

Case Study: Implementation at Hanze University of Applied Sciences

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Best Value PIPS has become popular in the Netherlands and at the Hanze UAS. Hanze UAS started its first BV PIPS project in June 2011 and is currently performing seven projects. The Hanze UAS encountered major difficulties in the clarification period with an IT project. Therefore the main thrust of this paper is to explore the clarification and risk management phase. For this purpose the author uses an IT project as a case study. The conclusion is that it is in the clarification phase that the major paradigm shift takes place. BV practitioners must understand that the clarification phase is critical in the changing of the paradigm. The client and the vendor must continually implement the new BV concepts and lessons learned. This case study is similar to projects in the U.S., where the culture of the organization is the biggest challenge to the BV system.

Keywords: change of paradigm, clarification phase, lessons learned, IT project

Best Value Procurement (BVP) in the Netherlands

More than 15 years ago, Dean Kashiwagi created a process called Best Value (BV) Procurement at Arizona State University. The actual system name is the Performance Information Procurement System (PIPS.) BV PIPS is a procurement method that aims to select the most suitable vendor for the project and to motivate the vendor to the highest possible performance, while reducing the client's management and control tasks (Kashiwagi 2011). Kashiwagi developed the method over several years with the objective of improving the procurement and management of construction projects by reducing risk in selecting the top performer. The BV PIPS process has been used in more than 1,500 tests with an overall spending of \$2.3 billion (PBSRG 2012). BV PIPS is being used in the US, and has been tested in Botswana, Finland, The Netherlands, Malaysia and many other places around the world. After the US, the Netherlands is the country where BV PIPS is applied on the largest scale. BV PIPS in the Netherlands is applied in the public sector as well as in the private sector (Van de Rijt & Witeeven 2011). Since 2010, BV PIPS is on its way to becoming the mainstream procurement method in the Netherlands.

BV PIPS is different from all other delivery systems due to the following:

1. The client identifies what they desire. It is an intent. What they procure is dictated by the vendor.
2. The vendor is the offeror of the proposal.
3. The client/buyer is the acceptor of the proposal.
4. Does not use management, direction and control to minimize risk.
5. Win-win model where the vendor increases value, quality and profit, and minimizes project cost.

6. The selection of the best value vendor is based on capability to perform, ability to minimize risk that the vendor does not control, and adding value that is above the intent of the buyer.
7. After the best value vendor is identified, the best value vendor clarifies the scope they are offering, the risk that they do not control and their project schedule.
8. There are no price negotiations.
9. Reduce the buyer's transactions by up to 90%.

BV PIPS is a change of paradigm from the procurement practices of the last 50 years. Practices of leverage, negotiation, and selecting the low price vendor and cutting their price further are not practiced in BV PIPS. The biggest paradigm shift is to use the expertise of expert vendors to meet the requirements and not management, direction and control. BV PIPS forces buyers to release control to the best value vendors. It changes the owner's procurement system from one of directing, to one of listening. This paradigm shift is affected by organizational culture and the ability of organizations to use deductive logic and common sense.

Questions that face the use of BV PIPS include:

1. What duration is required for a buyer to change from the traditional direction, control, and management model to a best value approach?
2. What is required to transform the procurement function?
3. How many tests should a procurement group run to identify if the BV process is an improvement over the traditional process?
4. What justification is required to test the BV PIPS system?
5. Does the BV PIPS system require legal changes in the local laws?

This paper is a case study of the Hanze University of Applied Sciences procurement agents using the BV PIPS system.

Hanze University of Applied Sciences (HUAS)

Founded in 1798, the Hanze University of Applied Sciences (UAS) in Groningen is the oldest university of applied sciences in the Netherlands. With a student population of over 25,000 and approximately 2,000 staff members, it is also the largest university of applied sciences in the north of the Netherlands. The Hanze UAS is respected internationally as a knowledge institute in which applied research and innovation are integrated into the various curricula of the institution. In 2010 Hanze UAS stated its strategic plan for a five-year period (2010-2015), with the main goals to: 1) improve the quality of the educational programs; and 2) invest in the development of applied research. In November 2012 Hanze UAS had 52 Bachelors, 18 masters and 7 Associated Degrees. Its education focuses on the four domains: science and technique, arts, humanities, and economics. The main focus of Hanze UAS is to contribute to the large scale, interdisciplinary programs of Healthy Aging and Energy. Wherever possible Hanze UAS tries to align the educational process and research of the four domains mentioned above to these two focus points.

