The Best Value Approach in Facility Management: A Case on Cleaning-Related Services

Violette Krouwel
Senior Consultant Procurement, VGM Facility Experts
Netherlands

Since Best Value was first introduced in the Netherlands in 2005 several tender procedures have been conducted following this approach, however, most documented cases have been within construction. As there is a lack of documented cases of the BVA in areas outside of construction in the Netherlands, this researches focus is to further test, explore and confirm the claims associated with the Best Value Approach and its applicability in the Facility Management (FM) industry. Using case study research, the Best Value Approach (BVA) was used to procure cleaning-related services for the Facility Management department of an organization in the energy sector. The research findings confirmed the applicability of the BVA in the FM industry through the successful identification of an FM expert supplier as the best value for the lowest cost. The results additionally confirmed the BVA to being more efficient, improve supplier risk migration measures and give a clearer view of the accepted project scope.

Keywords: Best Value Approach, Facility Management.

Introduction

Up until 2000 tender procedures in the Netherlands were mainly price based. Strict specifications with the aim of achieving the best quality for the lowest price were the standard (see figure 1). However, goals were not achieved and clients as well as suppliers were dissatisfied. Over the years the paradigm shifted with a focus on quality and the search for the best expertise instead of contracting suppliers with the lowest price. This new way of thinking was the first step towards a value-based structure.

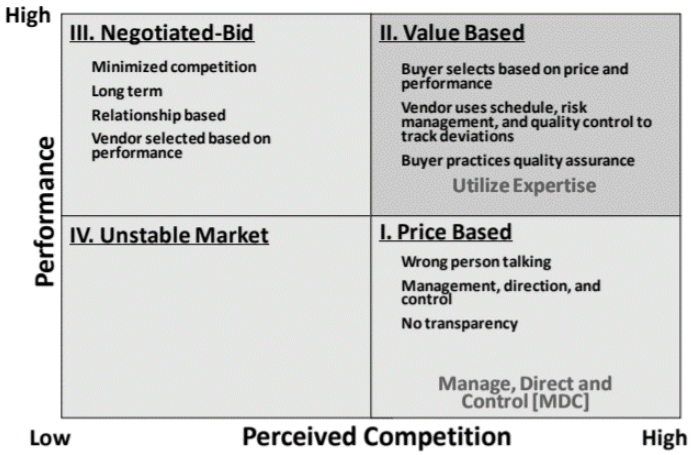

Figure 1: Industry Structure (Kashiwagi, 2014a).

Between 2005 and 2010 projects following a value-based structure were executed using the Best Value Approach (Kashiwagi, 2017) in the Netherlands (mainly) the construction industry. After the Best Value Approach (BVA) was applied by Rijkswaterstaat in 2008 (Van de Rijt, Witteveen, Vis & Santema, 2011) and the successes of the projects were publicly shared, the Best Value Approach has begun to extend to other sectors including information technology (D. Kashiwagi & I. Kashiwagi, 2014), travel, and services (Bos, D. Kashiwagi, and I. Kashiwagi, 2015). With claims of performance including:

1. Selection of the Best Value for the lowest cost.
2. Reduced cost of project.
3. Improved customer satisfaction.
4. Enforcement of supplier planning and risk mitigation.

Since the Rijskwaterstaat project results were shared, there has been little documentation in respect to the performance of Best Value within the Netherlands. Most documented claims stem from the United Sates, which is where Best Value was initially started.

Objective and Methodology

As less is known about the application of Best Value in the Netherlands there is a need to validate the performance of the BVA and explore the applicability of it in the Netherlands. The purpose of this paper is to fill this gap by investigating an analyzing the application of a Best Value project.

To meet this research objective, a case study has been performed to identify, understand and analyze the results of a facility management project. The following methodology was followed:

1. Identify and test BVA on a project within the Netherlands.
2. Analyze the results in comparison to previous BVA claims of performance.

Case Study

The client organization

The client is an organization with 3,500 employees who supply energy to approximately 2 million companies and households every day. The client's head office is in the Netherlands and the organization is in several other countries in (West-)Europe. The Facility Management (FM) department of the organization offers support to employees to ensure they make an optimal contribution to the organization's mission. To achieve this, the FM department works together with multiple partners, including a partner for cleaning services, sanitary supplies and window cleaning, as well as other partners for waste management, pest control, snow and ice control and indoor greenery. The FM department wishes to integrate related services with the aim of intensifying the collaboration with a small number of suppliers. The integration of all cleaning-related services followed the four phases of Best Value as shown in figure 2.

