Daddow, Therese and Skitmore, Martin R. (2005) Value Management in Practice: An Interview Survey. In Coffey, V and Leung, M-Y, Eds. Proceedings Annual Conference of the Hong Kong Value Management, “Why Reinvent the Wheel?, Hong Kong.

Accessed from: http://eprints.qut.edu.au/archive/00004533
VALUE MANAGEMENT IN PRACTICE: AN INTERVIEW SURVEY

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ABSTRACT

The results of an interview survey are provided involving 17 professionals working in the property and construction industry, mainly from Australia, concerning their actual experiences and observations of the Value Management (VM) process and outcomes. The main finding is that VM is popular among those with experience in its use, with an average 33% acceptance of the VM workshop - its use having extended even into the area of consultant selection. Much of the interviewees’ experiences are related qualitatively in terms of VM contribution to the identification and management of the risks involved in project delivery.

INTRODUCTION

In a recent Australian survey (Clark, 2000:9), 43% of industry respondents stated that contracts are commonly awarded according to the lowest up-front cost, rather than value for money – indicating a surprisingly low VM uptake in view of the potential benefits claimed. One suggestion for this is that the positive effects of VM need to be better ‘sold’ to the industry (Martin, 1997). Another is that the current allocation of resources by management, and the selection and training of the VM team, may not necessarily provide all the requirements necessary for successful VM.

Particular human barriers that impact on VM concern change and embracing innovation (Covey, 1989) together with the stigma attached to VM as being mainly a cost cutting exercise and an engineering derived concept (Adam, 1993; Systematic Analytic Methods and Innovations, 2001).

A major concern is the cost of the VM workshop, which has been estimated at approximately 0.3% to 0.5% of the project value including briefing, workshop and debriefing, with the target value of identified savings being approximately 1% to 5% of the project value (Dobrow et al, 1978). Another suggestion for the lack of VM take up is the endemic aversion to change in the construction industry, while yet another possibility is the client/owners’ lack of support of, and integration into, the VM team (Fowler, 1990) and the clarity of their objectives. In addition, as with other such systems, ongoing audits and reviews of the practice of VM are recommended to be undertaken throughout the procurement of projects (Martin, 1998). If this is not done, it is unlikely that needed improvements of resources and the processes will be made that may impact on benefits that can be attained through VM.

From this point of departure, therefore, the research started. In particular, we asked questions relating to the current perceived inadequacies of VM - the attitudes and competencies needed of the participants and problems encountered – so that possible improvements may be identified for future development in practice.

Preliminary discussions were held with staff members in the Brisbane and Sydney offices of
a major international property and construction company and staff of the same company in the USA concerning various aspects of VM in their different businesses and environments. This resulted in a set of survey questions oriented around the topics of time well spent, usefulness of the VM workshop, etc.

The interview survey itself involved a total of 17 professionals from a variety of organisations, including VM practitioners, project managers, developers, engineers, town planners, interior designers, services consultants and quantity surveyors. Though an outline of the questions was developed for the interviews, the details evolved as the number of interviews progressed.

FINDINGS

Usage

The interviewees indicated an average 33% acceptance of the VM workshop and its purpose and impact on projects. This seemingly low average is a result of the influences and disciplines that the interviewees brought to their interviews (i.e.: the lowest acceptance was 2% whilst the highest was 100%). One interviewee stating that Australian consultants compare well internationally in the use of VM - being reasonably focused on VM as a result of their general business practices. Another interviewee mentioned that, in order to better manage stakeholders, his organisation finds it useful to identify direct and indirect stakeholders – these being the organisation’s staff and customers and the general public respectively.

In addition to achieving better value for the same money, several interviewees commented that VM decisions sometimes resulted in additional initial costs in order to achieve longer term benefits. For example, it was mentioned that for a project in Houston, USA, the quantity surveyor ascertained that including an additional $625,000 in the budget estimate to move a pool deck to another floor would allow a number of additional rooms to be constructed. This had the effect of releasing more usable floor area, which would generate sufficient future income over the life of the project to make the initial $625,000 capital outlay seem insignificant.

One interviewee’s organisation also uses VM in appointing their design consultants. Instead of taking the lowest consultancy tender, they use a scoring system that takes into account methodology, cost, technical capabilities, expertise and the nominated project team - the consultant closest to the average score being the one that is selected.

