

Rapid Circular Contracting

Innovation oriented circular procurement

Clients can be a driving force behind the transition to a Circular Economy. As Contracting Authorities, governments in particular have an exemplary role in society, also when it comes to the implementation of prestigious circular examples. However, existing procurement processes are yet to challenge the business community sufficiently to come up with smart, innovative circular solutions. Therefore, Stichting Circulaire Economie has developed the method “Rapid Circular Contracting” (RCC) as an encouragement for innovation oriented procurement based on circular ambitions and as a European procurement toolkit.



What is RCC?

In brief: RCC does not call for tenders offering a predetermined final solution, but a cooperation contract. Characteristic of RCC is that the parties involved work from a Programme of Ambitions (PoA) rather than the traditional Programme of Requirements (PoR). This concerns a far-reaching partnership. Together, the partners develop and design and share insights and dilemmas with each other. Results: a relatively short turnaround time for the procurement process, an open attitude in relation to the qualities of the market, a better price-quality ratio, higher satisfaction and an optimal circular and responsible use of production resources, products, materials and resources.

Three arguments to opt for RCC

1 Higher quality and value creation

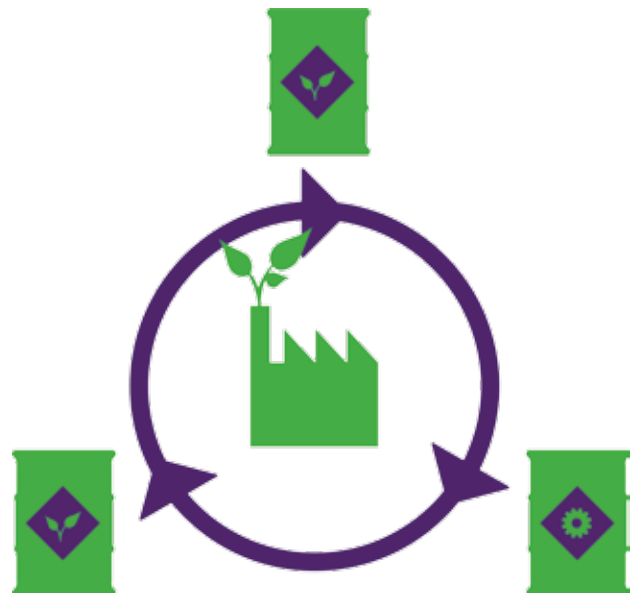
RCC creates an inspiring partnership. Parties are not looking for differences so they'll end up in court if things go wrong (again). The parties represent a valuable relationship and joint circular performance focused on craftsmanship, quality, value creation, innovation and trust.

2 Mutual trust

Many of the documents which form part of the documentation of a traditional call for tenders are already "set in stone" through legal provisions. Whether or not they learnt through trial and error, parties continue to insist in applying this closed form of (false) security. RCC works in a completely different manner: complex questions and tough issues are approached in close consultation and – by mutual agreement – result in making informed choices and more flexibility for the future.

3 Guaranteed cost reduction

RCC reduces the costs for both the client and the tendering parties, for example by shortening the procurement process. The preparation of comprehensive drawings, specifications or other solutions is postponed until after the selection of the partners to get it right the first time. The integrated approach, chain cooperation, smart considerations and careful choices in the design phase translate into a demand for competitive rates, attention to detail and wisdom around the effects on the performance. This results in lower Total Costs of Ownership. Furthermore, RCC provides space for social innovation, New Business Models and special forms of financing.



Soft?

Perhaps reading this explanation will give you the feeling that RCC is has a 'naive faith in humanity' and this is a 'soft approach' to the market. This couldn't be further from the truth. The approach of blind trust is the exact opposite of what we opt for. It takes nerve to undertake such a process, to be clear about interests, to identify uncertainties, to use open books and always focus on the long-term. And for those who cannot or will not do as promised, we will apply an exit strategy.

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How does this approach work?

RCC is all about putting off everybody's opinion. This provides space for reorientation. This approach has been established in an RCC roadmap consisting of 8 steps in which the partners concert risks into opportunities. Stichting Circulaire Economie can help you with the effective implementation of RCC.

1 RCC entry phase / pre-procurement period

The start consists of making preparations in order to establish the right goals, definitions, criteria and other principles and frameworks. This is recorded in a Programme of Ambitions (PoA = the RCC programme of (unmet) needs & deeds = POND). The client announces the approaching tender to the market and organises a market meeting to serve as inspiration and as a starting point for co-creation for those present.

