



THE VALUE MANAGER



The Hong Kong Institute of Value Management

Volume 1, Number 2, 1995

Message from the President

Tony Toy, President of HKIVM

Summer has come and gone since our last newsletter and like me, I trust most of you have had an enjoyable and well earned break. I can highly recommend Las Vegas as a "Value Holiday" destination provided you don't gamble. Much has happened since, with the executive committee settling in to deal with the first priority on membership matters. All those who have applied should be hearing from Patrick Fong soon.

In May, Patrick Fong, Geoffrey Shen and myself had the opportunity to attend the Society of American Value Engineer (SAVE) 35th Conference in Phoenix Arizona. The hospitality there was warm, food portions large, Ruth Chris's steak thick, strawberry margaritas cheap, and the weather perfect. The conference was also interesting. The papers presented were diverse and from my background of having been involved in quality assurance, the "chicken and egg" arguments between Quality Management verses Value Engineering/Management was intriguing. Many thanks to Ric Grosvenor, our Treasurer, who kindly hosted an informal meeting in his offices on the 11 July 1995 where 12 participated in an informal discussion on the SAVE conference.

Looking ahead our Programme Director, Colin Jesse, is putting together a schedule of events and potential guest speakers. Any ideas, contacts or topics of interest, please let him know. (Tel: 26602788 Fax: 26648125). Quite a number of overseas VM specialists did come in August but unfortunately not many of us were here to welcome them. Hopefully they will return and we can arrange for them to share with us their VM experiences.

I have also written to most of the Professional Societies, Institutes and Associations in Hong Kong to inform them of our formation and offering to conduct Value Management awareness seminars. The Hong Kong Society of Accountants will be the first to take up this offer. The next step will be to formally contact overseas organisations such as SAVE, IVM(UK) and IVM(Aust).

On the educational front, the Hong Kong Polytechnic University has now included a module in Value Management in their MSc in Construction and Real Estate. Patrick Fong will brief us on this development at our next quarterly meeting on 27 September 1995. Hope to see you all there.

Tony Toy
President, HKIVM

Table of Contents

- ◆ Message from the President
- ◆ HKIVM Office Bearers
- ◆ HKIVM Embarks on Membership Campaign
- ◆ Welcome New Members
- ◆ The Progress of VE Legislation & Directives in the U.S.A.
- ◆ VM History & Major Development at a Glance
- ◆ Forthcoming Events
- ◆ Call for Articles

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HKIVM Embarks on Membership Campaign

Patrick S.W. Fong,
HKIVM, Membership Secretary

In the first issue of the Value Manager, we included a reply slip at the back of the newsletter for membership application form. We have received quite a lot of enquiries by fax and phone regarding joining our membership. However, the number of application forms we sent out does not equate the number of returns, perhaps it is due to the Summer break and everybody is working hard to try to clear their backlog on their "In" trays. Under this membership campaign, we try to get those people who expressed interest in value management to become members of the HKIVM.

If every member would reach out to recruit just a few new members, the size of HKIVM would increase substantially. The more involvement you maintain in membership activities, the more likely you will help in expanding the ranks of our members and make our Institute a more vibrant organisation. This transformation will make the HKIVM a more diverse group of professionals who can all benefit by sharing ideas, experiences and opportunities. Of course, the campaign is not limited to those in your own profession nor just for a short period of time; instead it is a continuous process. Any professional, manager or even student who would benefit from value management should be your target.

Just a reminder to all, all membership applications received *on or before 30th September 1995*, if approved by the membership committee, will be eligible for HKIVM's founding status. If you need extra copies of newsletter or application forms, please send me a fax or give me a call. In fact, the newsletter is a useful tool in promoting value management and our Institute. The Institute welcomes people possessing other professional qualifications to join so that they can use VM to enhance their expertise.





to Transportation will be issued in the next issue of Value) is well documented, the spread of VE to Health Care facilities and Educational/ School facilities is also growing.

OMB Circular No. A-131 Value Engineering May 21, 1993

This is a Directive from the President, - it is not a legislative Act. Nevertheless, it is considered to be **more onerous** than legislation. Whilst it is not mandatory, when I asked if this meant that it was not necessary to carry it out, the reply from the Executive Office of the President, Office of Management and Budget in Washington D.C. was:-"Not if you don't want to keep your job". As Presidential Policy, **all Executive Agencies** (*it does not apply to the Judicial or Legislative agencies*) are **required** to implement it.