The VM team

Team Attributes

A frequent assertion in the VM literature is the need for a shared commitment to achieving the project objectives. Interviewees considered the attributes needed for a successful VM workshop to be:

- A belief that there is always a better way;
- A desire to continuously and constructively challenge normal expectations;
- A co-operative approach;
- A willingness to break down barriers;
- An ability to generate enthusiasm and maintain a positive orientation;
- A readiness to seek help and advice, and reciprocate where appropriate;
- The existence of common goals;
- A good knowledge of the construction industry;
- A knowledge of the specific technical area under consideration;
- The maintenance of individual self-esteem;
- Open and free communication;
- Sufficient experience and expertise;
- A desire to achieve a quality outcome;
- A need to take ownership of the VM workshop outcome;
- A combination of professionals from different disciplines;
- Sufficient client participation and their knowledge of design, fitout and costings; and
- The presence of a team leader or facilitator to steer the VM workshop.

In respect of the need for open communication, one interviewee pointed out that, although his
organisation was highly hierarchically structured, this was diluted during the VM workshop due to the input from external stakeholders and the requirements of the VM team.

Similarly, other interviewees acknowledged that care must be taken to avoid being offensive when giving feedback in the workshop. A particular example was given of an architect dictating a design without taking into account the needs of other stakeholders. As one interviewee stated, this can be compounded when sub-consultants are absent from meetings or just not engaged until later in the process. In general, however, architects do seem to appreciate the feedback provided by the VM team and the value that it will bring to the completed project.

Another interviewee also mentioned the capacity of some service consultants to represent a range of services - fire, electrical, hydraulic and mechanical services for example – which has the practical advantage of allowing individual service consultants to attend design meetings on behalf of the services design team, thus maximising the efficiency of their service.

**Personal Skill Attributes**

The following ideal skills required of those participating in VM workshops were identified:

- Lateral thinking ability and intuition;
- An inquiring mind;
- Industry expertise;
- Life experiences;
- A positive, constructive approach;
- Knowledge of the client/owner requirements;
- Motivated and enthusiastic;
- Proactive;
- Attentive;
- Smart thinking;
- Having an open mind and an objective approach to communication;
- Having personal skills;
- No preconceived ideas;
- Able to bring expertise to the VM workshop;
- Ability to communicate ideas confidently and professionally;
- Confidence;
- Understanding that what people may say, may not be quite what they mean, so they need to be able to interpret and ‘read between the lines’;
- Recognise reactions whether verbal or physical;
- Able to listen to other ideas and relate to others; and
- Be adaptable and flexible.

It was also observed that people involved in successful VM workshops generally have a positive attitude and a desire to contribute to a successful project. They further develop an attitude that seeks to achieve a better project when placed in a focused team. In parallel, client/owners that have been involved with VM, tend to value the experience and the resultant effect not only on the project but within the project team itself.

**Extent of use of VM**

For one interviewee, VM is a part of the design synthesis within his organisation’s Systems Management – the analysis of customer or user requirements – the synthesis being achieved by developing the design into a workable plan through the use of integrated, multi-disciplinary, product teams. These would generally comprise technicians through to LCC experts, engineers, project managers and management.

The same interviewee said that, in some instances, client/owners will forgo potential additional benefits because of the extra associated recurring costs involved and their subsequent influence on LCC. Also, occasional ‘all-or-nothing’ situations occur, when even partial benefits are not regarded as acceptable, irrespective of their costs.

Another interviewee, on the other hand, noted that the formal use of VM is not undertaken purely on the basis of the project’s value, but on the consultant’s fee value. In this case, VM workshop attendance could be justified only if this fee was sufficiently large. Though seemingly similar to project value as a
criterion for the use of VM (consultant fees being usually proportional to project value), the calculation of the fee together with the level of enthusiasm for VM in general, differs between companies – making the two approaches significantly distinct.

A further interviewee related the case of a client, having witnessed the benefits of a VM workshop, targeting a 15% savings level for his own project – which was duly achieved!

