

## Value Management and the UK Construction Best Practice Programme

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Mike Thomas qualified as a Chartered Quantity Surveyor in 1972 and joined Whitbread two years later.

In the early 1990's Mike recognised the potential of Value Engineering and took VE into Whitbread's property development function.

Since leaving Whitbread at the end of 1997 Mike has developed his own consultancy offering Facilitation, Procurement and Value Management. Following a move to Ocean Village, Southampton in late 1998 the business has expanded - mainly on the back of facilitating Value Management and Partnering programmes - both for clients and contractors.

In his (increasingly rare) spare time Mike collects and plays guitars.

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### ABSTRACT

This paper outlines recent changes in UK Construction resulting in the establishment of a Best Practice Programme (CBPP) for the industry.

Specific attention is paid to the development and implementation of the CBPP Value Management Theme and to the opportunities for further development of Value Management within the UK.

### THE CONSTRUCTION BEST PRACTICE PROGRAMME

Launched in November 1998, the UK Construction Best Practice Programme has been set up to improve the profitability and competitiveness of the UK construction industry.

Sir Michael Latham's 1994 report on the UK Construction Industry "Constructing the Team" identified what the clients, consultants and contractors in the construction industry needed to do to improve its performance. The report was the catalyst for the establishment of the Construction Industry Board (CIB) which commissioned and published a series of best practice reports (CIB Working Group Reports) in 1996/7. Reports include Partnering, Briefing, the roles of Men and Women in Construction and Training.

In July 1997, Nick Raynsford, the Minister for Construction at the Department of the Environment, Transport and the Regions, announced the Government's intention to work with the construction industry through the CIB, to develop a Construction Best Practice Programme.

At the same time the UK Government commissioned a report from a Task Force headed by Sir John Egan, Chief Executive of BAA and previously of Jaguar Cars. The report of this Task Force (entitled "Rethinking Construction") was published in late 1998. This report identified three main Performance Improvement Tools and Techniques - Benchmarking, Lean Construction and Value Management. Egan proposed to identify Demonstration Projects which showed how these tools, and other Best Practices, were being utilised by leading edge construction clients, consultants and contractors.

Since the publication of "Rethinking Construction" the Construction Best Practice Programme has been charged with disseminating information and encouragement regarding the adoption of best practices as well as disseminating the outcomes of the Demonstration Projects.

The Programme is raising awareness of the benefits of adopting best practice and will provide guidance and advice to organisations to ensure that they have the knowledge and skills required to implement change.

The main focus of the Programme is the transformation of outmoded management practices and business cultures, as well as improvements in the procurement and management of construction. Its key objectives are to:

- Create a desire for improvement by publicising the activities of successful organisations and the benefits of improved practice.
- Provide an initial point of contact for organisations wishing to improve.
- Identify, publicise and support the use of improved business practices.
- Provide communications links between organisations wishing to improve and those with the knowledge of how to improve.
- Provide tools, techniques, advice and knowledge to those wishing to improve.

The services are open to anyone who is involved in the industry - from the client or owner of a building, to the design team, professionals, main and specialist contractors, housebuilders and materials manufacturers and suppliers.

The Programme is also relevant to both the private and public sectors. The only prerequisite for access to the Construction Best Practice Programme is a desire to improve performance.

### PROGRAMME SERVICES

The Construction Best Practice Programme provides a range of services designed both to motivate the industry and to develop the necessary skills for improvement. These will encourage and enable the wide take up of best practice, including the adoption of new business processes, the development of relationships with customers and suppliers and changes in internal culture.

Research commissioned by the Construction Best Practice Programme indicated that a large amount of best practice is lodged with companies within the supply chain. It emphasised the importance of establishing links into these companies so that information about practices that make them successful can be shared throughout the industry.

Many of the Programme's services focus on making these connections so that people and companies can learn from the experience of others.

### INFORMATION LINE

Building on the many sources of advice and information available to the industry, the Programme has gathered together introductory material, fact sheets and information on further

guidance and tools on a number of Themes that can act as Levers for Change. Value Management is one of these Themes. Others include Benchmarking, Partnering, Health and Safety and Sustainable Construction. A large amount of information can be viewed on the website <http://www.cbpp.org.uk/>

or, in the UK, enquirers can call the Helpdesk to discuss their needs in more detail and be signposted to specific information including service providers.

The CBPP website also provides information on the following services.

### IUKE-CONSTRUCTION COMPANY VISITS

Building on a successful company visits scheme - Inside UK Enterprise - organised by the Department of Trade and Industry, IUKE-Construction is an open door to understanding current best practice underway in some of the best construction enterprises.

IUKE-Construction visitors are invited to step inside a 'Host' company for a day. They learn first hand about the innovations which have distinguished a particular company in its drive towards business excellence. Host companies may be, for example, a leader in Partnering, a company which relates its success to improving its internal culture or a company with a uniquely successful commitment to Value Management.

