

Getting Value from the Team.

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Richard Saxon CBE, Consultancy for the Built Environment.*

Buildings and the built environment create substantial value for their stakeholders. How do they do it and how can you maximise that value in working with the team that defines, designs, delivers and then operates that asset? This paper is drawn from my report "Be Valuable, Creating Value in the Built Environment", published last year by Constructing Excellence.

I use the term 'built environment' to embrace the amalgam of the Property, Construction and Facility Management industries which provides the setting for our economic and cultural life. These overlapping sectors are like three primary coloured lights projected onto a screen; where they overlap other colours shine and at the centre is white light, the design and management core of the whole. For example, half of all measured construction spend is on repair, maintenance and improvement, arguably FM not Construction. The whole Built Environment sector is 20% of GDP and 77% of national fixed assets.

'Value' is a slippery term, devalued by common usage. I define it as the product of what you get over what you give to get it. It's personal to your stakeholder position and is based on your values and what you therefore think something is worth. Value sought in a project has to be based on a negotiated compromise between stakeholder positions, ideally a sustainable, win-win proposition for them all: owner, user, customer, community, investor, manager.

Buildings create positive value by facilitating occupier performance, minimising their costs and providing positive impacts on users, community and environment. They are not just tradable objects but speak to everyone about the values they embody. Value to the occupier lies in the use of the building as a managed asset, not merely as an inanimate artefact. The Zen concept of the

essence of a pot being in its hollow interior parallels this view of where value lies.

The original cost of a building is modest compared to the lifetime cost of occupation and very modest compared to the value of work done in the building. In the 'Be Valuable' report we estimated that the central ratio between construction cost, whole-life FM cost and whole-life occupier value added was 1:3:30. Design to create the building is about 0.1 of original Capex. That design effort is the principle tool available to optimise value across the life-cycle and it is a false economy to under-invest in it.

Quality in design is a slippery concept also. It makes more sense however to see quality as that which delivers value. Once the value proposition is clear, the quality needed to deliver that proposition can be more specifically judged.

The key concept for suppliers is to focus on what value means for the client, to pitch price at a level which represents good value to the client, and to pitch costs at a lower level again to create supplier margin. Toyota has shown that costs can be reduced by eliminating content and effort which does not add value customers are prepared to pay for. Construction and FM need to learn this too: the concept of Lean Thinking. A new element for our industry is the need to develop customers' perception of value in all its aspects.

The road to enlightenment lies through feeding operational experience back to those planning future projects. What works and what doesn't, from layout to ease of cleaning? What are the real operating costs and CO2 emissions compared to the designed ones? Facility and asset managers can move from the tail-end to the role of completer of the life-cycle loop, gathering evidence for future business case-makers and designers.

The future lies in evidence-based design to meet a value-based brief. Consultants need to reach up to understand customer and other stakeholder value deeply. Constructors and consultants need to understand the whole-life value proposition and allow specialist constructors to join the team early to



contribute solutions in their area. FM advice needs to be an early contributor too.

The technique of 'target-cost working' borrowed from the motor industry, illustrates the idea. Rather than develop a design for a component or system and then go to the market for prices, the TCW team of designers and suppliers is formed at the earliest stage practical. The designers define the required performance and target cost, then ask the suppliers to help reach the target. Everyone's profit expectations are protected at this stage, allowing a supplier to suggest a cut in the work they might have done, if that would work. That can be surprisingly effective in the value management process. Once the target is reached, the design, price and timing are fixed and risk transferred, with the team further incentivised to achieve by sharing in gain, or pain, if the element is delivered at a better or worse quality, cost and time. I'm describing a partnering workstyle right along the chain, with risk managed where it can best be placed.

Whole-life-cycle solutions are needed to deliver superior performance for repeat clients. These need integrated supply teams, feeding back experience and evidence to future teams, about both the product and the process. There is vast potential for higher value to be achieved, coupled with prosperity for the suppliers from that added value.

Richard Saxon CBE is an independent client advisor, a Vice-President of the RIBA and a member of the board of the Construction Industry Council. He was chairman of Building Design Partnership and of Be, Collaborating for the Built Environment, now part of Constructing Excellence. He was a founder and past president of the British Council for Offices and is past master of the Company of Chartered Architects. www.saxoncbe.com Richard@saxoncbe.com