Figure 2: Phases of Best Value

Preparation

The Beginning

The idea of applying the Best Value approach within projects of the FM department arose during 2017. The former contract with the supplier providing cleaning services, sanitary supplies and window cleaning would end in September 2018 and had to be tendered. However, the FM department strived for a renewed contract based on mutual goals for the organization itself and the supplier as well as more opportunities to innovate and develop the facility services. The original way of tendering within the client's organization did not meet the ambitions of the FM department. The Best Value Approach was proposed as a potential solution due to its claims to improve quality and innovation through the utilization of expertise (Kashiwagi, 2017).

Training of the Project Team

As the organization's different types of locations (head office vs. bio-energy plants) and the geographical spreading over the Netherlands were a challenge to keep everyone involved, a project team was formed with representation from the entire organization. Throughout the entire project the project team was trained in Best Value through the following core periods:

- At the start of the project the main principles of Best Value were explained, and examples of successes and pitfalls were shared;
- In the preparation phase the knowledge on Best Value was refreshed while drafting the project goals;
- In the evaluation phase the project team was trained on how to evaluate the received tenders according to the Best Value Approach. An independent consultant was used to ensure the Best Value philosophy was kept intact;
- In the first meeting of the pre-award phase expectations about the BVA were managed between the organization and the selected supplier;
- During the execution phase, no specific training was provided; however, the engaged project team of the organization received thorough training and on the side of the supplier a Best Value expert is involved as well.

Project goals

The project goals were defined as follows:

> The supplier is responsible for the cleaning and supplementary services for the organization's locations and thereby will realize the following objectives based on the Best Value Approach:
>
> 1. Supplier delivers added value and at least meets the objectives, mission and culture values of the organization and the DNA of the FM department.
> 2. Supplier ensures optimal coordination and coordination of the services with employees, visitors, contract partners of the organization, suppliers and other stakeholders.
> 3. With a high-quality, hospitable and proactive service, supplier optimally matches the processes of the organization and the intended identity and diversity of the locations.
> 4. Supplier will realize satisfied employees, visitors, suppliers, contract partners and other stakeholders, together with facility contract partners, thereby achieving a service and experience level of at least 7 (scale 1-10).
> 5. Supplier guarantees maximum continuity, (re)connection with staff, employee satisfaction, reliability and professionalism of the entire service for the organization.
> 6. Supplier draws up an efficiency proposal from the TCO concept every year.
> 7. Supplier realizes maximum transparency regarding the realization of the services in communication and reporting tools, which can also be used for external and internal communication by the organization.
> 8. Supplier ensures that CSR, circularity and innovation form an explicit part of the service provision and reporting.
> 9. Supplier realizes with waste management (office waste) the highest possible application of the waste fraction (in accordance with the waste hierarchy from the prevailing LAP), where the applications increase as much as possible in the hierarchy during the contract period.
> 10. Supplier takes, within the mandate of the organization, initiatives to reduce waste, to separate waste into recyclable raw materials and to apply waste at a high level in the waste hierarchy.

Assessment

Preselection

The tender followed the negotiated procedure with prior call for competition (2014/24/EU, Article 47). The pre-selection took place during October till December of 2017. Nine suppliers submitted a request to participate. Evaluation took place based on the criteria of vision on corporate social responsibility (CSR) and vision on bonding and retention of personnel (see table 1).

Table 1: Sub-criteria Pre-Selection.

Sub criteria	Weighing (%)	Maximum points
Vision on CSR	50%	500
Vision on bonding and retention of personnel	50%	500
Total	100%	1.000

Two pages could be used for each vision document. The following evaluation method was used:

- 100%: the supplier has described a complete and clear answer to the client organization's request. The answer is formulated SMART and provide concrete examples from its own practice (reference projects). The answer is innovative and shows added value. The answer shows ambition and commitment (result responsibility);
- 80%: the supplier has defined a complete answer and connects to the client organization's request. The answer is SMART described and provided with concrete examples from its own practice (reference projects).
- 50%: the supplier has defined a complete answer and sufficiently matches the client organization's request. The answer is partly SMART and/ or partly provided with concrete examples from its own practice.
- 20%: the supplier has given an incomplete answer and/ or insufficiently matches the client organization's request.
- 0%: the supplier has given no or no applicable answer. The answer does not match the client organization's request.

