



# Collaborative Value Development (CVD) Process

August 17, 2017

# Order of Presentation

- Creating the Collaborative Value Development Process
- CVD Pilot Procurement Framework
- Benefits of the CVD Process
- Results of the Pilot Procurement
- Candidate Procurements for CVD
- Potential Components of CVD for Future Use
- Lessons Learned and Takeaways

# CVD Process – What’s Different?

- Collaborative Value Development Process
  - Vested® process adapted to State CPO procedures
- Involvement of representatives from down-selected vendors participating in collaborative CVD Workshops to provide inputs that the State team can use to develop the RFP



- Focus on minimizing risk and including incentives in the contract designed to drive vendor to create and deliver additional value to the State throughout the contract.

# CVD Pilot Procurement Overview

- Facilities Management Core Team created RFQ
  - Representing CPO, STREAM, CFG, UT, TBR
- Down-selected to three qualified vendors
- Vendors and State collaborated through workshops to discuss and develop the unique constraints and opportunities for the RFP on which the vendors would ultimately bid.
- Single vendor selected, and joint governance team formed to align with entities

# Overview of the Journey

25-Aug	8-Sep	15-Sep	22-Sep	29-Sep	6-Oct	13-Oct	20-Oct	27-Oct	3-Nov	7-Nov	14-Nov	21-Nov	28-Nov
<b>Modules 1-4</b>	An introduction to Vested, the courseware, and the process we will follow												
	<b>Module 5-7</b>	Review Deliverables 1-4 and create Requirements Roadmap											
		<b>Modules 8-12</b>	Review Requirements Roadmap and create Pricing Model										
			<b>Module 13</b>	Review Pricing Model and create Governance									
				<b>Rev &amp; Plan</b>	Review any outstanding issues & plan Breakout Sessions								
					<b>Breakout #1</b>								
						<b>Breakout #2</b>							
							<b>Create RFP</b>	State begins prep of RFP					
								<b>Preliminary Solutions</b>	Qualified Respondents continue solutioning				
									<b>Review</b>	Final Review of Vested Deliverables /			
										<b>Finalize RFP</b>			
										<b>Continue Solutions</b>			
											<b>RFP to COT</b>		
													<b>Issue RFP</b>

Date shown on Calendar is a Thursday (thru 11/3 - last 4 columns are Mondays)

Workshops will be Thursdays & Fridays from 8:30AM - 4:30PM

There will be no Workshops on the Thurs-Fri prior to Labor Day

# What's in it for the Parties?

## What's in it for the Vendors?

- A chance to better understand the State's needs
- An opportunity to have input into the final requirements, allowing the Vendors to respond with an optimal solution for both parties
  - Opportunity to meet one-on-one with State

## What's in it for the State?

- Gain knowledge from the vendors to assist the State with defining the cost model and other requirements
- Help the State understand industry best practices, and formulate the requirements that will ultimately be incorporated into the RFP
- Better competition and resulting solutions

# Mutual Benefits

## **By Focusing on intended results, not activities...**

- Risk and reward are shared to align interests
- Mutually beneficial, shared incentives drive innovation and cost effectiveness
- Mutually agreed Desired Outcomes create buy-in and focus on meeting goals and objectives
- Total Cost of Ownership emphasis enables sustainable results beyond bottom-line initial price “reduction”
- Flexible Framework to enable changes “as business happens”

# Resulting Contract from pilot CVD procurement

- The State signed a 5 year facilities management contract focused on providing the best service at the lowest possible cost for taxpayers.
- Key features include:
  - Flexibility: master contract allows individual state entities the choice to utilize some or all of the services provided
  - Transparency: cost pass through contract with no markups
  - Incentives: Vendor puts their management fee at risk of meeting performance objectives, can share State savings and earn five possible one-year term extensions (beginning in year 2)

# Candidates for CVD

- Large, High \$ Value
- Complex Subject Matter that may not be a core competency of the State
  - If in-house expertise is insufficient or unable to fully develop contract inputs such as scope and cost model.
- Potential candidates
  - Supply-Chain Management and Logistics
  - Design-Build Projects
  - IT Systems (such as healthcare & benefits systems)

# Potential Components of CVD for Future Use

- Finding effective ways to utilize and gain from expertise of private sector during scope and cost model development. Some best practices:
  - More vendor involvement on the front end than just the typical formal State Pre-Response Conference & RFI process.
  - Targeted questions to drive vendor input early on
  - Emphasizing “drivers” behind State requirements
- Use a shortened version of the workshops to compare State’s existing service delivery with best practices in private sector.
- Incentives to mitigate vendor’s risk and motivate

# Lessons Learned and Takeaways

- Increased Insight and vendor involvement leads to Buy-In & Better Competition
  - More State emphasis on explaining drivers behind requirements.
- Transparency and Knowledge Transfer is critical
- Entire CVD process should be used sparingly
- Public Sector constraints prevent a true Vested relationship (but we got closer than we thought)
  - Contract contained more boilerplate language than a normal Vested contract.
- Vendors love the process, when it makes sense financially
  - Losing Respondents wished for the contract to be successful and format adopted by other public entities.

# Conclusion

**Questions?**