

Considerations for an Agency's Value Engineering (VE) Program

- ***Why*** Have a VE Program?
- ***What*** Should a VE Program Accomplish?
- ***When*** Should VE be Applied?
- ***Where*** Should the VE Program be Managed in the Agency?
- ***How*** Should VE Studies be Executed?



Considerations for an Agency's Value Engineering (VE) Program

- Some Specifics
- Common Issues
- Your Input
- Summary



Why Have a VE Program?

- Federal agencies - VE is required by OMB Circular a-131; basic requirements are:
 - . Establishing a VE program
 - . Designating a VE official
 - . Developing criteria and guidelines
 - . Assigning internal responsibility
 - . Providing VE training
 - . Ensuring adequate program funding
 - . Maintaining records
 - . Adhering to FAR VE requirements (Contractor VECs)
 - . Developing annual VE plans
 - . Annual reporting to OMB



Why Have a VE Program?

- State and local govt. agencies

- VE is may be required by state or city law or policy (or not); need to perform on shrinking funds

(Cal Trans, Several DOTs, New York City)



- Private industry

- Competition and profit motive dictates VE and/or similar programs

(Pratt and Whitney and many, many others)

What Should a VE Program Accomplish?

- Satisfy customers
 - . Owners
 - . End users
 - . Partners and/or sponsors
 - . The taxpayer or stockholder
- Improve product performance and cost-effectiveness
- Improve internal process efficiency
- Broaden agency knowledge and communication



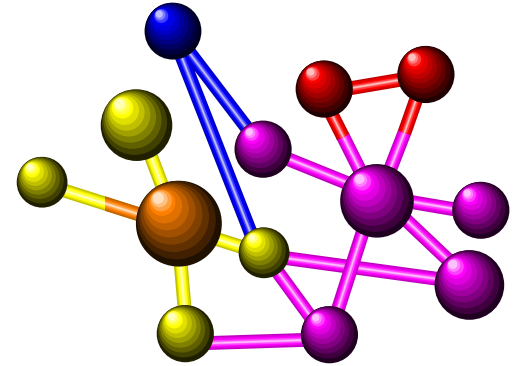
When Should VE be Applied?

- *VE is best applied as a product development tool vs project review*
- VE studies should be performed early in planning (no later than defining final alternatives)
- ... and early in the design (no later than 35% completion)
- Cal Trans data on VE in planning phase and design phase



Where Should the VE Program be Managed in the Agency?

- *Should be located anywhere it will be supported*
- Best **not** in Engineering Dept. but closer to agency funding management (PM, etc.)
 - . NYC VE located in their OMB..... VERY effective!
- Often included in QA/QC especially in private industry



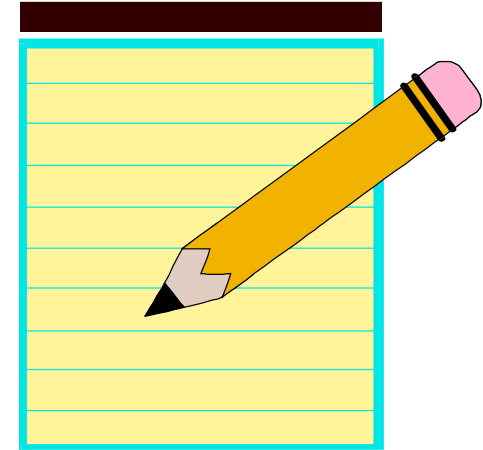
How Should VE Studies be Executed?

- Be early
- Be big
- Be inclusive (include project team, end users, sponsors, etc. **AND ESPECIALLY** staff from other locations in your agency)
- Be expensive (high quality)
- Be planned well in advance



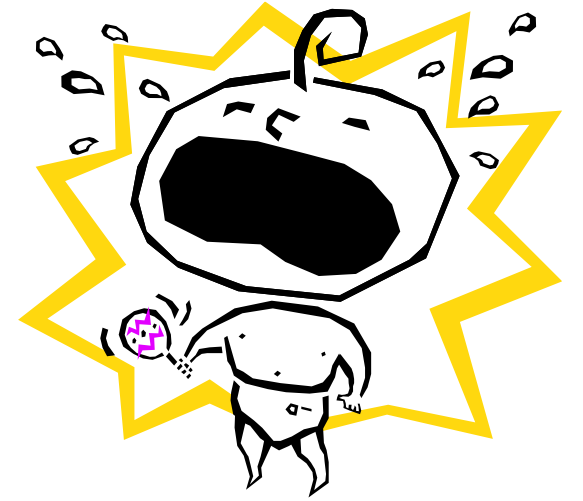
Some VE Specifics

- Establishment in product delivery process
- Can cover multiple of common type of projects/ procurements/processes ('programmatic' studies)
- Integration in QA/QC
- Inclusion in internal process improvement
- Performing quality VE studies
- How do you measure VE program effectiveness?



Common Issues

- Inertia – resistance to starting a program
- Funding and scheduling
- Perception of VE as just cost cutting
- Individual PMs not including VE for their specific projects
- QA/QC of VE studies
- Over detailed performance reporting



Your Input?



Summary

- For federal agencies VE is required by OMB Circular a-131; others have programs for its benefits
- VE should satisfy customers via improving product performance and cost-effectiveness, internal process efficiency and broadening agency knowledge and communication
- VE is best applied as a product development tool vs project review and should be performed early in planning and design



Summary (cont.)

- VE should be located where it is supported in the agency but probably best in project funding management.
- VE studies best when done early, big in scope, inclusive, expensive and planned well in advance
- VE should be integrated in product delivery, quality and process improvement



Summary (cont.)

- Program issues including, but not limited to, inertia, funding and scheduling, perception and individual obstinance are to be expected and must be addressed