The requests were evaluated by the evaluation committee as stated in the table 2. The suppliers ranked 1 to 5 (A, B, D, E, F) were admitted to the award procedure.

Table 2: Evaluation of requests.

Sub criteria	**A**	**B**	**C**	**D**	**E**	**F**	**G**	**H**	**I**
Vision on CSR	500	500	250	500	400	400	250	400	400
Vision on bonding and retention of personnel	250	250	250	400	400	500	250	250	250
Total	750	750	500	900	800	900	500	650	650

Award

In January 2018 the award procedure started following the Best Value Approach. A maximum price was set at € 1.1 million based on the budget and actual costs of 2015-2017. The criteria regarding quality were set as stated in table 3. The evaluation committee assessed all offers resulting in the evaluation as shown in the table 4.

Table 3: Sub criteria award phase.

Sub criteria	**Weighing (%)**	**Maximum value**
Project capability plan	20%	- € 220,000
Project capability plan regarding waste management, CSR and circularity	15%	- € 165,000
Risk mitigation plan	15%	- € 165,000
Value-added plan	15%	- € 165,000
Interview key figure 1	5%	- € 55,000
Interview key figure 2	5%	- € 55,000
Total	100%	- € 825,000

Table 4: Scorings matrix award procedure.

Sub criteria	**A**	**B**	**D**	**E**	**F**
Project capability plan	8	8	6	6	6
Project capability plan regarding waste management, CSR and circularity	6	6	6	8	10
Risk mitigation plan	6	4	6	6	6
Value-added plan	4	4	6	6	8
Total	- € 27,500	€ 55,500	€0	- € 82,500	- €247,500

The five selected suppliers were invited to the interviews with two key personnel. The interviews were held by the Facility Manager of the client's organization. The project manager fulfilled the role of process manager. Table 5 shows the evaluation of the interviews.

Table 5: Scorings matrix interviews.

Interviews	A	B	D	E	F
Interview key personnel 1	6	6	10	4	8
Interview key personnel 2	6	4	10	6	10
Total	€ 0	€ 27,500	- € 110,000	€ 27,500	- € 82,500

After the interviews were held the award procedure was finalized. Supplier F was ranked first and admitted to the pre-award phase. Supplier F offered the best value for the lowest cost with the highest score of all suppliers on the quality criteria and the lowest price. Table 6 shows the final evaluation.

Table 6: Total scoring matrix.

Supplier	**A**	**B**	**D**	**E**	**F**
Value of the quality criteria	€ -27.500	€ 82.500	€ -110,000	€ -55,000	€ -330,000
Price	€ 1,097,747	€ 1,050,611	€ 1.092,587	€ 1.049,964	€ 1.014,149
Evaluation price	€ 1,070,247	€ 1,133,111	€ 982,587	€ 994,964	€ 684,149

Clarification/Pre-award

The goal of the pre-award phase is elaboration of the plans by the supplier to create a more complete dossier on the implementation and organization of the services. This phase included the following:

- Kick-off meeting;
- Period of clarification and completion of the dossier. Weekly consultations took place between the client's organization and the supplier to monitor the progress;
- Pre-award meeting: presentation of the concept plans;
- Award meeting: presentation and approval of the final plans.

In this phase a project team and a project board were created. The project team cooperated intensively with the supplier and consulted weekly to further substantiate the documents and content. The project board joined the decision points (kick-off, pre-award and award meeting). In addition, for specific topics other project members were involved.

At the end of the phase, the following plans were delivered by the supplier:

- Organization of the services (on an operational and a tactical level) at the location of the organization;
- Implementation of sustainability and innovation in the services at the client's organization;
- Monitoring and reporting on Key Performance Indicators (KPI's);
- A reporting tool on waste management (per waste fraction);
- Approach to improve circularity in the supply chain;
- Communication including an escalation plan;
- Bonding and retainment of personnel;
- The final agreement, in accordance with the conditions of the client's organization.

The contract was awarded, and execution phase begun in September 2018.

Analysis of BVA Implementation

Defining the project goal

During the preparation phase the main principles of BVA was discussed with the project team to define the project goal. As several goals are important for the client's organization and the scope of the project was wide, it was hard to define one project goal. Specifically, one project goal that would be readable and understandable, hence multiple project goals were drafted.
In the 'project capability plan' suppliers were required to meet each project goal individually. During the evaluation of the tender with suppliers, the supplier's expressed that this was a challenge. As the project group created a lot of project goals and the space in the tender is limited for suppliers (maximum of 2 A4 pages), it was hard to support each goal with enough metrics. Even though it did not affect the result of the tender, in a future Best Value project it is recommended to always aim to define one project goal. This also forces the client to focus on the most important issues.

