

2008 CONFERENCE: CREATING VALUE CHOOSING THE RIGHT PROJECT



CRAVE®

An Integrated Process for Cost Risk Analysis and
Value Engineering

October 27, 2008

HDR

Agenda

- Why CRAVE[©]?
- What is CRAVE[©]?
- Process Overview
- Baseline Risk Assessment
- Alternative Assessment
- Risk Response and Mitigation Strategies

Why CRAVE[©] ?

CRAVE[©] provides significant value by:

- Encouraging pro-activity and early planning
- Building confidence and credibility in project's plans and estimates
- Ensuring transparency and integrity throughout the life-cycle of the project
- Developing targeted mitigation strategies for all anticipated threats

What is CRAVE[®] ?

Both use a consensus-based team approach

Cost Risk Assessment

- Learn about project
- Identify Risks
- Strategize how to handle
- Qualify and Quantify
- Develop response plans and triggers



Value Engineering

- Investigate
- Functional analysis
- Speculate
- Evaluate
- Develop

What is CRAVE[©] ?

CRAVE[©] involves the combination of process and tool for the project team to:

- Select the best alternative/solution,
- Obtain a quantified risk management plan for project planning
- Minimize cost and risk, and
- Have a better project cost forecasts for budgeting and bonding.



Process Overview

Project Review

- Site Visit
- High cost areas
- Generate ideas



- Evaluate ideas



- Quantify Ideas

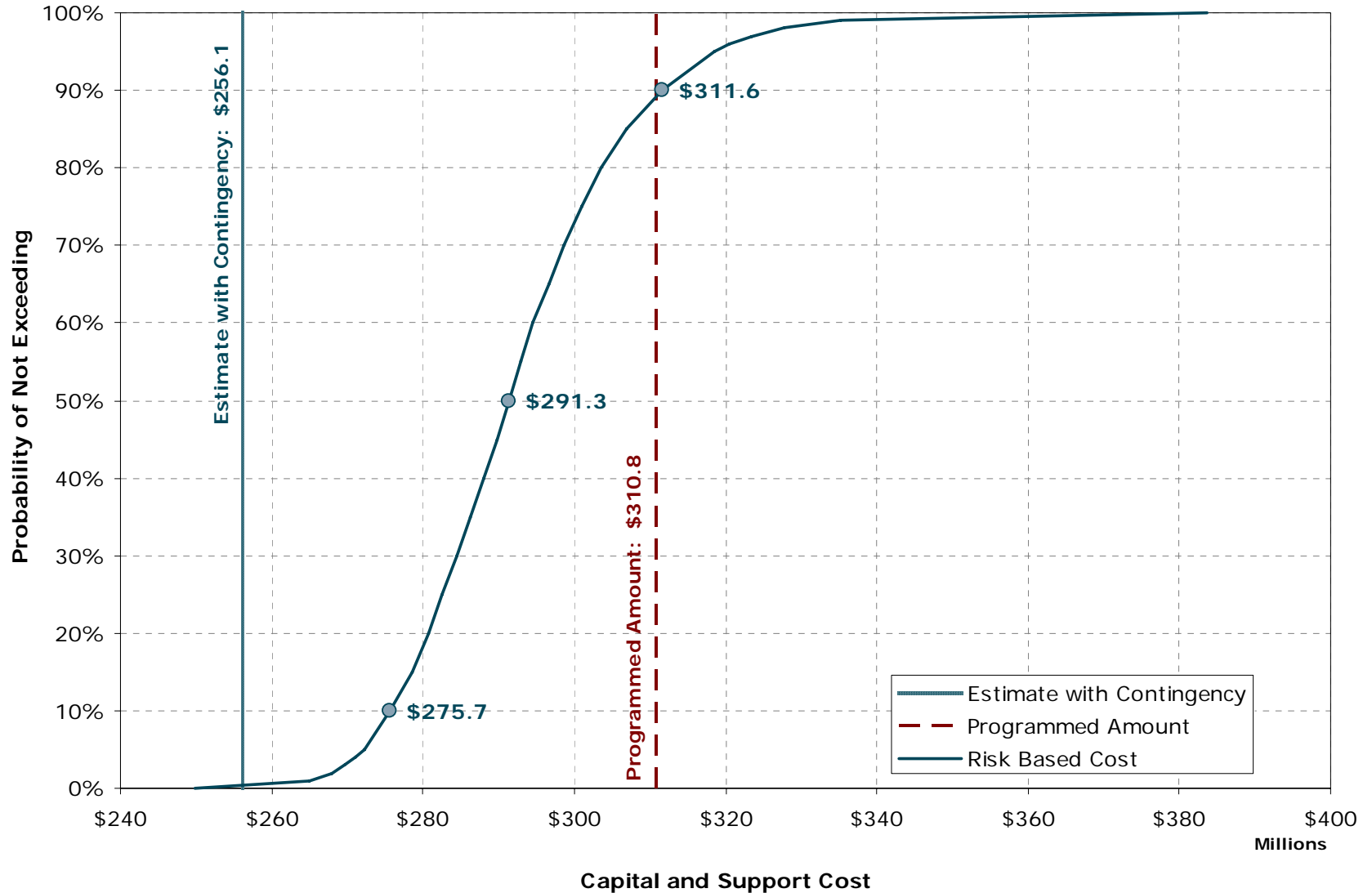


Screening

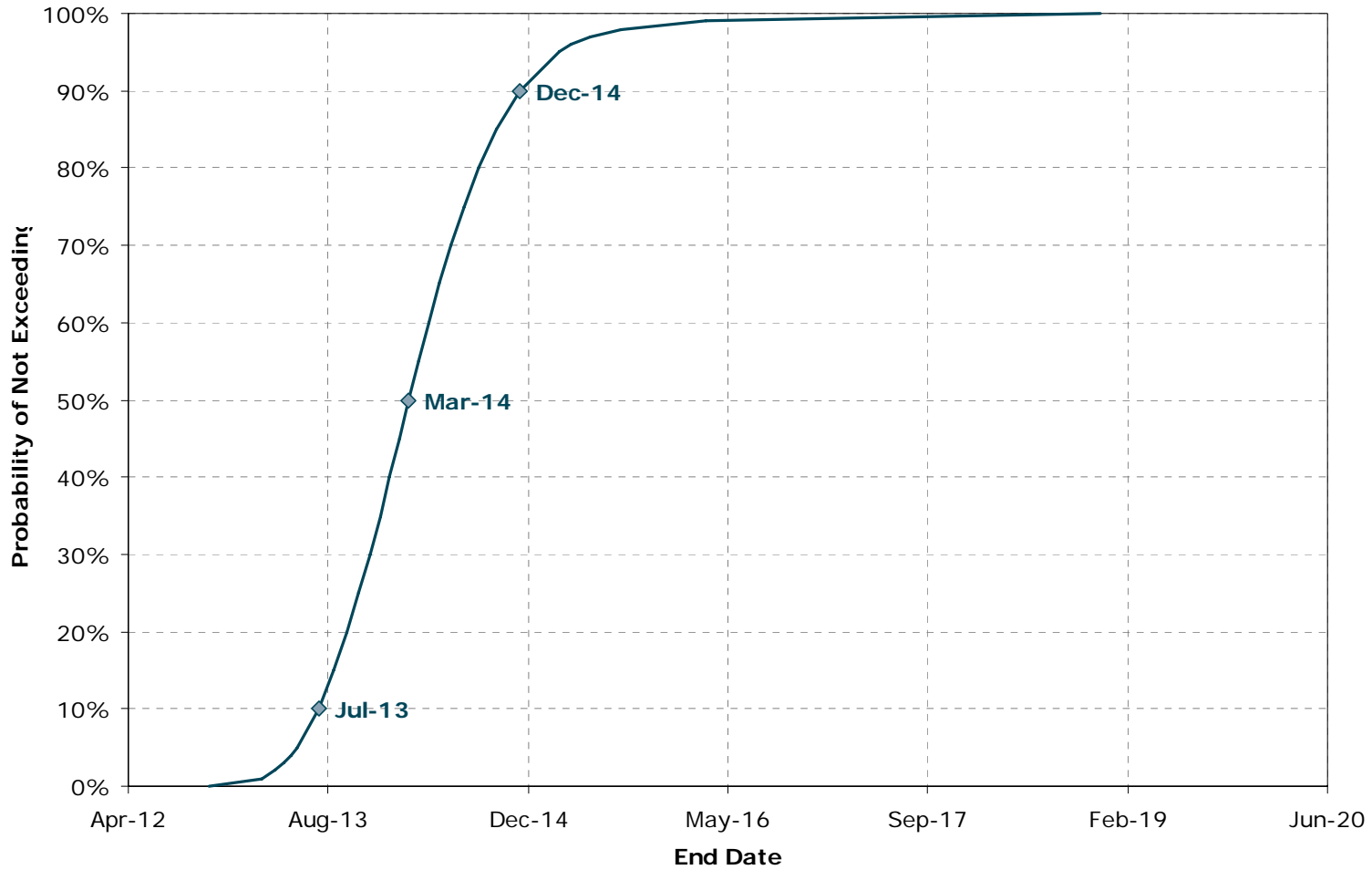
- Cost Validation
- Cost and Schedule Risk Assessment