Recently, in 2011, Hanze UAS performed a thorough analysis in order to determine the ratio of staff in the primary process versus the number of staff in facilitating and supporting processes. The outcome of this study was unequivocal and called for action: there was simply not enough focus on the primary process and too many people were employed in the supporting facility areas. A new strategic goal for Hanze UAS was therefore to focus on the primary process and to outsource the supporting activities of Hanze UAS within the constraints of crucial criteria, such as process quality, continuity of delivery and operational costs.

Introduction of BV PIPS at Hanze UAS

The Hanze UAS started its first BV PIPS project in June 2011 and is currently performing seven projects. The author became acquainted with BV PIPS at the Neijenrode NEVI (the Dutch Purchasing Association) congress in November 2010. At this time, the following had transpired (van de Rijt & Santema 2012):

1. Kashiwagi had introduced BV PIPS into the Netherlands in 2004.
2. Heijmans, the third largest construction contractor in the Netherlands, signed a license with Arizona State University (ASU) in 2006.
3. Rijkswaterstaat signed a license agreement for use of PIPS in 2006.
4. Scenter signed a license agreement with ASU in 2008 and became the Performance Based Study Research Group (PBSRG) Dutch representative.
5. Scenter initiated test projects, wrote the Dutch BV PIPS manual "Prestateinkoop," and gave presentations on BV PIPS.
6. The Rijkswaterstaat, with the assistance of Scenter, kicked off \$800M worth of fast track projects in 2009. The initial success of these projects was: reducing procurement time and cost, and the ability of expert vendors to finish projects in 25% less time. This created interest in the procurement community.

In 2010, Kashiwagi was requested to speak at the NEVI congress along with the Scenter and Rijkswaterstaat representatives. The procurement agent from Hanze UAS was introduced to BV PIPS at this conference in an environment of great curiosity by the mainstream procurement professionals.

In May 2011 the agent followed the two-day course of the NEVI. After this course and being discontented with the traditional price based tenders and also striving to end the string of unsuccessful IT projects at the university, the agent decided to run a pilot. In addition, Hanze UAS was attempting to reduce its supporting staff and BV PIPS was regarded as a means to accomplish this.

Development of the BV PIPS Technology in the Netherlands

In the period of 2008-2010, the BV PIPS technology was brand new in the Netherlands. The visionaries testing PIPS were instructed that there were three phases of PIPS:

1. Selection Phase
2. Pre-Award Period/Clarification Phase

3. Risk Management Phase

The immediate attention was given to the selection phase due to the perception of finding the best value vendor and allowing them to utilize their expertise. For the public sector, a process called the Most Economically Advantageous Tender (MEAT) was used wherein qualitative criteria is given financial credit. Extreme care was used to ensure that BV PIPS met the requirements of European law. Due to the perception of legal representatives, various changes were made to the PIPS selection process. The changes included:

1. Using individual educational sessions with the proposing contractors during the selection phase.
2. Using redundant rating teams.
3. Not using the clarification phase.

The understanding and use of the clarification period was poor. Because the process was new and the foundation theory of Information Measurement Theory (IMT) was not well understood, many of the projects did not use the clarification period properly. This added to the confusion in the risk management phase. This practice of BV PIPS practitioners not using the clarification period properly is not uncommon. In many of the U.S. tests, the requirements of the clarification period are ignored. This will be one of the most important parts of the research test: to see if the clarification period can be properly implemented.

The BV PIPS process and structure was seen by Hanze UAS as a method to focus on quality, reducing supporting staff as well as reducing costs, as it is different from traditional procurement processes in the following ways (Kashiwagi 2012a):

1. Minimized decision making.
2. Minimized management, direction, and control of vendor by the client.
3. Alignment of experts.
4. Best value and highest level of performance.
5. Award based on price and performance.
6. Minimal relationship between parties and no favors or gifts.
7. Minimized flow of information.
8. Quality control and risk management by vendor.
9. Quality assurance by the buyer's representative.

