

INTERIOR DESIGN PRACTICE AND OFFICE MANAGEMENT SECTION - I

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1.1 INTERIOR DESIGNER

Interior Design as a Skill Branch: Building Engineering was the pioneer design field out of which many specialities like Architecture, Civil Engineering and Interior Designing have separated. All these skills deal with buildings using many common materials and techniques. Interior Design as a result has certain affinity to Architecture. In recent years many other design skills like Urban Design, Town Planning, Mass or Public housing, Landscape architecture, etc. have emerged from architecture. In future many other skills may also emerge from Interior Design.

Buildings and Design Interventions: A building once constructed is initially readied for occupation by the original designer. However, buildings last for ages and during the lifespan, must be altered and updated several times. Architects or Building Engineers are unavailable, or have no income incentive for such 'frivolity'. During early middle ages, or perhaps even earlier, low-skilled 'Art -Painters' were hired to paint and decorate old buildings inside and outside. The painters known as Decorators, worked along with their associates, to not only paint but undertake repairs, make furniture and update furnishings. Many crafts-persons like, Iron smiths, Guilders, Glass blowers, Weavers, Embroiders, Rug and Carpet makers, Sculptors, Mural makers, were associated with the Decorator, as jobbers and suppliers. Later all these services were handled by a person, the Interior Decorator. Interior Decoration, was a service for the buildings, but always was distinct from the Architecture or Building Engineering. Interior Decorator was neither a variant, nor subservient to the architect.

Interior Decorator to Interior Designer: Interior decorators worked as a facilitator, scheduling and coordinating the activities, while supervising the quality of various vendors. The interior decorator now even offered comprehensive design solutions with alternatives to their clients. Interior decoration became a well-documented strategy, serving two basic purposes.

- 1 It helped creation of a functional system by coordinating skills, materials and objects, sourced from different agencies.
- 2 It showed the user or client, in advance, the solution, in a representative form -a surrogate.

Once the first objective was achieved without being continuously present on the site, it was possible for the Interior-in-charge person to devote more time and attention to the second objective. The Interior decorator began to

play a very active role of a professional interior designer rather than being simply a site bound interior contractor.

Design Studio: The Interior designer now operated from a Design office or Studio, usually located in an urban area. The studio was used for creating drawings, sketches, other presentations, models, pilots, prototypes, dummies, cartoons (replicas of artwork in full size), samples, etc. It contained samples of materials and catalogues. The studio was a fixed location facility where Interior designer was able to meet clients, suppliers and crafts-persons.

The physical distancing of a studio from the site also detached the Design and Execution aspects of interior practice. In the combined practice of Design and Execution, the need for a documented scheme was never very acute, as decisions immediately turned into actions. However, in Pure Design practice, all decisions had to be not only communicated, but very often formally transmitted as an assignment to the site-based agency.

Design + Execution Practice: Schematic documentation of design has been very difficult, and the most irritating aspect of business. Amateur Interior Designers (formally untrained - hobbyists) lack the capacity to document their design intentions, so prefer to work on the site, providing oral instructions to contractors or their workers. Many Interior Designers, even to day, where practicable would like to execute their work by themselves. The tradition of combining design + execution persists for many reasons:

1. Interior components require complex details and materials for their sensorial qualities. These are difficult to present through formal design documentation, and must be effected only through personal involvement.
2. Interior designing involves improvisation. The coordinated effect can be achieved, only when components or systems are substantially produced by the designers themselves.
3. Amateur or untrained interior designers do not have such proficiencies.

Forms of Interior Design Practices: Today many different forms of interior design practices exist, ranging from:

PURE DESIGN (design only),

DESIGN + SUPPLY,

DESIGN + SUPPLY + EXECUTION.

Interior Designers are gradually limiting their work to design matters only, and let other agencies handle the supply and execution. In very large, complex and remotely located projects it is not feasible for the designer to be present all the time to execute the scheme. For Corporate or Government types of Organised Clients, the practice of employing or appointing Third Party Venders or Contractors to execute interior projects serves varying degree of efficiency, reliability and satisfaction.

The separation of design and execution, is also favourable arrangement from point of view of Taxation. Pure Design practice is liable for simple taxation like Service Tax. In Design + Supply practice, a designer may be liable to pay Sales Tax on the total turnover (on design fees and things sold). Whereas in Design + Execute practice, one is considered not only a producer, but also a seller. In this case one has to pay production related taxes such as Central Excise and in addition to the Sales Tax.

Though in many countries of the world, in many professional fields the combined, Design + Build (execution) practice is now an accepted norm. Typically Building Organisers / Estate Developers, do both, design as well as execute their housing and commercial projects. Many industrial products are designed by their producers.