The interviewees also reflected on the reasons that client/owners choose to use VM:

1. A commercial company interface where the company has an interest in VM.
2. To maximise the use of available funding in achieving operational requirements.
3. To deliver the best project possible.
4. To obtain a design that supports their corporate culture.
5. Better cohesion within the VM team.
6. Outsourcing responsibilities to privately owned companies.
7. Advances in technology.
8. Change in the end users requirements.
9. Alterations initiated through audits of VM implemented ideas.
10. Mandatory for specific capital works projects.

In contrast, identified reasons for which client/owners choose not to use VM are:

1. They have already experienced VM and it was not a good experience or it did not meet their expectations;
2. Client/owners believe they know exactly what they want in their project;
3. Lack of education on project delivery;
4. Lack of education on VM, its process and benefits;
5. Unwilling to give the time or pay for VM;
6. The client/owners are already paying for the best services of a project manager, quantity surveyor and other project consultants, so there is no need to pay any more for VM; and
7. Perception that VM will not deliver any further benefits as the same consultants are involved.

**VM as a Risk Management tool**

In the absence of VM or RM, project risks are seldom made explicit or considered formally and the project team have little opportunity to manage them effectively. For example, as one interviewee pointed out, if a project is to be constructed upon highly reactive soil that will provide stresses to the end structure, the design consultants would invariably consider it unacceptable to risk minor damages to internal finishes even if structural integrity is maintained. Given the choice, though, the client/owners may well accept this aesthetic risk if 1-2% of the cost of the foundations could be saved. Similarly, another interviewee observed that long term owners who want very little maintenance over the next 10-15 years are, if given the option, usually prepared to pay for the up-front costs involved in achieving this.

For all the interviewees, their primary concern underlying VM practice is in the risks involved. Some companies undertake ‘trouble shooting’ forums where feedback and observations on projects are shared with other colleagues. This not only provides progressive updates to the company on how projects have been successfully designed, but also focuses on the problems that occurred, the risks involved, and how they may be mitigated in future projects.

The interviewees agreed that, in general, it is the management of the three areas of cost, quality and time, and their associated risks, that ultimately determines the success or otherwise of VM and much of what the interviewees considered to be the most salient risks encountered in the practice of VM were provided in these terms.

**CONCLUSION**

The survey described in this paper identified the actual experiences and observations of a sample of 17 professionals working in the property and construction industry concerning the VM process and outcomes. In doing so, the main finding was that VM is certainly popular among those with experience in its use, but with an average 33% acceptance of the VM workshop. This seemingly low average is
a result of the influences and disciplines that
the interviewees brought to their interviews
(i.e.: the lowest acceptance was 2 % whilst the
highest was 100%).

In addition, in attempting to further understand
the extent of VM practice, the survey
established that the main reason for its
cooperative support by consultants was to gain
and further their competitive advantage in
delivering projects to the client/owner.
Conversely, it would appear that the main
reason for it not being used is due to
client/owners’ inadequate knowledge of its
potential and application.

The objectives of VM - to deliver the best
project with due regard to the risks involved –
compliment well with the benefits that
client/owners hope to enjoy. In addition, the
benefits reflect a ‘win-win’ scenario for the
industry and the stakeholders involved, in
emphasising the importance of the micro and
macro relationships within the project team,
advocating corporate support of the project
and promoting change and progression in project
delivery. Conversely, the reasons that
client/owners chose not to support VM appear
to relate mainly to their reservations
concerning VM being a non-mainstream
management tool utilising different processes,
and the performance of a VM team in not
identifying the client/owners expectation
initially.

A large part of the research concerned the
interviewees’ experiences of the risks
associated with VM. Situations were
identified which in themselves may be used
positively within VM by firstly identifying
these risks and then how they may be
managed. Of course, this would not remove all
risks but help in mitigating those remaining,
but would also serve as ‘lessons learned’ for
future projects.

Expertise development in VM is clearly an
ongoing and tangible process. However, in the
words of one of the interviewees, actual
training can be viewed as “part heart and part
science” – you can teach the latter but the heart
component is based upon the diligence of the
individual in conjunction with working
effectively in a team environment. Of course,
the irony of this will not be lost on
client/owners who should have every right to
expect such diligence and teamship as implicit
under the existing fee structure. It is not for
the sake of trying, though, that the industry has
been unable to match these expectations. VM
may yet provide the answer.

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