Since OMB - A131 forms the basis of H.R. 133 (at times almost to the letter), specific extracts are worth noting as follows ⁶ : -

"For the purpose of this Circular, value analysis, value management, and value control are considered synonymous with VE (value engineering)..... VE is a technique directed towards analyzing the function of an item or process to determine "best value", or the best relationship between worth and cost..... the application of VE in facilities construction can yield a better value when construction is approached in a manner that incorporates **environmentally-sound and energy-efficient practices and materials**.

"VE... has spread to the Federal Government due to its potential for yielding a large return on investment. VE has long been recognised as an effective technique to lower the Government's cost while maintaining necessary quality levels.... An August 1991 audit of VE in the Federal Government by the President's Council on Integrity and Efficiency concluded that more can and should be done by Federal agencies to realize the benefits of VE. Reports issued by the General Accounting Office and agency Inspectors General have also consistently concluded that greater use of this technique would result in additional savings to the Government.....

"VE contributes to the overall management objectives of streamlining operations, improving quality, reducing costs, and can result in the increased use of environmentally-sound and energy-efficient practices and materials. The complementary relationship between VE and other management techniques increases the likelihood that overall management objectives are achieved.....

"Agency responsibilities: - to ensure that systematic VE improvements are achieved, agencies shall, at a minimum:-

- a) Designate a senior management official to monitor and coordinate agency VE efforts....
- b) Develop criteria and guidelines for both in-house personnel and contractors to identify programs/projects with the most potential to yield savings from the application of VE techniques.....
- d) Provide training in VE techniques to agency staff responsible for coordinating and monitoring VE efforts and for staff responsible for developing, reviewing, analyzing, and carrying out VE proposals, change proposals, and evaluations.
- e) Ensure that funds necessary for conducting agency VE efforts are included in annual budget requests to OMB.
- f) Maintain files on projects /programs /systems /products that meet agency criteria for requiring the use of VE techniques. Documentation should include reasons for granting waivers of VE studies on projects /programs which met agency criteria. Reasons for NOT implementing recommendations made in VE proposals should also be documented.
- h) Develop annual plans for using VE in the agency.....
- i) Report annually to OMB on VE activities....

" Inspectors General audits. Two years after the issuance of this revised Circular, Agency Heads shall ask the Inspectors General to audit agency value engineering programs to (1) validate the accuracy of agency reported value engineering savings, and (2) assess the adequacy of agency value engineering policies, procedures and implementation of this revised Circular.

" For detailed guidance on value engineering, refer to the appropriate sections of the Federal Acquisition Regulation.....

" The policies contained in this Circular will be reviewed by OMB five years from the date of issuance.
.....Signed May 21, 1993"

There are **69 Executive Agencies** ⁴ covering a wide range of services. Below are listed only 16 of the major Executive Agencies. This gives an indication of the tremendous extent upon which the Directive will impact.

16 MAJOR EXECUTIVE AGENCIES ⁵

Executive Office of the President	Department of Agriculture
Department of Commerce	Department of Defense
Department of Education	Department of Energy
Dept. of Health & Human Services	Dept of Housing & Urban Development
Department of the Interior	Department of Justice
Department of Labor	Department of State
Department of Transportation	Department of Treasury
General Services Administration	Agency for International Development

As it is now mandatory for these agencies to implement this Directive, it can be seen that Value Engineering will have a major impact on ALL government projects and processes.

There is already a growing interest within Government Departments in the UK (particularly the Treasury) in this Directive. No doubt the results of the validated VE savings at the end of the first two year period will determine the future role of Value Engineering in the Public sector both here and in the United States.

REFERENCES

- 1 H.R. 133.
- 2 H.R. 2014.
- 3 Statement from R.D. Pethtel, Commissioner, Virginia Department of Transportation.
- 4 Letter from Mr C Clark, OMB, Executive Office of the President, Washington D.C., USA, 10 Oct 1993.
- 5 Memo from Mr C Clark, OMB, Executive Office of the President, Washington D.C., USA, 10 Oct 1993.
- 6 OMB Circular No. A-131.

**International Conference on Value Management
in Hong Kong**

The Hong Kong Institute of Value Management is planning to organise an international VM conference in Hong Kong in Dec. 1995 or Jan. 1996. Any ideas/suggestions would be very much appreciated. The Conference Director of HKIVM is Mr Doug Wardale, Tel: 2590 0005, Fax: 2516 9063.

VM History and Major Development at a Glance

Dr Geoffrey Shen, Hong Kong Polytechnic University

VM was first introduced by Mr Lawrence D. Miles of General Electric Company in the 1940s. Because its great contributions to cost savings and value enhancement, this group of techniques was quickly spread into other countries. At present, VM is widely used in many countries including USA, Japan, Germany, France, UK, and Australia. Some major developments in the history are listed in the following table.