BV PIPS Testing at HUSA: the Need for a BV PIPS Expert

In order to gain a greater acceptance for a new way of tendering, the author invited a BV PIPS expert (Sjoerd Posthuma) from Scenter to help introduce it at Hanze UAS. Hanze UAS started by sharing the results of performance based procurement with the management of the Facilities Department. In June 2012, Posthuma presented BV PIPS to the management team of this department and to other interested individuals who encountered problems with the traditional price based procurement. As the reactions were very positive, the Facilities Management team decided to start a pilot project. Soon, another two projects started with BV PIPS. Though all of these projects were deliberately started using BV PIPS, Hanze UAS also realized that the

embracement of BV PIPS by Hanze UAS personnel and the vendors was going to be its main risk.

Therefore, all three projects were supported by Posthuma with the task to transfer skills and knowledge to Hanze UAS personnel. Without the assistance of Posthuma, the project would have been very difficult. The change of paradigm was the main difficulty. At the beginning of 2012, these skills were at an acceptable level, so the projects that started in 2012 were done under supervision of Hanze UAS itself, except for the final check on the award. After the seventh project, Hanze UAS now feels confident enough to conduct BV PIPS projects without assistance, but will keep their advisors (Scenter and NEVI) close should any issues arise. Hanze UAS also realizes that a lot remains to be learned. Table 1 lists BV projects that are currently running at Hanze UAS.

Table 1

Hanze UAS current projects

Phase	Initiated	Project Title	Cost	Schedule
Selection	2012	Printed matter services	M€ 4	4 years
Selection	2012	Telephone services	M€ 3.6	4 years
Clarification	2012	Student information system	M€ 5.2	8 years
Clarification	2012	Audio visual services	M€ 2.5	4 years
Risk Management	2011	Travel agency services		2 years
Risk Management	2011	Rifle: a financial system, an HR-system and a payroll system	M€ 2.8	4 years
Risk Management	2011	Multifunctional services	K€ 850	3 years

The IT Rifle Project

One of the objectives of this paper is to describe the BV PIPS IT test project. The main thrust of this paper is to explore the Clarification and risk management phase. For this purpose, the author uses the IT Rifle project as a case study, describing the difficulties with IT projects, followed by the scope of the IT Rifle project. The paper will then describe the PIPS selection phase, the PIPS clarification phase and the risk management phase of the BV project.

Difficulties with IT projects

In previous years, Hanze UAS encountered difficulties in executing large IT projects. One of these projects was the implementation of a personnel and financial system. This project was tendered in 2008. Part of the tender was the description of the current financial processes and the description of the shortcomings within these processes. In this tender, Hanze UAS did not try to enforce a minimum standard for quality delivered, but emphasized price as an important factor in

the selection. After the award, the vendor performed well for a few months, but very soon disputes between the client and vendor emerged. The vendor did not act in an accountable fashion and a long and tedious phase set in with mutual disagreements, difficult communication and a lot of decision making. In 2010, the contract was ended by the vendor going bankrupt. These problems are not unique. As described in the case ASU UTO Networking Best Value Case Study more or less the same difficulties occurred: “There was too much complexity. Too many people involved. Too many questions that no one understood. The problem seemed too complex” (Kashiwagi 2012a). Other authors claim more or less the same difficulties. Martijnse en Noordam state that IT projects have a negative image, “They are expensive, are always delayed and they do not deliver the needed functionality” (2007).