### WORKSHOPS

The Construction Productivity Network exists to promote the sharing of knowledge amongst all those involved in construction, mainly through its programme of workshops, free to members.

Hosted by innovators these interactive events are a vehicle for discussion between delegates and speakers, and among delegates themselves. All those involved benefit from the presentations and discussions that follow.

A report of every workshop is produced and distributed to attendees and network members so that a wider audience can benefit from the issues raised.

### CASE STUDIES

These short leaflets aim to convince organisations of the business benefits of the practices demonstrated and stimulate them to implement them in their own businesses. They also provide an opportunity for organisations to celebrate their successes and publicise them across the industry.

### ADVICE SIGNPOSTING SERVICE

This service directs enquirers to companies who can give direct advice on best practice and associated business improvement opportunities. Helpdesk staff identify the enquirer's needs and then direct them to contacts who are competent to provide the right level of advice.

These contacts may be companies who can offer management improvement or training advice on a consultancy basis. The service will also signpost 'expert companies' which have demonstrated an ability to excel in one or more aspect of business improvement. By facilitating contacts between expert companies, the Construction Best Practice Programme will contribute to the development of best practice networks and supply chains.

Companies who are interested in being signposted either as a source of advice or as an expert company operating within the UK are invited to contact the Programme.

### HOW TO CONTACT THE CONSTRUCTION BEST PRACTICE PROGRAMME

The Programme has been structured in response to an industry wide survey. However, the Programme team would like feedback to ensure it is keeping up with the developing needs of the industry. If you would like to help as an advisor, provide case study material or contribute in any other way, please contact the Programme team.

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### PROGRESS OF VM IN THE UK CONSTRUCTION INDUSTRY

Value Engineering and Value Management has had a strange history in the UK Construction Industry. Perhaps it has something to do with the presence in the UK of the Quantity Surveyor, perhaps it is just because VE/VM was an American idea, but it never really took off. It was always perceived as another weapon in the armoury of the professional cost-cutter.

However, that concept seemed to change in the late 80s and early 90s and many UK client businesses became interested in the methodology.

A number of academic institutions took up the subject - notably Stuart Green at Reading University, John Kelly in Edinburgh and Steven Male at Leeds. Whilst the academics sought to push the boundaries of VM further and further many QSs and others picked up the crumbs from their table and brought VM into public domain.

In early 1991 the UK Institute of Value Management had just about twelve active members. Following a membership drive and considerable effort from those original members to speak at every opportunity on the subject, the membership of the IVM has risen to over two hundred - small by SAVE standards, but we are a smaller country!

More importantly there is now a UK and European Certification process and the numbers of CVMs is increasing.

The spur for progress has been the mention of Value Management as one of the key drivers for change in the recent publication Rethinking Construction. This publication can be freely downloaded from the Department of the Environment, Transport and the Regions website <http://www.detr.gov.uk/>

### LOWEST COST OR HIGHEST VALUE?

The client of the UK Construction Industry has, habitually, employed consultants to produce detailed drawings and specifications including Bills of Quantities and tendered the project to six or more contractors, choosing the lowest price.

Whilst this has led to low tender prices the final costs have not always reflected this competitiveness! Claims are rife and final accounts protracted affairs.

Value Management on its own could not fight this culture. However the popularity of the Partnering concept, selecting a contractor on merit and using the contractors' expertise at all stages of the design and construction, has brought a new dimension to the use of VM at the critical 30% Design Stage - Planning Permission in the UK.

The inclusion of the contractor who will build the project and of many major specialist contractors (mechanical and electrical specialists for example) in early VM workshops has enabled many clients to commit to buildings which they would otherwise not have built. The new London Marriott Heathrow Hotel is one such example. The contractor's knowledge of the site enabled a £500k reduction in the budget for the foundations. This saving further enabled the client to bid higher for the site than the competitors - and win it! A major example of a zero cost saving - just making best use of the cash available. The result of the project is a landmark hotel, one of the Egan Demonstration projects, built to a lower cost per room in London than either the catering or construction industries thought possible.

So, VM is now well established? Perhaps, but there are still pockets of resistance, there is still a concept of cost cutting associated with VM and a general lack of knowledge about the process. This lack of knowledge is what we set out to identify and remediate with our project.

#### DEVELOPMENT OF THE VM THEME

In September 1998 I was approached by the Construction Best Practice Programme to compile the Value Management Theme for the website and for the Helpdesk.

Over the course of the next two weeks I met with the CBPP Project Manager, Sue Hobbs, and we Value Engineered the specification and brief to deliver the first stage in time for the launch of the Programme on 26 November 1998.

After much deliberation we decided that the needs of "mature" users of VM were already catered for (or that they have a knowledge of where to find information) so we concentrated on what the Programme calls Level 1 - the novice enquirer.

