



Create Increased Value while Decreasing Costs

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Performance Based Studies Research Group

www.pbsrg.com

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PBSRG

(Performance Based Studies Research Group)

- 700 Procurements
- \$808 Million Construction services
- \$1.7 Billion Non-construction services
- \$1.3B Euro (\$2B) construction test ongoing in the Netherlands
- Africa/Southeast Asia/Australia
- ASU procurement - \$100M cash savings over 10 years
- GSA implementation in 2009
- 98% Customer satisfaction, 90% of PM/RM transactions minimized
- Increased vendor profits and decreased cost







Industry Structure

High

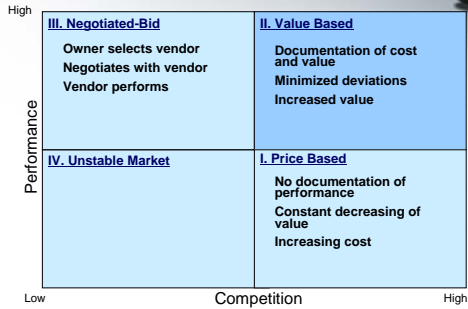
Performance



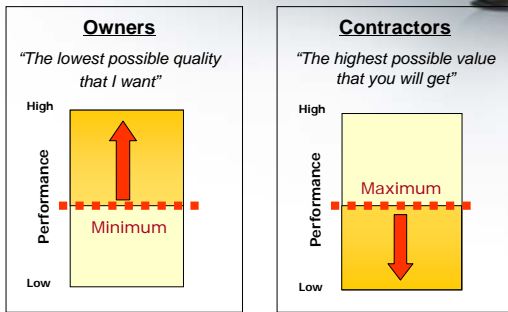
<p>III. Negotiated-Bid</p> <p>Owner selects vendor Negotiates with vendor Vendor performs</p>	<p>II. Value Based</p> <p>Best Value (Performance and price measurements) Quality control</p> <p>Contractor minimizes risk</p>
<p>IV. Unstable Market</p>	<p>I. Price Based</p> <p>Specifications, standards and qualification based Management & Inspection</p> <p>Client minimizes risk</p>
Low	High

Competition

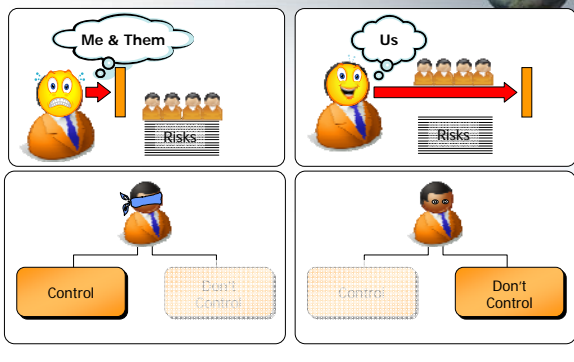
Industry Structure



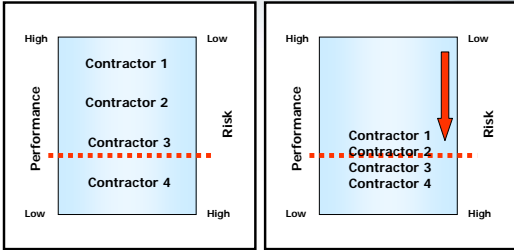
Problem with Priced Based Systems



Inexperienced vs Experienced



Impact of Minimum Standards



Decision making: what is the minimum standard, and do all contractors meet the minimum standards

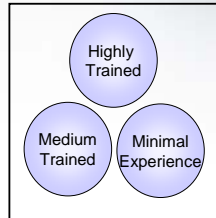
Industry performance and capability



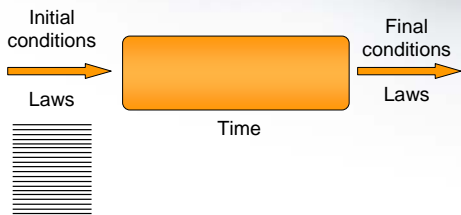
Customers

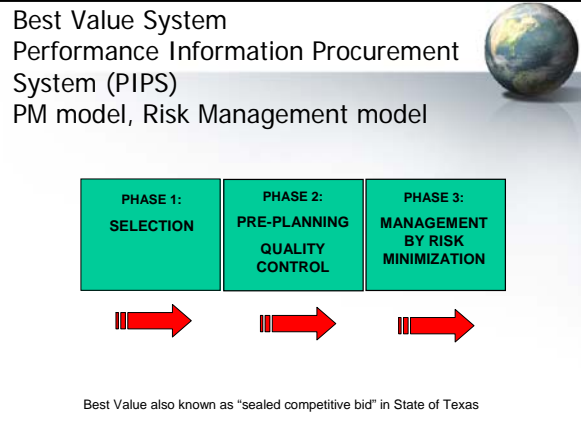
- Outsourcing Owner
- Partnering Owner
- Price Based