Project Scope

In 2008 Hanze UAS selected a vendor for delivering the financial and HR-system. The financial processes had been supported by outdated financial functionality. The strategy of the Hanze UAS was to build a solution reusing the existing solution and the data in the existing financial system to support both the financial and HR-processes. Thus, a singular shared source of data would be created. This was, for example, the case with the data describing the organizational structure on which almost all of the management reports were based. A single solution for this problem would result in a dramatic decrease of effort spent in sorting out the mismatches between HR and finance reports. Moreover, a reduction of effort in data input would be achieved because of this single data source-solution. Following this strategy, a majority of the financial system and a small portion of the HR-system were implemented during 2009 and 2010 in a project that was rather difficult to manage. However, in the spring of 2010 the vendor went bankrupt and this put a halt to further development. As a result, another tender had to be started. In this second tender vendors were allowed to work with subcontractors. Because Hanze UAS had learned from the previous phase that a custom solution, although based upon the ERP-framework of MS-Dynamics, was a very tedious and difficult route, it was decided that only a solution based on proven technology was allowed with minimal software development. Only customization would be allowed for. Therefore, processes within the organization were going to be adjusted in order to meet this criterion. Another criterion was that the functionality had to be based on Microsoft Dynamics AX for at least the financial system as they were already running on this platform.

Due to the frequent failure of IT projects and the difficulties Hanze UAS experienced with IT projects, Hanze UAS assumed that Best Value could find an answer to their dilemma. Therefore, Hanze UAS started the IT project using BV PIPS.

The goals of Rifle were:

1. Continuity of the organization’s key supporting processes.
2. Optimal quality of processes and systems.
3. Maximum flexibility of processes and systems in regard to both new legislation and regulations and future adaption to changing company policies.

The goal was to deliver, implement and service a solution for financial, HR and payroll processes for a maximum of € 2.800.000 (including tax). The task included the implementation.

This implementation role would require a lot of change management skills on the part of the vendor because of the need for substantial changes in existing processes.

PIPS Selection Phase

Each BV project starts with a plan of the strategic elements of the project. Without this strategic plan the project will not start. An in-depth business case focusing on the strategic goals of the project is a prerequisite, as it is proven to be one of the lessons learned by failing and successful IT projects (Martinjse en Norrdam 2007). Before the official kick off of the BVP project, the project manager had already started defining the strategic elements and the project goals during spring and summer of 2011 together with a project team. Members of the project team were: the client's principal, the contract manager, several clients, a controller, a lawyer, a BVP expert and a procurement officer (the contracting officer). In June 2011, the official kick off of the selection process took place. Part of the kick off was the training of the project team in BVP by an expert and explaining the purpose of the tender. One of the risks identified was the availability of vendors. How many would be able to deliver the assignment and fulfill the goals given the restriction of at least the partial dependency on Microsoft Dynamics AX? The estimate was that several vendors would be able to fulfill these requirements and to fulfill the goals of the project.

The time needed for composing the tender including the supplement 'This is how we work now' and the supplement 'This is what we think we want' was limited, because a lot of preparation was already done in advance of the official kick off of BV PIPS. On November 9, 2011, the tender was published at the European official publication site Tender Electronic Daily (TED). On November 10, the educational meeting on the philosophy of BV PIPS for all interested vendors took place.

At the education meeting for the vendors two main topics were discussed:

1. The philosophy of BVP
2. The PIPS process (selection phase and clarification phase)

The tender documents consisted of the tender document itself, the supplement 'This is how we work now' and the supplement 'This is what we think we want' and a further 111 supplements that described the current situation ("this is how we work now") as well as describing "this is what we think we want." Despite the criterion 'does this information help the vendor to make a better proposition?' the number of supplements was still very high.

During the PIPS process the following criteria were used:

1. Price
2. Scope
3. RAVA plan
4. Planning
5. Interviews

Nineteen vendors showed their interest in the tender as could be seen in the electronic tender tool. There were three question rounds on November 18, December 1 and December 19, 2011. On January 10, 2012 only one vendor (herein, the vendor) submitted their proposal.

In January 2012, the assessment of the documents and interviews took place. The assessment committee was unanimous in their joint assessment and positive. Though only one vendor had submitted its proposal and therefore no comparison could be made, the assessment committee rated the proposal and the key personnel as dominant, better than neutral (6). The assessment committee rated as follows:

1. Scope: 6
2. RAVA plan: 7
3. Planning: 6
4. Interviews: 8

After the assessment of the documents and the interviews the price was opened. The price was slightly less than the preset maximum price of M€ 2.8. The assessment committee was somewhat disappointed with this price and some discussion arose about the seeming lack of competition although the prevailing opinion was that the set maximum price maybe was set too low to begin with. On February 10, 2012 the steering committee approved the start of the Pre-Award phase with the vendor. On February 29, 2012 the kick off took place.