In order to do this we had to put ourselves back in the position I had been in back in late 1989 when VE was new to me! We had to understand how little information the novice enquirer could handle whilst ensuring that the information was up to date and informative. We had to satisfy ourselves that the information we were giving would point only to advisors, providers or users of "real" VM. And we had to deliver in just six weeks.

To put this in context, the developed brief was to provide:

- A database of products for Level 1 enquirers including a fact sheet on Value Management, six Case Studies and a Summary of Business Benefits linked to and matching the structure of the Case Studies.
- A database of current VM information including books, articles and other sources referenced to use for novice, experienced or expert user
- A practitioner list, including suggesting a structure for the list and guidance for regular updating
- A Diagnostic and Evaluation System to enable the Helpdesk operator (or the website) to determine the Level of the enquirer
- A Review Workshop of experienced and novice users in February 1999 to determine improvements to the Level 1 work and the way to take VM to Levels 2 (experienced) and Level 3 (expert) users.

It is amazing, when you start to research the world of VM just in the UK, what a wealth of expertise and information there is. The only problem was to determine a cut-off point so that newcomers were not going to be assailed with highly complex, degree level treatises on the subject!

#### DATABASES OF INFORMATION AND PRACTITIONERS

Information...Information...Information everywhere. But not all of it is suitable for the newcomer to VM. Just as you wouldn't learn to drive on a Ferrari F40 (probably) you wouldn't ask a newcomer to VM to read up Stuart Green on Soft VM. So where do you draw the line and, more importantly, where do you draw the line on practitioners?!

After much consideration we made a conscious decision on practitioners. This was a decision which we thought might be unpopular - but we had to start somewhere. We included, in our short database, only those practitioners who were Certificated by the IVM or by SAVE, who were working in construction and who were active in the UK. We have made a policy decision to widen the net for the more advanced levels!

But Information...? We live in an information age, an age in which books are published and republished with ease. New websites appear (and disappear) overnight and the choice of magazines on the bookstands is mind-blowing.

So we started at the beginning...taking in the learned societies operating VM in the UK. SAVE and the IVM were the first on our list and their journals and websites added immediately. Further research led us to various institutions and then I discovered a couple of examples of a rare species - free and/or inexpensive publications on VM!!

The Construction Industry Board has published a series of free factsheets on aspects of Construction - VM, Standardisation, Benchmarking and the like - which are on their website and which they ASK YOU TO COPY AND DISTRIBUTE!!  
<http://www.cib.org.uk>

Then Carolyn Hayles of the Building Research Establishment has published a book on VM for Construction which - again - is freely downloadable from  
<http://helios.bre.co.uk/valman/>

I didn't know this at first and, having read the book which was initially priced at £7, I bought twenty to give out to prospective clients. I still think they were good value at £7.

#### THE WEBSITE AND HELPDESK

The CBPP have a few resident experts in the field of websites. We decided not to clutter the pages with complex pictures that took too long to download but to concentrate on getting the message across. I had kept the text to a single page for each topic so that it was relatively easy to load.

VM had to compete with Themes a lot earlier in the alphabet and that has proved to be a disadvantage - Briefing and Benchmarking get a lot more visits than Value Management!

I developed the series of questions which were to be asked by the website or by the helpdesk operators to determine if the enquirer was really a novice or at a higher level. The first question was going to be "Do you understand Function Analysis?" then I thought that might disqualify too many practitioners so I rephrased it as "Do you apply Function Analysis?"

Within three months of going live the website has had more than a thousand hits but, unfortunately, not a lot of people have signed up for further information. Problem...

#### THE REVIEW WORKSHOP

Part of our VE'd brief had been to review the Stage 1 work and my proposal to carry out a VM workshop on the VM Theme was accepted.

Such workshops rarely provide the right venue so I had included in my budget for hiring the Library Room at the London Marble Arch Marriott Hotel. This was chosen on quality first and price second. The room is oak panelled, very traditional and an oasis of calm in Central London.

Eight practitioners and a couple of novice clients joined us for the day and we did the full Job Plan through to Evaluation. I had asked all the participants to log on to the website or to ring the helpdesk in the week before the event. This proved to be a source of much praise as there were responses from the helpdesk as late as 9.15pm and information available on tap.

There were criticisms and many ideas for development of the CBPP Value Management Theme. In particular the workshop team was of the opinion that the VM community and the CBPP need to be more evangelical about the benefits of the methodology and get some more passion into the delivery of information and workshops.

Sue Hobbs at the CBPP went away from the workshop with a concise and clear list of ideas for development in Stage 2. These include:

- Target the non-construction press
- Sponsor VM Themed Business Breakfasts
- Update the website
- Create links to other VM websites
- Obtain real case studies and
- Reissue "Value from Construction"

In reviewing its budget for 1999/2000 VM will continue to feature very strongly in CBPP's agenda. I look forward to contacting SAVE for some more information to add to the various databases!

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