Additional 'project capability plan' regarding waste management, CSR and circularity

It was important that the focus of the client's organization on CSR and related topics was clearly reflected in the tender. Particularly In the area of waste management, the FM department had the assumption that reduction of the residual waste and separation of other waste streams could be improved. However, the project team was mostly interested in what opportunities the suppliers recognized.

It was decided to introduce an additional 'project capability plan'. First of all, in line with the desire of the client's organization to have a clear focus on CSR, the additional 'project capability plan' confirmed its importance to the market. Secondly, the additional 'project capability plan' made sure suppliers were given enough space to distinguish themselves on these topics in the tender procedure. The project team supported this idea. In the additional 'project capability plan on waste management, CSR and circularity' suppliers could support with metrics how they would realize project goals 8, 9 and 10.

The additional 'project capability plan' is not standard in the Best Value Approach. It was a concern that this modification would raise questions among the suppliers and make it a look like a 'hybrid form' of Best Value. In the Q&A's during the tender no questions were asked on this topic and the received tenders matched with the client's requirements.

It was notable that the received additional 'project capability plans' were partly comparable. Several suppliers collaborated with the same subcontractor on waste management and thus produced a similar plan. Understandable, because only a few players are active in this market in the Netherlands. The main difference between the plans was in the relevant metrics. The scores achieved with the various plans were therefore only slightly different.

Although the plans were partly comparable, the added value of these plans remained. The plans provided insight into the ambition of the suppliers and new developments in the market. The specific translation of the goals for use at the client's organization was innovative and showed the project team which supplier shared the DNA of the FM department.

Chosen procedure

Applying the Best Value Approach in a public tender procedure following Directive 2014/24/EU may lead to some (legal) difficulties. Van de Rijt and Santema (2012, p. 156) identify the pre-award phase to be difficult to integrate in a public tender procedure due to the necessary communications in this phase taking place before formally awarding the contract. Although Directive 2014/24/EU doesn't explicitly forbid negotiation or clarification during the regular (open and restricted) procedures (2014/24/EU, Article 27 and 28), jurisdiction (C-599/10, 2012 and C-336/12, 2013) states that any form of negotiation is contrary to the principles of equal treatment and transparency (2014/24/EU, cons. 1). By all means, the Best Value Approach doesn't intend to negotiate with suppliers during the pre-award phase; however, the elaboration of the plans can be seen as a change of the submitted offer.

For entities, as the client in this case, operating in the water, energy, transport and postal services sectors Directive 2014/25/EU applies to tender procedures. This directive includes the 'negotiated procedure with prior call for competition' (Directive 2014/25/EU, Article 47) as common procedure, which leaves more room for communication ('negotiations') during the tender procedure and makes it (from a legal perspective) easier to include the pre-award phase of the Best Value Approach before awarding the contract. It is not uncommon for entities following Directive 2014/25/EU to use the 'negotiated procedure with prior call for competition' for the Best Value Approach (i.e. other organizations within the energy, water and transport sector also applies this procedure).

Following the 'negotiated procedure with prior call for competition' implies the following:

- A preselection took place, which is not standard in the Best Value Approach;
- Three standstill periods were included in the procedure: the first after the preselection, the second after the decision which supplier was allowed to the pre-award phase, and the third (and only formal one according to Aanbestedingswet 2012, 2016) after the successful completion of the pre-award phase.

Although the Best Value Approach aims at the market to filter itself in a tender procedure (Van de Rijt and Santema, 2013, p. 59), it was useful to preselect the suppliers given the size of the current market for cleaning and related services. Nine suppliers submitted a request to participate and eventually five suppliers were selected who all connected in some way to the vision of the client's organization. In hindsight it the client may have preferred to have selected three suppliers instead of five, mainly because of the time investment during the interviews, both for the project team and the suppliers. However, in advance, the project team was afraid that if only three suppliers were selected, one could potentially pull out of the procedure, making the competition too limited. Given the fact it was an interesting assignment and organization to service, this risk was minimal and worth taking. In the future it is recommended to use a preselection, depending on the size of the market. Unfortunately, little is known about which selection criteria are best suited to the Best Value approach and comply to Aanbestedingswet 2012 (2016) and Directive 2014/24/EU (2014) law on public procurement. Further research and publications on this topic can be useful.