PIPS Clarification Phase

During the clarification phase the selected vendor pre-planned the whole project delivery. The clarification phase started with the kick off and ended with the award meeting. The award meeting would take place when the vendor had proven, based upon verifiable information, that it could carry out the assignment and would be able to achieve the project goals.

The clarification phase started with the kick off. Three main topics were discussed:

1. The philosophy BV PIPS in relation to the clarification phase
2. The solution of the vendor
3. The plan of the vendor to clarify the solution and demonstrate how his solution would accomplish the goals of Hanze UAS.

The goal of the kick off was to get to know each other and to discuss the three topics. The meeting was supported by a BVP expert. Attendees were project team members of the client and project team members of the vendor. The mood of the kick off was drivers. Both sides did not know what to expect. Some members (especially the technical people of the vendor) were very skeptical about the solution of the vendor. Some attendees of the client thought that the vendor was going to solve all of their problems as stated in the tender document, and some people believed that the vendor had already won the tender. The atmosphere was one of enthusiasm and everyone “enjoyed the cake.”

At both sides, a project manager was assigned to the project. The project manager of the vendor was responsible for the project. The project manager of the client was assigned to facilitate the vendor.

After the kick, off nothing much happened. It was rather quiet at the vendor's side though the vendor was told during the kick off what was expected of them during the clarification phase.

After a few weeks the project manager of the vendor started seeking collaboration with the project manager at Hanze UAS. Though both project managers did their utmost best, the collaboration between them was difficult. The project manager of the vendor did their best to manage the project. The project manager of the client did their best to facilitate the vendor. However, it seemed as if both parties were living in different worlds and were not able to understand each other's perspectives on the job that had to be done.

The project manager of the client tried to preplan the whole project, but no planning for the Pre-Award was made. They also claimed resources, but reaction from the client was that the resource claim was too general. It was not clear for the client when the resources were needed, who had to be claimed and for how many hours the resources had to be claimed for the project.

Another aspect that led to difficulties was the enormous need of the technical people for technical details. Although very relevant in some cases, it seemed that the answer of one technical question led to two or even more technical questions in return. A phrase that was often used by client staff during this phase was: 'Don't ask me, we've hired you, the expert to tell us!' The result was that this non-committed attitude led to the inability of the vendor to make good progress on issues.

Another issue was the implementation date. The assignment was to implement (part of) the solution at January 1, 2013 because of the risk of disrupting the pay roll process due to several external causes. Due to this deadline, the vendor started implementation activities during the clarification phase in order to be able to meet the deadline. Thus, the vendor already started activities, which were meant to be carried out during the risk management phase. The project manager of the vendor tried to organize the implementation activities while still developing the project plan. This proved to be too difficult to manage. The result was a delay in the Pre-Award phase.

The award meeting was postponed twice. Though the vendor had taken account for the activities of the clarification phase in the pricing, they felt that the financial risk became too high. Therefore, they asked for a prepayment of the client. The client decided not to approve the prepayment because of the still uncertain outcome of the clarification phase. This resulted in tension on managerial levels and the pressure to finish the clarification phase on the vendor's side.

On June 6, 2012 the award meeting took place. The atmosphere of the meeting was somewhat tense. Although the vendor presented the plan and approached the problem in a decent way, one could feel the tension because the plan had not been approved before the award meeting by the

project team members. An hour before the award meeting the contract had already been signed with the board of Hanze UAS.

PIPS Risk Management Phase

After the award meeting, the same events took place as during the Pre-Award phase. Because the Weekly Risk Reports (WRR) were still not implemented, Hanze UAS decided to support the project managers with the WRRs. The owner of the WRR was the vendor's project manager, but both project managers sat down together before submittal. At first, the author and Posthuma coached the project managers on using the WRRs. During these (weekly) sessions, it became clear that the project managers were not aligned. They reacted very strongly on each other. Meanwhile, the project fell behind schedule, claimed resources proved not to be available; facilities that the vendor asked for were not made available on time by the client. A lot of detailed information was communicated and the WRRs were still not in place because the primary focus of the coaches was on the collaboration between the project managers.

