

# MEAT IN HEAVEN

- *The tendering entities know what they need and eventually they get what they need.*
- *Service providers understand what the tendering entities need and provide matching services.*
- *The assessments, decisions and choices are understandable.*
- *Consulting is reasonably profitable, hence service providers can develop better services and produce higher quality.*

# MEAT ON EARTH

- *Tendering entities don't always know what they actually need and service providers sell them what tendering entities themselves think they need.*
- *Tendering entities often deceive themselves to believe that their choices are based on quality when in reality their choices are largely based on the cheapest price.*

# MEAT ON EARTH

- *Assessments often seem to be illogical, they resemble more like practical jokes.*
- *Tendering entities often - maybe accidentally - mislead the service providers to believe that quality counts when in reality it doesn't.*
- *The choices are very often biased towards cheapest price even if there is heavy weight set on quality.*
- *Consulting fees are steadily declining, developing the services is next to impossible.*

# CAUSES

- *The set weights of price and quality are realized quite randomly because of the very many different methods in assessing MEAT.*
- *The used method has been hastily set up.*
- *Assessments are done wrongly (P&Q opened on the same time).*
- *The choices after assessment – compared to set weights – seem often unjust.*
- *This quite probably happens all over Europe, all the time.*

# ASSESSMENT

- Working price-quality assessment method should
  - 1) *put the best option first in the quality rank*
  - 2) *put the cheapest option first in the price rank.*
- Over 50% weight for quality should add the probability to end up to better quality option.
- Over 50% weight for price should add the probability to end up to cheaper option.

# WHICH QUALITY?

- The bidding companies?
- The personnel of the companies?
- The bids done by companies?
- The references of the company?
- The prospective process?
- The prospective designs (technical-/ -of the substance)?
- The finished building?

# QUALITY

- According to Joseph Juran
- *Quality is fitness for purpose.*  
*Fitness is defined by the customer.*
- According to Philip Crosby it means  
*conformance to requirements.*

# QUALITY

- Hence, *quality is subjective for everybody.*
- *Quality has no unit.*
- *Quality has no scale.*



# COMBINING PRICE AND QUALITY

- Predictable assessment of the Most Economically Advantageous Tender (MEAT) entails that *quality and price can be evaluated and combined* in order to be able to rank the different bids.
- How does one combine price which has a scale and a unit, with quality which has no scale and no unit?

# COMBINING PRICE AND QUALITY

- Either the price or the quality must be somehow converted to be comparable to each other.
- For example quality must be converted to monetary value before it can be added to price.
- This conversion often leads to problems because the effect of deviation is not understood properly.
- Standardization transforms both price and quality to numeric values – without unit.

# PRICETAG ON QUALITY

- *There is no unit price for quality.*
- It is VERY absurd to calculate the *monetary values of quality points* and use those as an argument (as has been done in Finland).
- *”60 000 € is far too much from 0,5 quality points.”*  
*”We have very expensive quality points here!”*

# ASSESSMENT

- Clients should understand the meaning of *weight*
- High weight means: *"I prefer this."*
- Low weight means: *"Who cares!"*
- High weight on price and low weight on quality means: *"I want cheap, I don't care about the quality!"*
- Clients should be critical when evaluating the result of the assessment done by a hired consult.

# CLIENT & QUALITY

- For the client *the quality equals desirability*.
- From the client's perspective the procurement is successful when *the client gets what he wants ( $\neq$  needs)*.
- *One can not both eat the cake and save it – best quality on cheapest price – is not possible. The best quality is very rarely the cheapest.*

# STANDARDIZATION

- Scales monetary prices and quality points so that the standard deviation of both is one.
- Both parameters are multiplied with a coefficient (=set %-weight).
- Parameters are summed up and highest value wins.
- Standardization is not "perfect", as it does not work well when there are less than 4 bids because it is a statistical method, even though Finnish Market Court has approved it.

# EXAMPLE

## PROCUREMENT INFORMATION

<b>DATE OF THE NOTICE</b>	<b>2.4.2014</b>
<b>PROCUREMENT UNIT</b>	Rovaseudun Markkinakiinteistöt Oy
<b>PUBLIC PROCUREMENT DOCUMENT NUMBER</b>	2014-002832
<b>PROCUREMENT NAME</b>	Ounasrinteen monitoimitalo
<b>EVALUATOR</b>	Kimmo Liimatainen

SET WEIGHTS	%
<b>PRICE WEIGHT</b>	30,00 %
<b>QUALITY WEIGHT</b>	70,00 %

CALCULATED VALUES	PRICE	QUALITY PTS
<b>AVERAGE</b>	278 991,40 €	2,16
<b>DEVIATION</b>	73 295,57 €	0,32

COMPANY	PRICE €	QUAL. P	STD P*	STD Q*	STD Σ
Company 1	299 950,00 €	1,73	-0,086	-0,952	-1,038
Company 2	287 300,00 €	2,41	-0,034	0,554	0,520
Company 3	242 250,00 €	2,15	0,150	-0,022	0,128
Company 4	325 000,00 €	2,35	-0,188	0,421	0,232
Company 5	351 924,00 €	2,49	-0,299	0,731	0,432
Company 6	332 500,00 €	2,49	-0,219	0,731	0,512
Company 7	357 590,00 €	2,37	-0,322	0,465	0,143
Company 8	280 000,00 €	2,09	-0,004	-0,155	-0,159
Company 9	163 900,00 €	1,88	0,471	-0,620	-0,149
Company 10	149 500,00 €	1,64	0,530	-1,152	-0,622

# PRICES





# QUALITY POINTS



# SELECTED BID

RANK	COMPANY	PRICE €	QUAL. P	STD P*	STD Q*	STD Σ
10	Company 1	299 950,00 €	1,73	-0,086	-0,952	-1,038
1	Company 2	287 300,00 €	2,41	-0,034	0,554	0,520
6	Company 3	242 250,00 €	2,15	0,150	-0,022	0,128
4	Company 4	325 000,00 €	2,35	-0,188	0,421	0,232
3	Company 5	351 924,00 €	2,49	-0,299	0,731	0,432
2	Company 6	332 500,00 €	2,49	-0,219	0,731	0,512
5	Company 7	357 590,00 €	2,37	-0,322	0,465	0,143
8	Company 8	280 000,00 €	2,09	-0,004	-0,155	-0,159
7	Company 9	163 900,00 €	1,88	0,471	-0,620	-0,149
9	Company 10	149 500,00 €	1,64	0,530	-1,152	-0,622
DEVIATION CHECKSUM				0,300	0,700	

- The client selected company 10 (lowest quality points and cheapest price). How can this selection be interpreted as "70% quality 30% price choice"? It is solely based on cheapest price regardless of quality.
- Standardization proposes company 2 to be selected, quality well over average, price a little over average.

# ASPECTS ON PRICE – QUALITY ASSESSMENT

*Brussels, 14th of may 2014*

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