

## Value vs. “Value Engineering”

The Value Methodology (VM) defines value as “an expression of the relationship between the performance of functions relative to the resources required to realize them.”<sup>1</sup> This can be expressed by the following ratio.

**Value  $\approx$  Function : Resources**, viewing function as performance and resources as cost.

The term “**value engineering (VE)**” is **often misconstrued** and focused on the “resources” part of the equation. Therein, the “VE” focus is on reducing cost, which can diminish the performance of functions (quality) of a project. *BCI uses “VM” to differentiate its work product from VE.*

Balancing a project VM study to address both components of the value equation (function and resources) improves value, rather than cutting cost. Cost is easy to quantify objectively using established estimating techniques. Quantifying performance is subjective, but can be quantified using a weighted rating system. Performance may also be assessed by “gut feel,” relative to performance attributes identified during the VM study.

### Improved Value<sup>2</sup>

Value is improved by

- decreasing/avoiding costs while maintaining function performance;
- improving function performance, where the value of performance improvement is greater than an associated cost increase; or
- decreasing/avoiding cost, where the value of cost avoidance is greater than a decrease in function performance—*while still performing project functions.*

### Diminished Value

Value is diminished by

- decreasing/avoiding costs while decreasing or degrading performance to a point of *failing to perform project functions (cost cutting).*

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<sup>1</sup> VM Standard Reference, SAVE International® VM Guide® ©2020 SAVE International®, Section 2.1.17., p. 6

<sup>2</sup> Paraphrased from VM Standard Reference, SAVE International® VM Guide® ©2020 SAVE International®, Section 2.2., p. 6