After about 5 weeks, both project managers decided to step down in the interests of the project. They were replaced and the freshly appointed project managers got along much better and also had a better understanding of each other's interests and specific needs. They realized that Hanze UAS really needed to get things in place so the vendor could do their job. Hanze UAS facilitated the vendor, e.g. by making resources available and working together. Then the summer holidays started. Though, theoretically and on paper, resources were claimed and made available, the project suffered a big delay due to the non-availability of the critical resources on the client's side. Stand in's for project staff were often not capable of delivering the results needed. Both sides simply had not taken into account the extent of the disruptive effect of the long summer break in an educational institution like Hanze UAS.

During the months of September and October, the vendor was not able to make up for the lack of resources during the summer break. They were not able to explicitly show the effect of the delay in the schedule. They merely stated that they still would be able to make the schedule in the end, by parallel execution of project activities. However, in order to succeed in this approach, the Hanze UAS had to increase the resource availability dramatically. For some resources this claim was approved, but the client could not make all claimed resources available in time. In November 2012, another method of working was introduced by the project: 'The Pressure Cooker.' The project team members all worked together in one location, five days a week for a prolonged period. Every team member was made responsible for delivering a well-defined work package. At the time (with only 6 weeks left before the first scheduled release) the steering committee was worried the project would not make the deadline of January 1, 2013. As a precaution, the steering committee started meeting on a weekly basis. Finally, it became clear at the end of November that the project would not make the deadline for the first release. This release was postponed to February, meanwhile managing the risks as mentioned before.

Dominant Observations and Lessons Learned

As Dean Kashiwagi stated, "BVP is not easy to implement for some organizations that are mired in the traditional model of management, direction and control. It is a paradigm shift" (Kashiwagi

2012b). As the author has experienced the first phase (selection) is achievable as long as the BV PIPS process is strictly followed and this procedure is supported by a BV PIPS expert. However, as observed in the presented case study, the clarification phase and the risk management phase are difficult. Though several difficulties also took place during the Pre-Award phase in other BV projects at Hanze UAS, these difficulties are mostly overcome during the Pre-Award phase. In the case of Rifle project, the vendor and Hanze UAS did not seem to be able to overcome the difficulties.

These difficulties are more or less similar to the difficulties of the 'ASU UTO Networking' case study, but in that case the vendor seems to be very accountable. As reviews show, the project at ASU UTO has been a great success. Jacob Kashiwagi concludes in the case study, "The process has not been easy for either the client or the vendor to adjust to, but if the PIPS/PIRMS structure is enforced, efficiency and quality increases, and cost decreases" (Kashiwagi 2012b).

In this chapter the author will explore the case of Hanze UAS in order to determine the lessons learned in how to enforce the PIPS/PIRMS structure for the Pre-Award and risk management phases at Hanze UAS.

Observation 1: Vendor finds it hard to be accountable from day one

As observed in the presented case there was a deafening silence on the vendor's side during the first weeks of the Pre-Award phase. The vendor waited for the client to take the lead and acted as in a traditional price-based structure, because they did not know how to act differently. Though they strove to take the lead, they did not know how to do this and therefore were reluctant to take a clear expert role and step out of the relatively comfortable consulting role ("tell me what you want and I will provide for it"). This phenomenon has been observed to some extent in all BV PIPS projects at Hanze UAS.

Lessons Learned: Help vendor taking accountability at clarification phase by 'hopping over'

Nowadays the Hanze UAS assigns a BVP process expert during the Pre Award phase. This BVP process manager 'hops over' to the selected vendor and coaches the selected vendor in the process of composing the project plan. The BVP process manager coaches the vendor to take his expert role. Depending on the project managers a weekly meeting or call is planned between them and the BVP process manager. The guidelines for the coaching by the process manager comes down to: using dominant information, pre-planning and managing risks and also client-facilitates- vendor.