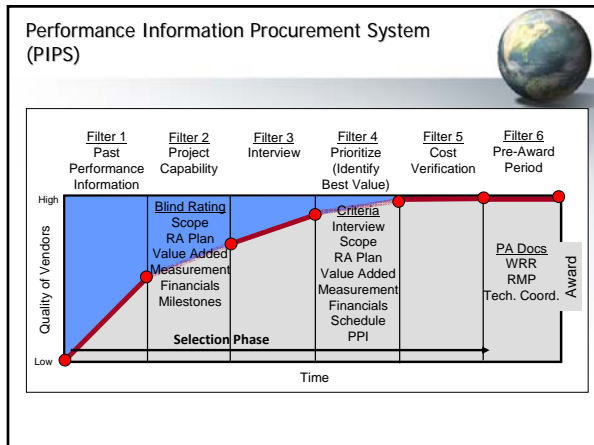
Vendor X



Event







- ### Vendor Selection Criteria (Performance)
- Past performance information on the critical elements (15%)
 - Scope(as understood by the vendor from RFP) (20%)
 - Schedule with major milestones (10%)
 - Risk assessment value added (RAVA) plan (25%)
 - Interview of key personnel (30%)

Dominant Information



- Dominant Performance Indicators
 - Overall cost of network
 - Top of the line networking
 - Network Sustainability/Accessibility
 - Customer Satisfaction

- Documentation of Deviations to financials

	Dev.	Cap. Exp.	Maint.	FOE Costs	Total
Year 1 Exp.	\$ 4,100,000	\$ 1,652,000	\$ 6,818,000	\$ 12,570,000	
Ex. Risk X	\$ 100,000	\$ 100,000	\$ -	\$ -	\$ 100,000
Ex. Risk X	\$ 100,000	\$ 100,000	\$ (25,000)	\$ -	\$ 75,000
Ex. Risk X	\$ 50,000	\$ -	\$ 50,000	\$ -	\$ 50,000
Ex. Risk X	\$ 25,000	\$ -	\$ -	\$ -	\$ 25,000
New Year 1	\$ 275,000	\$ 4,325,000	\$ 1,677,000	\$ 6,818,000	\$ 12,820,000

Dominant Measurements	ASU Current	Qwest Value Add
Overall Cost of Network		
Annual IT Spend Ratio (new vs maintenance)	17/83	48/52
Top-of-the-line Networking		
% Congested	7%	100%
% Mobility	2%	100%
% Equipment not out-of-date	58%	95%
Network Sustainability/Accessibility		
% Equipment not needing replacement (Not at end-of-maintenance)	88%	100%
Customer Satisfaction		
Speed/Quickness Available (Wired / Wireless)		
% 10s+ Wired Connections	59%	96%
% of 300Mb+ Wireless Connections	8%	32%

Current Performance Lines



Key	Criteria	Unit	Overall	A	B	C	D	E	F	G	H	I	J	K	L	M	N
1	Overall Contractor Performance (1-10)		9.8	9.1	10.0	9.7	10.0	9.8	9.8	9.8	9.8	9.8	9.8	9.7	10.0	9.7	9.7
2	Overall jobs surveyed	Years	19	20	3	10	25	20	5	13	30	17	25	11	7	20	6
3	Percentage of jobs completed	Years	9	10	1	25	8	10	14	1	19	10	19	1	3	8	3
4	Age span of all projects that never failed	Years	2,684	100	14	119	77	100	175	70	388	104	203	236	77	213	39
5	Age span of all projects that do not fail	Years	1,330	100	19	104	140	100	207	111	800	207	425	234	77	428	110
6	Percent of customers that would purchase again	%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
7	Percent of jobs that do not leak	%	98%	92%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
8	Percent of jobs completed on time	%	98%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
9	Percent of satisfied customers	%	100%	97%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
10	Percent of inspected rods with less than 5% parallel water	%	99%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
11	Percent of inspected rods with less than 1% deterioration	%	95%	95%	100%	95%	100%	95%	95%	95%	95%	95%	100%	100%	100%	95%	91%
12	Percent of inspected rods with less than 1/4" slope	%	89%	89%	95%	89%	100%	89%	87%	69%	94%	95%	100%	100%	92%	24%	85%
13	Average job size (of jobs surveyed and inspected)	USD	332	497	599	122	234	190	419	180	778	248	579	179	238	327	59
14	Total job size (of jobs surveyed and inspected)	USD	66,060	24,204	4,028	3,389	4,546	8,168	20,077	8,218	38,868	6,887	28,379	3,038	5,703	16,239	3,188
15	Total number of affected surveys - Number of jobs surveyed	#	480	610	26	14	113	12	113	40	113	11	113	22	14	44	15
16	Total number of jobs inspected	#	356	24	15	27	35	31	25	38	91	80	17	24	24	31	35
17	Total number of different customers surveyed & inspected	#	235	32	5	15	11	6	2	27	19	48	25	9	1	5	46
18	Total number of Alpha Inspection Surveys	#	N/A	8	1	5	3	9	4	2	5	5	5	1	1	6	1
19	Customer Status	Status	N/A	Open	Open	Open	Open	Open	Open	Open	Open	Open	Open	Open	Open	Open	Open

- The concept was here the entire time
- No one knew how to transfer the logic and common sense into something so "complex"



Q&A



- Drop business cards into my hat to receive journal paper
- Looking for clients, designers, and contractors who wish to partner in the effort
- Looking for visionaries to work hand in hand with the university

2011 Best Value Annual Conference

Feb 21-24, 2011 in Tempe, AZ



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