Year	Major Historical Developments
1947	Function Analysis and a VM job plan were first developed by Mr Lawrence D. Miles at General Electric Company in the USA.
1947	Function Analysis was developed and used in the practice of work study by the Imperial Chemical Industries Plc in the UK (Gregory, 1984).
1954	US Department of Defense adopted VM when the Navy's Bureau of Ships set up a formal VM programme.
1959	Society of American Value Engineers was established.
1962	USA Ministry of Defence set up VM programmes in large scale bidding procedures.
1963	VM was first applied in the construction industry by Mr Dell'Isola, when he introduced Value Engineering to the Navy's Facilities Engineering Command. The US General Service Administration (GSA) began to use VM shortly thereafter.
1965	FAST (Function Analysis System Technique) was introduced by Mr Charles W. Bytheway of UNIVAC Division of Sperry Rand Corporation, at the 5th SAVE National Conference.
1966	The Institute of Value Management was established in the UK.
1969	The National Aeronautics and Space Administration (NASA) began formal studies and training in value management.
1972	SAVE 12th annual conference emphasized the application of VM in the construction industry.
1974	German VM society "Verein Deutscher Ingenieure (VDI) - Zentrum Wert Analyse (ZWA)" was established. The society now has over 600 individual members.
1975	The Environmental Protection Agency (EPA) mandated that VM be used during the design of all waste water treatment facilities over \$10 million.
1978	French VM society "Association Francaise pour L'analyse de la Valeur (AFAV)" was established.
1985	Italian VM society "Associazione Italiana per L'analisi Del Valore (AIAV)" was established.
1988	RICS published "A Study of Value Management and Quantity Surveying Practice", by Kelly & Male, which illustrated the practice in North America, and potential of using VM in the UK by the QS profession. The second report "The practice of Value Management: Enhancing Value or Cutting Cost", also written by Kelly and Male, was published in 1991.
1990	Under the funding of the European Community's Strategic Programme for Innovation and Technology Transfer (SPRINT), a number of research projects into VM have been launched in several countries of the Community. A number of subsequent publications have been published in the year after, e.g. "The European Market for Value Analysis". So far, five European VM Conferences have been organised in various European countries.
1995	The Hong Kong Institute of Value Management was established.

FORTHCOMING EVENTS

26-27 October 1995, Institute of Value Management Australia (IVMA) Annual Conference: Value for Money
Mr Alan Butler, Level 15,

Rawson Place, Sydney NSW 2000, Australia.

- ♣ On Wednesday 19 July 1995, HKIVM
Contractors (Asia) Ltd. A total of 12 persons from seven

CALL FOR ARTICLES

VALUE MANAGER intends to provide a lively forum and means of communications for HKIVM members and those who are interested in VM. To achieve this objective, we need your strong support. The following are some notes for contributors:

(1) Articles submitted to HKIVM should fall in one of the following categories: New VA/VE/VM techniques or methodologies, Review of conference VM papers, VM case studies, VM research trends and directions, Reports of innovative practice.

(2) Papers or letters should be submitted on a 3.5" or 5.25" disc for IBM PC and A4 hard copy. Discs will be returned to authors after editing. Figures, if any, should be sent separately, in their original and preferred sizes. The length of each paper should be around 1000-1500 words.

(3) Although the preferred software for processing your article is MS Word for Windows V6, the following word processing packages are also acceptable: Wordperfect 5.1, Standard ASCII Text file, and Wordstar 3.3 or over. If none of the above word processing packages is available, please find a computer with scanning capabilities, the typewritten copy can be transferred to a file as specified.

(4) All articles and correspondences should be sent directly to The Editor of HKIVM, Dr Geoffrey Shen, Department of Building and Real Estate, The Hong Kong Polytechnic University, Hung Hom, Kowloon. Tel: 2766 5800, Fax: 2764 5131.

Application for Membership of the Hong Kong Institute of Value Management

If you are interested in knowing or joining the HKIVM, please fill in the reply slip below and return it to the membership secretary of HKIVM, Mr Patrick Fong, c/o Department of Building and Real Estate, Hong Kong Polytechnic University, Hung Hom, Kowloon, Hong Kong. Fax: 2764 5131.

_____ Cut Here _____

Please send an application form for membership to the undersigned:

Full Name: _____

Company: _____

Address: _____

Position: _____

Tel: _____

Fax: _____

Signature: _____