After consultation with several lawyers it was decided to include three standstill periods in the tender procedure. In Aanbestedingswet 2012 (2016, article 2.127) only the standstill period after the proposed award of the contract is mandatory. The standstill period after the preselection is not mandatory, but generally recognized (ECLI:NL:RBNHO:2014:611) implying if a supplier does not make objection during this period, it forfeits its rights. Although this is not the first time it has been done, the standstill period after the admission of the supplier ranked first to the pre-award phase was completely voluntarily. The allowance to the pre-award phase is the most important decision during the procedure and with the greatest consequence to the participating suppliers (i.e. rejected for the rest of the procedure or pre-awarded the contract). Therefore, it was decided to add this standstill period to provide all suppliers with the motivation for the evaluation of the received tenders at an early stage. Moreover, the risk of an objection after successful completion of the pre-award phase was minimized. Each standstill period took 20 calendar days which meant a total delay of (non-mandatory standstill periods of) 40 days before finalizing the contract. On the entire project this means starting on time is even more necessary to achieve your planning. It may be considered to shorten the non-mandatory standstill periods to, for example, 10 days. This way, suppliers get the opportunity to object and, if desired and necessary, the standstill period can always be extended. There is a lot of jurisdiction about the minimum length of standstill periods, though the term of 10 days seems generally accepted.

The financial value of the value-added plan

Part of the Best Value Approach is the value-added plan the suppliers draft during the tender procedure. The value-added plan provides the opportunity for suppliers to add options to their services the client itself has not thought of. These value-added options can be services out of scope or possibilities from a new perspective. During the pre-award phase or later during the contract term the client decides whether it will use the value-added options or not.

According to Directive 2014/24/EU (art. 89, 2014) it is forbidden to make substantial modifications to the contract during its term. If the conditions as stated in this article are not met, a modification of the contract is not allowed, and a new tender procedure must be conducted. The valued-added options described by suppliers in their tender generally do not meet those conditions, implying this could lead to termination of the awarded contract.

Specifically, Article 89, sub 2 (ii) (2014) state that a contract may be modified if the value of the modification remains below 10% of the initial contract value. Based on this article the following was included in the tender document regarding the costs of the value-added plan:

- The maximum price applies to all fixed activities, the fixed activities based on the annual volume and the start-up and implementation costs. The maximum price does not include the value-added plan; the total costs for the value-added plan (i.e. the costs of all options added up) may not exceed 10% of the suppliers offered price.

There are different views regarding the costs of the value-added plan. According to the original Best Value Approach the maximum price only applies to the realization of the project goals; the possible costs of the value-added plan are not limited. However, in practice, a lot of tenders contain in some way a maximum price for the value-added plan. The idea behind this is that without a limitation on costs, options are offered that the exceed the client's budget.
In this project the maximum of 10% of the offered price by the supplier was only added for legal reasons. By including the described condition, the value-added options of the suppliers can be applied during the contract term. The application will then not lead to a substantial modification of the financial value of the contract with a mandatory termination of the contract as a result.

The inclusion of this condition had no effect on the results. It is recommend adding this condition more often in future projects; although it should always be determined how big the financial scope of the value-added options in a project can be and if this condition might have a restrictive influence on the tender.

Conclusion and Results

The project was awarded with the following results:

- Ambitious claims substantiated with performance metrics by the awarded supplier, for example a net promoter score (NPS) of a 7.5 (scale 1-10) with projected growth to an 8.0 in year 2;
- Clear control by the awarded supplier of all services within scope (window cleaning, pest control etc.) and facility chain partners with the aim to reduce disruptions and calamities;
- Full transparency in the calculation and a fixed profit percentage;
- Savings of 7.8% in relation to the budget.

To demonstrate the impact of the Best Value Approach a short survey was held in the project group (3 team members). The results of the survey are shown in table 7. The project group concludes the Best Value Approach is efficient, forces the supplier to minimize risks and improves the possibility to clarify the offers in comparison to a more 'traditional' approach.

Table 7: Impact of Best Value Approach for the FM department. Survey on a scale of 1-10, with 10 being very satisfied and 1 being very dissatisfied (n=3).