Interior Design and other Design Professions: Interior Design like any other design profession, is an interdependent profession. Interior designers work in conjunction with other design professionals, who need interior design contribution in their work, such as Architects, Building engineers, Landscape designers, Furniture and Product designers, Exhibition and Event managers.

Interior designers also use expertise of other professionals for their work. These include Environmental Engineers, Ecologists, Furnishing experts, Textile designers, Painters, Sculptors, and an array of crafts persons.

Specialization in Interior Design: Interior designers like other professionals also, face a dilemma, should they specialize or be a generalist? To become a specialist one needs to limit the work to projects of particular nature. But it is very difficult to get projects to suit a predefined field of specialization. In reality, as and when opportunities arise, a designer preferences project, that builds up the specific sphere of experience. The refined capability can then be used for handling similar but complex jobs.

Acute specialization in a particular field also leads to generalization, as one handles only one or few types of projects. Interior designers by handling only specific projects achieve an expertise in the field, but gradually lose the

capacity to handle other projects. Whereas a generalist, by handling all sorts of projects, perhaps gains a wider experience, economics of scale (turnover), but at compromised quality.

Some degree of specialization is becoming apparent in Interior Design. Some of the major fields to have distinct identities within the ambit of Interior Design are: Hospitality or hotel design, Entertainment facilities, public space design (air ports, railway stations), Exterior design or Street architecture, Exhibitions and events planning, Retail designing, Transport interior design. These fields naturally demand a varied manner of design approach and handling.

Opportunities for Interior Designers: Interior Designers get different professional opportunities. In each case, the styles of work, responsibilities, nature of compensation, job satisfaction, and scope of advancement, are different. It is not possible to compare or to evaluate, which one is superior. A designer sets a personal goal and charts the carrier.

Interior Designers have a variety of fields to employ their skills. One may work as an Independent Design Professional, as a Free Lancer, Conditional associate, or as a Profit-sharing Employee in any organization. Interior designers also work in many parallel fields, such as a Product design, Prototypes, production of Interior parts and components, Maintenance person for Interior spaces and components, Advisor or consultant for Interior design related concepts, and as Administrator for Interior related management aspects.

Interior designers are sensitive to materials and finishes, and so are well qualified to be Conservators, Preservers, and Renovators of built spaces. Interior designers have the competence to mould and manipulate the built environments and are most suitable persons for Reformation and Adaptation (reuse) of redundant buildings.

Reformation skills of Interior Designers are very much in demand. A building is not only a very costly resource to acquire but would need equal or perhaps costlier effort to dispose it off. So renovations and alterations help reestablish old and redundant buildings. Miniaturization and modernization of systems and components make large-amounts of built spaces redundant.

Interior Designers have a very important role to play in Product Design decisions. Interior products include everything used and housed in an interior space, like, furniture and furnishings, fixtures and fittings, tools, gadgets, equipments, etc. The interior environment or setting for the designed products could be of a building, ship, aircraft, space station, automobile, bus or railway carriage. Interior Designers play a great role in defining the Contextual Interior Environment for the product setting.

With technological developments, Interior and Building components are no longer considered to be passive parts, but, have an active and participatory role in the buildings. Utilitarian success of buildings substantially depends on the furnishings and interior components. Interior designers beyond their role of furnishers are also ideal as maintenance persons and operators of buildings. Such job duties also include house keeping or interior space management.

Large organizations (hotels, guest houses, corporate head offices, museums, showrooms, departmental stores) have estates, substantially consisting of buildings, furniture, furnishings, plants, equipments, utilities, gardens, and landscaped lands. Managements of these require an estate-in-charge person. Interior designers are preferred for such a role.

Interior Design training today includes design drafting and presentation technologies in digital media. Interior Designers with competence in computerized drafting (AUTOCAD), 3D modelling, animation, walk through, rendering, etc. find employment in many other design fields. Interior Design training consists of colour, rendering, graphics and presentation techniques, preparing them for the diversion to graphics related fields, like artwork, advertising, cinematography, exhibitions, publicity, etc.

1. 2

PROFESSIONAL

Professional: A person professing a skill to earn a *livelihood* is nominally called a professional. A person with unique, difficult to obtain or very demanding skill earns well, as the society appreciates such skills by providing better compensation. Routine or common skills on the other hand have a predictable and modest scale of *compensation*.

Abilities, Skills, Value: Every one of us has a natural ability, or through training and experience can acquire a skill. We use skills primarily to earn a *livelihood*. Though some may use their skills just for personal satisfaction and occasionally even receive a reward for it. However, a reward of this nature may not reflect the true value of the work. Such a reward is given out in *appreciation of a skill-output*, but not in *consideration of the skill-effort*.

