

Value Management

Most projects are faced with conflicting interpretations between stakeholders when deciding upon the appropriate options, trade-offs and possible actions that will deliver the highest value to the project. Is decreased time of more value than increased cost? Are components or processes overpriced in terms of the value they provide? Are there redundancies that can be eliminated?

Value Management strives to ensure that the best possible product is delivered in the quickest possible time at the lowest possible cost. It identifies and reduces unnecessary or redundant scope, functionality, or quality — without compromising the project’s purpose or values.

| What | How |
|--------------------------|--|
| Determine Project Values | Establish a value hierarchy. |
| Seek Lower Costs | Identify project scope or processes that are “overpriced” relative to the value that they provide, or that provide excess quality or redundant functionality relative to project needs. |
| Seek Higher Value | Identify opportunities for greater benefit at the same — or even higher — cost. |
| Economic Analysis | Consider and evaluate life cycle costs — as opposed to just one-time or first costs. Consider and evaluate all costs, including design as well as construction, of suggested Value Management actions. |
| Compare Cost vs. Value | Provide validated calculations, with thorough estimates of the options and recommendations identified through the value management process. |

Benefits to You and Your Organization

- > Maximize the value for your investment.
- > Obtain lowest possible project cost.
- > Optimize life-cycle costs.
- > Reduce or remove redundancies in project functionality.

CASE STUDY >

A major metals producer planned an expansion to its manufacturing facility, basing its budget upon industry benchmarking data. The company awarded a design-build contract to a firm whose estimate exceeded the project budget by more than \$3.6MM. We were asked to help reduce the project’s cost without compromising operations, while maintaining an acceptable amount of contingency costs.

Our team implemented a value management solution that:

- (1) Included all stakeholders,
- (2) Established a value hierarchy for the project as well as the owner,
- (3) Identified critical processes and components (gotta-haves vs. wanna-haves),

- (4) Evaluated costs of all “what-if” scenarios, and
- (5) Assessed processes as well as components.

By improving the phases of work, we were able to reduce down time in the operating plant, saving more money than the entire budget overrun. Reallocating expenses even allowed our client to improve industrial controls that promised greater operating productivity through the economic life of the expansion.

We were able to help them save money, improve processes, and complete the project one month sooner than planned. Although the project cost was 9% more than the initial budget, by increasing **value**, the client reduced net costs by 12%.