



Where Is The Value In Value Engineering?

In this present environment of belt-tightening, the phrase "value engineering" has become synonymous with "cost cutting". This trend is problematic from a risk management perspective because it shifts the pure intent of value engineering and puts into practice a less judicious methodology focused more on saving money than optimizing the project.

Value engineering can be an effective tool among professionals in the field of design as well as clients such as the government, whether they are at the local, state or federal level. Value engineering is the practice whereby a project is examined to achieve the project scope and purpose while obtaining the best

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possible value for every dollar spent. From the owner's point of view, value engineering is about achieving the greatest amount of use in every dollar allocated. From a client's side, such as the government, it's about engaging a means to

optimize the scope and financial resources of projects, cut down on unnecessary waste and plainly characterize the project and process.

Regrettably, the idea of value engineering often does not come into play until the designs have been finished, the project has undergone the bidding process and the bids have returned over budget. The owner then approaches the design professional, most often the architect, to attempt cost-cutting by employing value engineering to the project. This more often than not means the project owner wants the design professional to identify the use of less expensive materials and products or to do away with the "extras" in an effort to save money yet still achieve the same results. However, cheaper is hardly ever the same or better, so in countless situations, the owner is dissatisfied and may even go back to adding the "extras" the design professional was asked to eliminate in the process of value engineering.



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Claims can evolve from value engineering that is performed by the design professional when making an effort to reduce project costs to comply with the owner's request. Value engineering at this juncture often will not go as planned for the design professional. As an example, when an architect performs value engineering after design rather than in conjunction with it, the owners may suppose that the architect was excessive in their original design, possibly because the architect's fee was based on a percentage of construction costs. Or the owners may assume that value engineering is equivalent to an acknowledgement that the initial designs were not prepared in agreement with the owner's budgetary limitations. Owners might also view value engineering as a process by which the scope of the design, rather than the application of unique materials and finishes, functions as the true starting place for a reduction in cost.

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In one claim example, an architect achieved what seemed to be a successful value engineering outcome, removing specific extras from the project in an effort to reduce costs. However, the owner requested for certain items to be reincorporated into the project after previously requesting that they be removed to meet the budget. The end result? The contractor requested a change order for the extras, the owner declined to pay and a lawsuit was initiated. The owner named the architect in the lawsuit, alleging the architect's design was lacking and that the design should have incorporated the materials that were removed during value engineering.

Another drawback is the probable domino effect where value engineering can run into construction delays and sequencing problems on a project. In one example, the value engineering process was delayed when the construction documents were put out to bid. This of course shortened the time allowance for construction. The owner's need to have the project completed by an exact date led to a time crisis, which made it complicated for the contractors to effectively coordinate their work. The contractors filed delay claims against the owner and the owner then sued the architect.

What can a design professional do to effectively manage this exposure to risk?

- If you are the design professional of record on a project and it is requested that you perform value engineering in an effort to cut costs, explain in detail the process to the owner. Effective communication and credible documentation are crucial. Verify the owner's expectations and requirements, and get it in writing. If you don't believe something would function appropriately if value engineering eliminated it from the designs, inform the owner in writing. Bear in mind: If something goes wrong, the owners will certainly point to the design professional.
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- Include a condition in your professional services contract that all final decisions about redesign will have to be made by the owner and agreed to by the design professional of record.
 - If you expect the owner might employ their own value engineer to evaluate construction documents for the project, attempt to insert contract language that states the value engineering should be performed in a timely manner to avoid delays in the project. Include a provision that requires the owner to indemnify you against any and all claims attributable to the value engineering.
 - Incorporate a stipulation that would give you the opportunity to examine and respond to all suggestions made by the value engineer.
 - If your firm is not the designer of record, but is being asked to provide value engineering recommendations, include a stipulation in your agreement that you are only making recommendations and that the original design professional of record should have the chance to review and respond accordingly to the suggested changes.
 - If you feel there is a risk to public safety or health, document your concerns and follow up with the owner.

Ashley L Hurd and his staff of brokers are dedicated to providing a vast knowledge base, comprehensive products and service solutions to help design professionals minimize risk exposure. To learn more about Hall & Company's capabilities, visit our web site at www.hallandcompany.com or call us at 800-597-2612.

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