Observation 2: Project managers' characteristics are crucial for the results of the project

The role of the project manager on both sides is crucial as observed in the presented case. Collaboration was bad due to a collision of characters and an insufficient understanding of the philosophy. While meeting during the risk management phase it was simply not possible to implement the WRRs because of the problems between the two project managers. The project manager of the client blamed the vendor's project manager that they did not take the expert role needed. The project manager on the vendor's side on the other hand blamed the project manager

of the client that they did not facilitate them in a sufficient manner (e.g. by making resources available). From the author's point of view both project managers had difficulties applying the philosophy of BVP. They both claimed to understand it, but meanwhile details ruled, there was no preplanning, a lot of insignificant risks were managed but the actual and relevant risks were not managed at all.

Lessons Learned: Select on attitude of key personnel on client's side

Kashiwagi has developed the Kashiwagi Solution Model (KSM), which can be looked to as a resolution. This model is a mechanism where dominance or radical extremes are used to minimize decision making in understanding the difference between Type C and RS characteristics and Type A and LS characteristics (Kashiwagi 2012a). By applying this model it might have been possible to identify the characteristics of the project manager before the start of the project. Nowadays selection of the client's project manager is done in a more conscious way. Hanze UAS tries to apply the model.

Observation 3: The vendor has difficulties in preplanning and mitigating risk.

The presented case shows that the vendor had difficulties to preplan the whole project. It proves hard for vendors to first concentrate on preplanning; instead they seem to have a more hands-on attitude and are eager to start the actual work to be done. Also the vendor had difficulties in preplanning the Pre-Award phase. The whole point of BVP is that the vendor pre plans the project by mitigating all risks in order to reach the goals. Because they are the expert they are most able to identify the risks that might occur during the project.

This idea is explained by Kashiwagi by means of the Information Measurement Theory (IMT). IMT can be defined as: A deductive, logical, and dominant observation/explanation of an event. It includes the use of relative and related data to identify information that predicts the future outcome of the event (Kashiwagi 2012a). This theory explains that if one has all the information about the initial conditions of an event and if one knows the patterns that are applied on this event one can predict the outcome of this event. In other words: if a vendor has a lot of experience they should be able to know all the patterns that are applicable on this project and they should be able to see most of the risks (initial conditions). Therefore, with this information they are able to pre plan the project in such a way that only one outcome is possible: the achievement of the project goals. In the presented case the vendor clearly did not see all the initial conditions and patterns.

Lessons learned: Help vendor preplanning and mitigating risk at clarification phase by 'hopping over'

Nowadays the Hanze UAS presents IMT at educational meetings for client and vendor. It helps to understand why pre planning is so important. If needed the BVP process manager coaches the selected vendor in preplanning the Pre-Award phase. After preplanning the Pre-Award phase the vendor should be able to preplan themselves.

The presented case also shows that implementation activities started during the Pre-Award phase. Due to the pressure of deadline of the first system release on January 1, 2013 and the rather long Pre-Award phase, the vendor started implementation activities. Nowadays, the BVP process manager prevents the selected vendor from starting implementation activities, because almost every selected vendor at Hanze UAS still falls into this trap to some extent. As we know not starting implementation activities is essential because the vendor first of all has to prove they are able to do the job well. A project start without a signed contract is almost always a risk in itself and last but not least: it draws the attention away from the Pre-Award activities that are crucial for later success.

In the case study 'ASU Data Center and Help Desk Project' Jacob Kashiwagi describes that the best value vendor had failed to really grasp the best value process and deliver the items that were required. Then vendor seemed to try and rely on direction from ASU more than taking control and telling ASU what was required and what needed to be done (Kashiwagi 2012a). In this case, UTO decided to cancel the project. Perhaps Hanze UAS should have considered this decision as well, but the Vendor and Hanze UAS became more and more dependent on each other because of the January first release deadline and the vendor had already put in a large amount of work.

Observation 4: Expectations were unrealistic

As described in the case, it was only in a very late stage that Hanze UAS realized that the vendor was going to deliver the best possible solution within the limits of his capabilities, but that this solution would not be the solution that would solve all of the problems in relation to scope and goals.

