
2) CPPM Impacts	135	\$329,425	885	30%	34%
Design Issue	48	\$ 189,876	230	17%	9%
CPPM Issue (Codes / Permits)	36	\$ 46,140	170	4%	7%
CPPM Issue (Energy Mgmt)	2	\$ 47,533	30	4%	1%
CPPM Issue (Hazardous / Health & Safety)	8	\$ 35,407	118	3%	5%
CPPM Issue (NTS)	8	\$ 10,018	64	1%	2%
CPPM Issue (Contract / Payment)	11	\$ -	132	0%	5%
CPPM Issue (Other)	22	\$ 451	141	0%	5%
3) Contractor Impacts	43	\$21,005	411	2%	16%
Contractor Issue	11	\$ -	101	0%	4%
Contractor Oversight of Design	9	\$ 21,005	38	2%	1%
Contractor Issue with Supplier / Sub	23	\$ -	272	0%	10%
4) Unforeseen Impacts	19	\$102,544	111	9%	4%
	311	\$ 1,113,343	2,607		

Some Vendor Comments....

- *“I really like the suggestion of being a part of the planning process, instead of trying to accommodate a process that has been given to a vendor.”*
- *“We had virtually fired them as a client in 2013 because we could not see any opportunity to add value through the existing approach and process. It is very courageous of them and a huge cultural shift to try this and I can only hope they can make it happen and stick with it.”*
- *“We often feel like 'lowest price' is the law, not best quality/fit for the project. Bids feel pre-decided.”*
- *I’m not usually the lowest-bidder, but I consider myself the highest quality. I wouldn’t have normally bid on this project, but I saw that the University wanted to operate differently this time.*

How To Get Started

- Small Steps
 - Pilot Project
- Takes Time
- Education is Key (FM, Vendor, Stakeholders)
- Get Us Integrated Early On

QUESTIONS



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