	'Traditional' approach	**Best Value approach**
Overall satisfaction with the process and the contracting of the supplier	7.0	8.0
The process is simple and easy to implement	6.0	7.2
The process is efficient (minimizes costs, time and effort)	6.3	7.7
The process leads to the best performing and cheapest supplier	6.0	6.7
The process minimizes the risk for the client's organization	6.0	7.3
The process forces the supplier to plan, identify and minimize risks before the project starts	5.7	8.2
Overall satisfaction with the possibilities to clarify the offers	5.7	7.7

In answering the papers objective, the Best Value Approach was found to have been implemented successfully with the capability to identify an FM expert supplier as the best value for the lowest cost. Additionally, some of the BVA claims were confirmed with results showing the BVA to being more efficient, improve supplier risk mitigation measures and give a clearer view of the accepted project scope.

References

Aanbestedingswet 2012 (2016). Staatsblad van het Koninkrijk der Nederlanden.

Bos, A., Kashiwagi, D., & Kashiwagi, I. (2015). Changes Required to Sustain a Best Value Environment. *Journal for the Advancement of Performance Information & Value*, *7*(1).

Directive 2014/24/EU (2014). Official Journal of the European Union.

Directive 2014/25/ EU (2014). Official Journal of the European Union.

Judgment of the court of 29 March 2012, SAG ELV Slovensko a.s. and Others v Úrad pre verejné obstarávanie, C-599/10, ECLI:EU:C:2012:191.

Judgment of the court of 10 October 2013, Ministeriet for Forskning, Innovation og Videregående Uddannelser v Manova A/S, C-336/12, ECLI:EU:C:2013:647.

Kashiwagi, D., & Kashiwagi, I. (2014). The Best Value ICT Industry. Journal for the Advancement of Performance Information & Value, 6(1).

Kashiwagi, D. (2017). How to Know Everything Without Knowing Anything. Kashiwagi Solution Model Inc. Mesa, Az. Publisher: KSM Inc.

Rijt, J. van der and Santema, S. (2013). Prestatie inkoop. Graphicom International: p. 59.

Rijt, J.van der and Santema, S. (2012). The Best Value Approach in the Netherlands: A Reflection on Past, Present and Future. Journal for the Advancement of Performance Information and Value, 4 (2), 147-160.

Annex I – interview questions

Introduction/ general questions

1. Could you introduce yourself and indicate which role you will fulfill in this project?
    a. Why are you delegated for this interview?
    b. What will be your role in the daily implementation of this project?
2. You have submitted an offer including the project capability plan, risk mitigation plan and value-added plan. Were you involved in the preparation of your offer and in what way?
    a. How long will you stay involved in this project?
    b. How will the continuity of your team be guaranteed?
3. Which experience do you have in similar projects in the past and what was the result?
    a. In what way are these projects similar to this project?
    b. How successful were those projects?
    c. How did you measure your performance?
4. Could you describe the intentions of this project? What are the most important goals in your opinion?
    a. Is everything included in your offer needed to realize the project goals? Please provide an example.
    b. On a scale of 1-10, how comfortable/ satisfied are you with your submitted offer? Why?
5. The client's first project goal is to connect the provided services to the client's DNA and cultural values.
    a. How will you realize this?
    b. Based on which competencies do you select personnel for this project?
6. This project follows the Best Value Approach, which differs from a traditional tender procedure. The client wishes to create a more sustainable partnership.
    a. How do you see the cooperation between the client and the supplier and what does that mean for the provided services?
    b. What do you expect from the client regarding the provided services?
7. Can you explain the most important assumptions you made when creating the plan?
    a. What happens if these assumptions turn out to be incorrect?

Questions regarding the project capability plan

8. What results do you promise and what is that based on?
    a. When is the service successful in your opinion?
    b. How do you measure the success?
9. The scope of the project concerns more services than cleaning.
    a. How are the other services included in your offer?
    b. How do you manage the subcontractors?
10. CSR is an important part of the client's vision.
    a. How do you include CSR in your services?
11. Waste management is also part of the scope.
    a. How did you include this in the project capability plan?
    b. Please provide examples.
12. How do you manage the transfer of staff and how do train them to provide your service concept?

Questions regarding the risk mitigation plan

13. How did you create the risk mitigation plan, what do you consider to be the biggest risks for this project and how do you control them?
14. What do you suggest in the case of non-performance from your side?
    a. What do you suggest if we as a client cause risks or do not follow the contract?

Questions regarding the value-added plan

15. In your opinion, which service adds the most value to the client?

Closing question

16. Did we forget anything to ask and do you have any questions for us?