2 RCC rapid procurement phase / het inkoopproces

During this phase, the Tenderers will receive the information regarding the ambitions and needs of the clients. Suppliers are given the opportunity to present themselves based on their vision and ideas. In this phase, the market parties do not yet provide a tailor-made solution.

After the tendering period closes, the client will select the most ideal circular partner(s) for the development, realisation and performance phases. This phase ensures a quick and legally correct tendering and selection procedure, which will conclude with the endorsement of each other's needs, ambitions and the frameworks to achieve them.

3 RCC commitment contract

To complete the procurement process, leading up to the elaboration – the RCC workout period – the client and the selected winners record the agreements in a cooperation and development contract, called the RCC commitment contract. This contract specifies the needs and joint ambitions the parties involved commit to. The signing of the contract also means they will work in accordance with the frameworks and RCC principles specified in the PoA.



4 RCC workout period

The actual procurement phase is now complete. The selected winners will work as a team with the client as a partner. In this process, the parties are committed to completely understanding and serving each other. From this mindset, they design the most valuable solution which meets the diverse ambitions of all parties. At this moment, they are also already thinking about the realisation, performance and return logistics after termination of the contract period.

The winning parties which will develop solutions together with the client determine an approach as a team, in which theories and methods such as design thinking, Value Engineering, Spiral Dynamics and Agile-approaches play a role.

"I often describe the process in the design phase as "learning together to dance circularly." It is the heart of the RCC approach. Experts and stakeholders get to know each other, explore space, find the rhythm, are sucked into it – first reluctantly, sometimes standing on each other's toes. Eventually, at full speed and with great expression, they will create something beautiful. An infectious process which, by opting for RCC, creates a dance floor for all involved, which allows for learning, creation and innovation."

Erick Wuestman, Chairman of Stichting Circulaire Economie

5 RCC touch down

After reaching agreement on all subjects, insights, designs and agreements, a 'MAP' (= RCC mutual agreements paper) is prepared to complete the development phase. The MAP serves as a guide during the entire term of the agreements.

All the solutions and KPIs are recorded in the MAP. KPIs are described in SELAs (= RCC Service & Experience Level Agreements), measurable performance descriptions in order to manage expectations, to provide clarity on the commitment of all parties involved throughout the duration of the contract. Issues such as how to deal with uncertainties, changes and flexibility to be integrated are also recorded in the SELAs.

6 RCC realisation period

The realisation of the design / the solution(s).

7 RCC performance period

The performance and celebration of the results on which the client and the winning party or parties have agreed for the duration of, for example, 5, 10 or 30 years.

8 RCC back-to-base phase

The final phase of the partnership: the moment when all products are prepared for their next useful life, either as the same product or as a different one. Once the parties have picked up their products or accommodated them elsewhere and everything has been completed correctly, the contracts can be terminated.



RCC tools

Within this thorough approach, we have a range of tools:

- **RCC principles:** basic principles to which a good RCC and its participants can compare themselves
- **RCC guidelines:** tips and tricks which help to find and maintain the right tone
- **RCC circular business models:** economic models which support the circular ambitions – such as CESCo (= Circular Economy Service Company) and other “Product as a Service solutions” regarding the shift from product to service. Business models which operate from (chain) collaborations and possibly go hand in hand with new forms of financing
- **RCC roadmap:** the step-by-step plan described here as an approach
- **RCC milestones:** milestones in the roadmap
- **RCC mindset:** a number of characteristics in terms of attitude and behaviour which result in an acceleration in circular economy
- **RCC breakthrough:** key turning points heralding the next level in the process

RCC versus BVP and CD

Frequently, the question arises how RCC differs from Best Value Procurement (BVP) and Competitive Dialogue (CD). Where BVP and CD base their approach on (exploring) risks, RCC approaches issues as challenges and opportunities.

RCC awards the contract (preferably) prior to the design and realisation of the plans. This clearly differentiates RCC from a BVP process in which the contract is awarded after the realisation phase as a result of which the development process is part of the procurement process. It also differs from a CD, in which various competing partnerships follow a complete design and development process during the realisation phase. In a CD, the selection of the winner(s) is not made until after completion of the entire (triple) development process, including the deployment of resources and talents.

BVP and CD do not create active and/or interactive partnerships based on sharing and appreciating mutual interests. Within an RCC, on the other hand, the design and development of solutions are based on (pro) active co-creation.

The general approach of BVP and CD is to place the full responsibility with ‘the market’, under conditions imposed by the clients. RCC creates space for shared responsibility, and this defines the context based on which the parties work on a broadly supported multiple value creation.