Recommendations

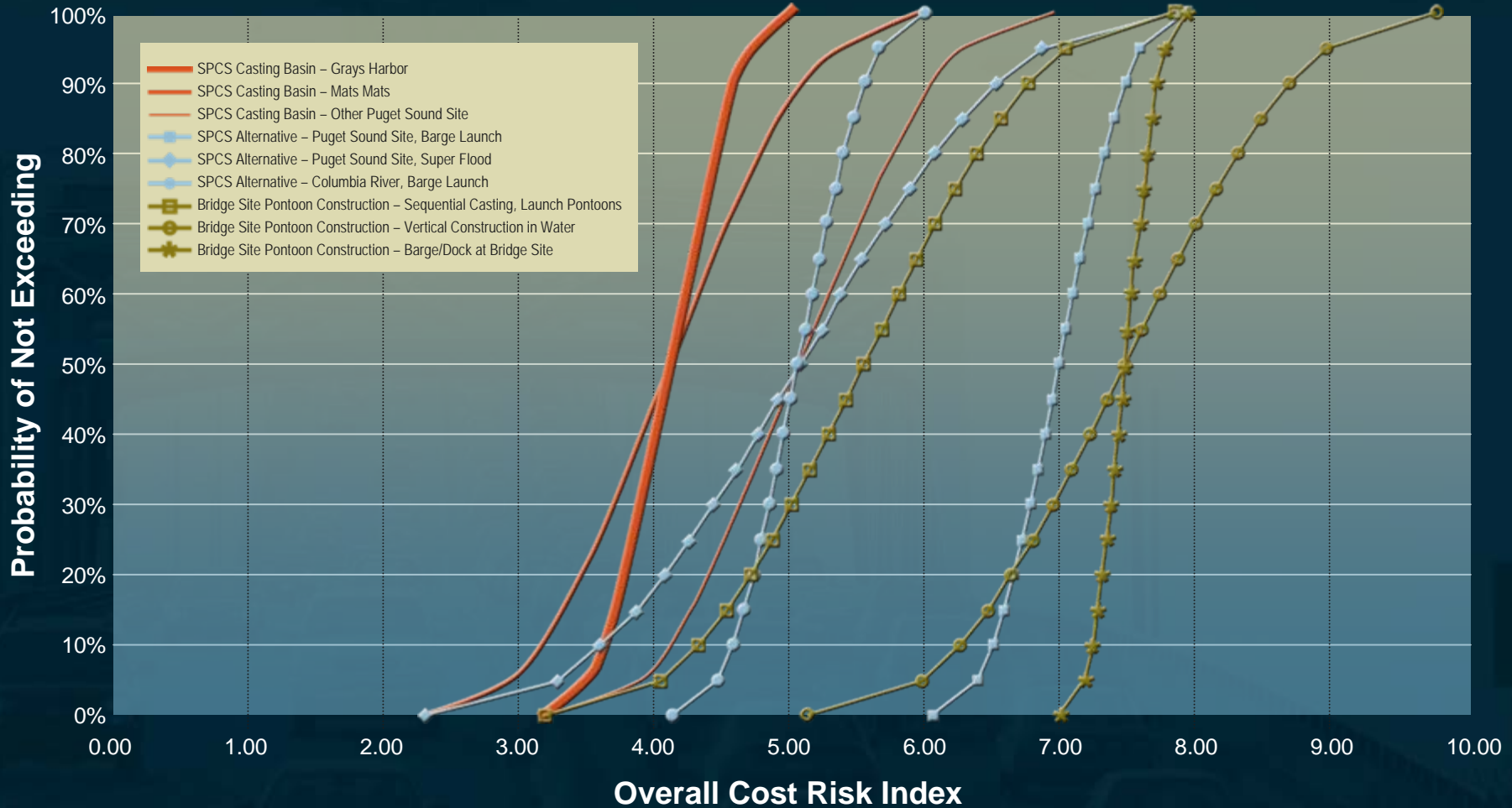
Baseline Risk Assessment



Risk Adjusted Schedule



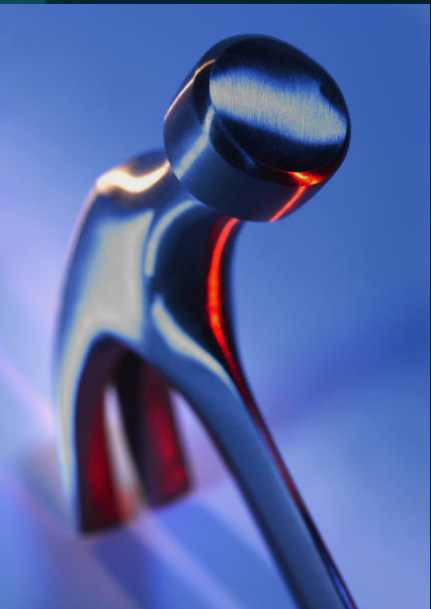
Alternative Assessment



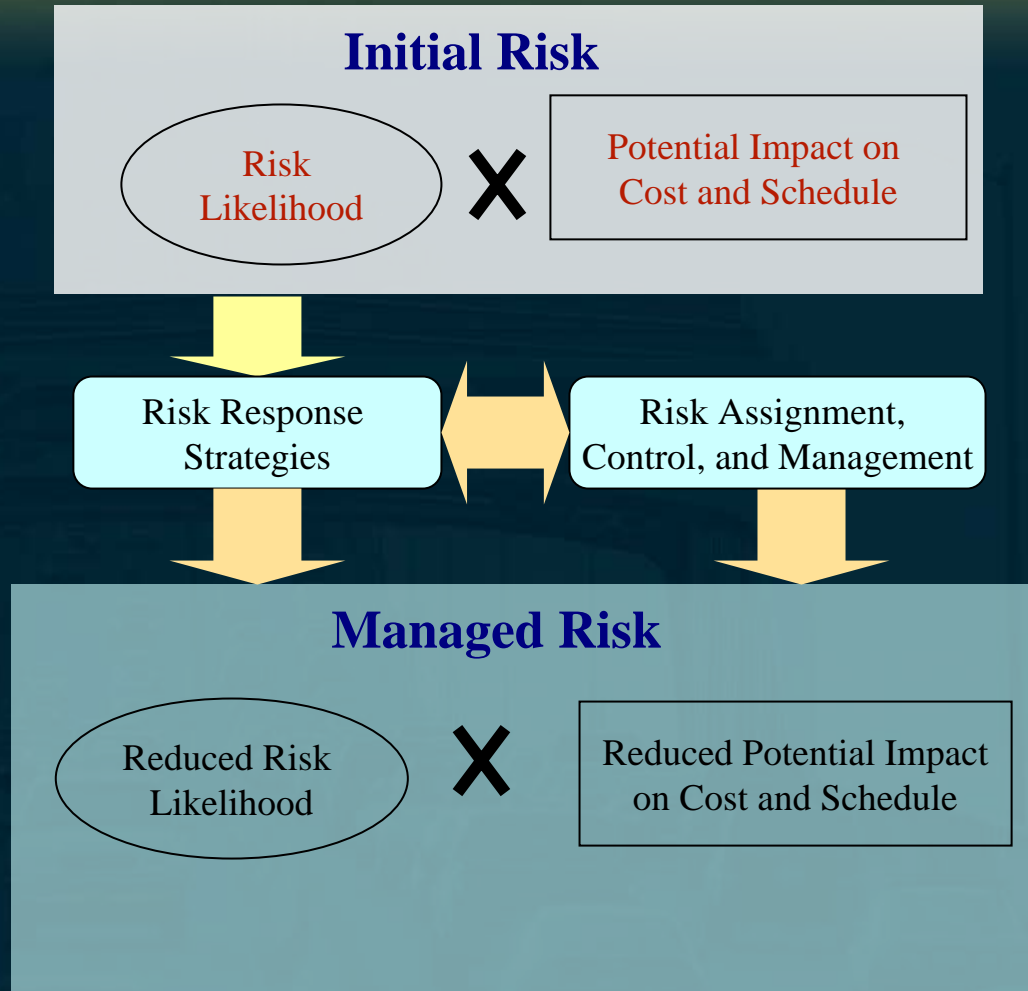
Risk Response Strategies

- Avoidance is a change to the project scope to eliminate the impact of a risk.
- Transference of a risk to another party who is more capable at handling the risk (such as the contractor or insurance company).
- Mitigation is seeking to lessen the impact of a specific risk items, which may involve the consumption of additional time and/or money.
- Acceptance is recognition by the project team of a specific risk and decision to not take action to deal with the risk.

Remember:
Contractors do not take risks
They Price it !



Risk Mitigation, Control, and Monitoring



Ultimate Goal