Hanze UAS wanted to contract a vendor who would implement a solution including both the IT-system delivery as well as the business change management needed for this job. However, the core business of this vendor was implementing systems and not applying business change management. It took valuable weeks before Hanze UAS accepted this.

Lessons Learned: Accept the solution of the vendor as the best option given the predefined goals of the project

Nowadays the Hanze UAS educates the project team in the acceptance of the solution. Given the predefined project goals the presented solution of the best vendor is by definition the best we can get.

Observation 5: Client becomes unaccountable because the expert is hired

As described in the case, a phrase that was often used by client staff was: 'Don't ask me, we've hired you, the expert to tell us!' The result was that this non-committed attitude led to the inability of the vendor to make good progress on issues. This non-committed attitude contributed to a prolonged Clarification phase. The Hanze UAS needs 1) to organize their own business change management and 2) facilitate the vendor in developing the project plan.

Lessons Learned: Assign project manager at client's side who is accountable for facilitating vendor and organizing activities at client's side

Nowadays Hanze UAS assigns for each BVP project during the Pre-Award phase a project manager whose job is: facilitate the project manager of vendor and organize activities at the Hanze UAS which are not in scope of the solution of the vendor but need to be done anyway. This way Hanze UAS takes accountability of its own activities, which helps the vendor to improve value and performance.

Conclusion

Best Value PIPS has become popular in the Netherlands and at Hanze UAS, the procurement group is attempting to transition from the traditional price based, owner controlled, directed and managed processes to the Best Value PIPS process. Due to the first tests of BV PIPS in 2011, the BV process has continued to be improved. The first implementation period found the BV practitioners focusing on the selection phase, instead of the paradigm changing pre-award, clarification phase.

It is in the clarification phase that the major paradigm shift takes place. This includes:

1. The vendor taking over and defining the scope, identifying the risk that they cannot control and the mitigation of the risk.
2. The owner/buyer accepting the offer of the expert vendor.
3. The owner does not use management, direction and control on the vendor. The vendor must know what to do.
4. This paradigm shift is not easy, as vendors for the past 50 years have been managed, directed and controlled by the clients. Hanze UAS tests concentrated on attempting to perform the clarification period. The following are lessons learned:
5. Help vendor taking accountability during the clarification period by assisting them to have a detailed plan, identifying risk activities and having risk mitigation plans.
6. Select client representatives who understand Information Measurement Theory (IMT). If client representatives do not understand, they will revert and use management, direction and control the vendor.
7. Accept the solution of the vendor as the best value option given the predefined goals and intent of the client.
8. Client representatives will be directed by the expert vendor. However, until that happens, the client's representatives must support the best value vendor to get the project completed.
9. The newness of the clarification period to the Dutch practitioners and the conditioning of the vendors to be reactive to the needs and directions of the client will cause problems in the transition from price based to best value. The above four lessons learned are common also in the United States.

BV practitioners must understand that the clarification phase is critical in the changing of the paradigm. The client and the vendor must continually implement the new BV concepts. This

case study is similar to projects in the U.S., where the culture of the organization is the biggest challenge to the BV system.

The Hanze UAS tests also show that visionary procurement agents and clients can implement BV PIPS projects within two years after the introduction of the technology. It also shows that a BV consultant is very helpful in the process. It also proves that visionary clients exist in the Netherlands as well as in the U.S. The methodology to implement BV PIPS includes:

1. Owners/buyers should utilize a certified BV expert to get educated and trained. Dutch BV board members and train the trainer experts receive training and certification at the Performance Based Studies Research Group (PBSRG) at Arizona State University (ASU) or from the Kashiwagi Solution Model (KSM), which is run by the BV PIPS founder's family, the Kashiwagi family. Dutch BV board members and certified trainers can certify BV experts in the Netherlands by NEVI in a two day training course.
2. Run BV PIPS tests.
3. Capture lessons learned and modify the practice to the "pure" BV PIPS model.
4. PIPS tests can be conducted within two years of exposure to the BV technology.
5. When implementing PIPS for the first time, assist the vendors to preplan and document their detailed project schedule, their milestone schedule, and risk mitigation plan.

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