From a cost perspective

Compared to CD and BVP, the (start-up) costs of RCC are significantly lower for both the client and the market parties. This is partly due to the following aspects:

- With RCC, the winners of the procurement process are known considerably earlier than is the case with BVP or CD. This avoids wasting time and money through lengthy design and dialogue processes with several market parties from which ultimately only one winner is selected;
- The client does not need to supervise lengthy, triple parallel processes, as is usual with CD;
- The market parties know at an early stage where they stand and can factor in significantly fewer risks. Based on their own expertise and insight, they develop a solution together with the client as part of a paid contract for a project they will actually implement;
- Clients do not need to prepare a completely worked out specification in advance, which saves them on preparation costs and preparation time;
- The market parties have an influence on the choices to be made and products to be selected which will also make the greatest possible contribution to the creation of value during performance and in residual value. This results in manageable Total Cost of Ownership while also saving money in the long term or creating financial scope in order to realise more value.



RCC applications

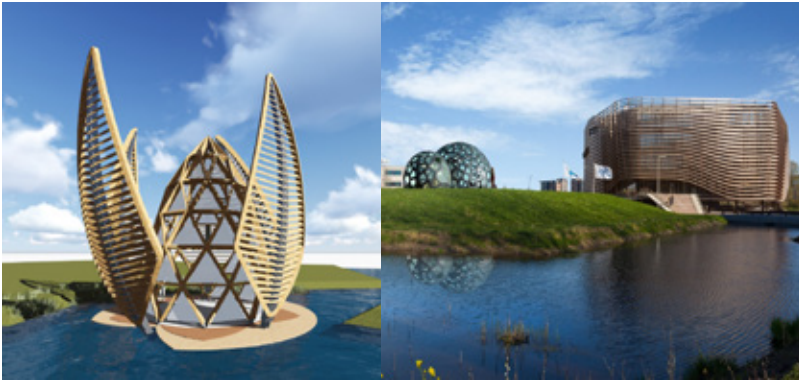
RCC is widely applicable. A few of the possibilities:

- Buildings:** complete or divided in façades, roofs, installations, interior finishing
- Building Facilities:** furniture, interior walls, lighting, archives, kitchens, pantries
- Facility Management:** cleaning, security, catering, coffee and tea facilities, mobility
- Design and maintenance of public spaces:** street furniture, public lighting, waste treatment
- Ground, Road and Water Works:** roads, streets, squares, bridges, tunnels, embankments, dikes
- ICT:** hardware, software, Cloud services, telephony
- Service Provision:** consulting, coaching, interim positions, payroll, agency work
- Social:** care facilities, support to status holders, employee insurance support

Prestigious projects

Stichting Circulaire Economie runs various circular procurement processes applying RCC. We highlight two of them:

Circular tenders WaterCampus pavilions Leeuwarden



With the call for tenders for two remarkable buildings – the WaterLelie and the WaterBar on the WaterCampus – the city of Leeuwarden not only shows that the Frisians carry water innovation and water technology in their genes, but also that the city has great circular ambitions.

The city asks the market to play an active role in the (further) development of these buildings and to provide solutions to ensure that in 10 years the

pavilions, as buildings, will be given a new function, either at component level, or as a resource. To enhance this, the city encourages new circular responsible business models, in which the management, maintenance and ownership remain in the hands of the parties realising these buildings.

The city considers the circular responsible construction based on the innovation oriented circular procurement process (RCC) as an example of how it will develop its role as a client in the future.

A circular visit to the municipalities of Losser and Enschede for coffee and tea



Enschede and Losser aspire to be municipalities free of waste and downtime. Therefore, they are looking for new circular responsible business models for the procurement of their hot and cold beverage supply.

As part of RCC, they have prepared a Programme of Ambition (PoA) together with Stichting Circulaire Economie. To prepare market parties for this, the municipalities have communicated the outlines of the PoA within their network and through media channels at an early stage, even before the official publication of the tender. They have also scheduled a market meeting.

Shortly after this meeting, the market parties will submit their bids. These bids will be assessed by a jury of experts, who will select three innovation partners. In collaboration with the municipalities, each partner will prepare its own draft solution. For each of these three variants, a taste and experience test will be organised for the employees. After all, in addition to a strong circular responsible solution, the taste buds and senses will be decisive.

For more examples: www.circulaire-economie.info/over-de-stichting.html

This project is made possible with assistance of the REBus LIFE programme of the European Community.



Team involved

Since RCC is a new way of working, both in terms of procurement and in supply, we, Stichting Circulaire Economie, will guide you in the design of the RCC process, the tender itself and in the integrated collaboration during the workout phase. For every new procurement challenge, we will compose a custom team.

Stichting Circulaire Economie is a consultancy and project organisation which works based on the circular approach. We develop processes, tools and programmes to encourage Circular Economy. RCC is one of these tools, and is applicable to any type of procurement process and for any type of organisation.

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Inspired by...

Without wanting or being able to be exhaustive or complete, the following theories and methodologies play a significant role in the development and guidance of RCC. They helped us to make Rapid Circular Contracting (RCC) practical, so that we get the most out of every collaboration. We therefore attach importance to briefly touch on a few highlights.

Value Engineering

A methodology which at one point laid the foundation for LEAN. In the United States, this has long been commonplace and made mandatory by the government for larger projects. In the Netherlands, Rijkswaterstaat (the Ministry of Waterways and Public Works) and ProRail are required to apply a Value Engineering (VE) study for complex issues to ensure the best price – performance ratio and maximum value creation in their (building) projects.

On a global level, VE is often applied in industry, in process improvements and in plan development. The VE mindset creates a conscious alignment with multiple value creation and the ability to make trade-offs between different values and a variety of solutions. Thereby, the difference between cost and value and the potential for increasing value form a continuous design criterion in the development of all possible solutions.

The VE steps and tools are recognisable in the RCC Programme of Ambitions, the development period and its creative aspects and in the interactive elaboration of the results.

Spiral Dynamics

The RCC way of working is inspired by Spiral Dynamics (SD), a model based on organisational development and personal growth developed by Prof. Claire W. Graves. Spiral Dynamics is usually visualised based on a colour spiral. Each colour represents a certain value system, and the transitions in the world follow this spiral.

In the current situation, a procurement process usually scores high on blue within Spiral Dynamics because of the desire to control, clear and stable structures and risk aversion. RCC pursues a different (green-yellow) approach; not one of more control and (false) security, but a system based on mutual trust, feedback, creativity and innovation throughout the development process.

To illustrate, we have coloured the value systems within RCC for you:

Normal procurement methods are strongly oriented to the colour blue: secure, maintain control, the system is leading, the boss decides, we record as much as possible, supported by a strong hierarchical system and ditto methodologies, in which the ticking off TO DOs and keeping lists seem to be significant activities.



RCC, on the other hand, is characterised by a mix of green and yellow: we are in this together, everybody is entitled to their opinion (the expert and the professional are more important than the director when it comes to considerations, etc.), we are aware of the connection of things, we want to work systemically, find synergies, we prefer to work interdisciplinary on an integrated approach, we create innovation space, we like to reach long-term agreements on the basis of a good relationship and we draw energy from sparks (instead of ticks).

We obviously have to obey the law within an RCC process. Not just literally, but also morally and ethically. This does not mean that we need to use the bluest translation of what the law dictates. We want to act according to the intention of the legislator while at the same time we want to work towards other intentions of this same legislator, namely the stimulation of innovation and the creation of a renewable and sustainable society. This requires yellow development space and in many cases probably a turquoise holistic approach to really tackle the problems.

At the same time, we know that in order to be effective and successful, we will need to 'secure' our solutions on all layers / colours of the spiral. Therefore, we ensure not only that it is financially covered (Blue), but also that profit can be made (Orange), and that it is guaranteed in the books and approach (Blue). Guaranteeing (Blue) is substantially different from the deployment and implementation (Orange). Guaranteeing and implementing, in the traditional sense, do play a role in the development, but are not leading in the process. By being constantly alert to the impact to be achieved, and incorporating this into green and yellow values, it even becomes possible to develop valuable alternatives for predominantly Blue ingrained ways of securing and Orange implementation techniques, which are more effective, (much) cheaper in the long term and which actively contribute to the clever and sustainable redesign of the way our society is organised.

In its advice and guidance, Stichting Circulaire Economie contributes at three levels, namely:

1. Operational transitions (making small, mainly technical, steps forward, in the language of SD: changes within one colour / value system)
2. Organisational transitions (in SD terms: changes which move from one value system / colour to another. This usually involves social innovations and not a purely technical innovation.)
3. System transitions (taking a radically different approach to processes. Sometimes even of a disruptive nature. Shifts which cause solutions to make a leap from SD first tier (= Beige to Green) to the SD second tier (= Yellow and Turquoise qualities).

INTERACTIVE DIGITAL VERSION OF THIS DOCUMENT,
INCLUDING VIDEO'S AND LINKS: bit.ly/RCC-English