Professional vs. Nonprofessional: Professionals discharge their skills for an assignment. The consideration so received is a very situation specific one. The freedom to negotiate the terms of skill discharge captivates a professional. Yet a professional may not always earn the livelihood in proportion to the skill discharged. Improbability of income from skill acutely stimulates, or curtails the creativity of a professional person. Professionals are motivated to maximise the productivity and creativity and thereby enhance the scale of consideration.

A person discharging a skill for a salary receives a fixed time-based income. A salary, at best is a generalised value of the skill discharged (at certain level of perceived productivity). A salary does not motivate a person to maximise the productivity and creativity. Salaried people are not considered true professionals.

Amateur, Professional, True professional, Non professional: There are many other ways how a society judges a person to be a professional. A *professional sports person* is one, who is no longer an *amateur*, i.e., one who can now be commissioned with a fee, for a specific situation like a game or a sports event. A craftsperson who produces artefacts in a workshop and later sells it to a connoisseur is not a professional, because the craft work was not created as an assignment for a fee. Similarly an artist or a sculptor who sells the work of art in an exhibition is not professional. However, a mural maker, who is retained for a fee to mount a mural at a specific location, is a professional. A chartered accountant working, as a financial executive in a company for a salary, is not a professional, though membership to a chartered body may endow the person with a status that of a professional. Similarly, a doctor working in a hospital on a salary is not

a professional, though he may behave with all the professionalism expected of a true medical professional. A cook, magician, actor, dhobi and prostitute, are all true professionals, if are retained with a fee for a specific assignment. However, a salaried ship captain, army general or a professor, all may show utmost professionalism in their work or duties, yet are not true professionals.

Professionalism in the Society: Society expects a certain kind of behaviour from a professional. The unique behaviour or professionalism is set by:

- Person own-self
- Professionals themselves (professing similar skills) as a group
- Society
- Authority or Government through law

Professional Behaviour: A professional to seem sincere and reliable, sets personal norms of behaviour. Society identifies such exclusive norms of behaviour as the professionalism. Behaviour of successful professionals has been consistently emulated by others.

Over a period of time, behaviour of all persons professing a particular skill becomes so universal that, all seem to be directly or indirectly, visibly or invisibly governed, by definite ethics, code of conduct, or a set of rules. These at least, initial stages may not be, formally set, explained, or written. Society affirms such professional faith as traditions.

Professionals' Organizations: Professionals have a selfish interest in sustaining exclusivity of their skill. This is done by regulating the inclusion of new entrants and by deterring tricksters and odd practitioners. Professionals form *clan* like organizations to codify the norms of behaviour and to restrict the spread of knowledge by controlling the training in skills.

In India casts were based on skills. Skilled professionals belonged to an organization known as *Sangh or Mahajan*. In Europe, during the middle ages professional organizations were known as *Guilds*, often holding powers surpassing the political authority. Conditions to become or remain, a member of such organization were very strict. Entrenched members never tolerated any change or modernism, because to accommodate the newer peripheral skills, it was necessary to alter or add new behavioural norms.

When, creative individuals feel stifled, in a traditional professional organization, they try to reform the existing setup, or step-out of it, and form

a new professional organization. The original organization suffers, or is destroyed.

Civil engineering has been an outcome of Building trade. Architecture has separated from Civil engineering. Urban design, Town planning, Interior design, Public housing, etc. are some fields to acquire distinct identity from Building Engineering.

Professionals' organizations (*Clan, Caste, Sangh, Mahajan, Guilds*) have often wielded lot of influence. Governments have tried to control such extra constitutional power centres by enacting laws. Such laws primarily enforce rules for forming and conducting such bodies and secondarily reduce the number of such organizations to a few.

A government may validate a skill and professionals for it, but cannot create a new set of professionals.

There are many professional organizations (formed or recognized by the government) with *codified rules of professional conduct*. The council of Architects, Institute of Engineers, Bar Council, Institute of Chartered Accountants, are few examples.

Members of such organizations jealously try to protect their organization. This is why typically a chartered architect (member of Council of Architects), detests a non member practising Architecture. The Bar council of India has very strict written rules of professional conduct, education, apprenticeship, and practice of law.

This is disliked by non members. A Chartered Accountant, even if, extremely knowledgeable in Taxation laws, is not allowed to practice the law. An architect cannot operate as an Estate developer or Builder.

Government formed or recognised organizations have very formal structure, which make inclusion of varied skills of newer technologies extremely difficult. Government initiated professional organizations thus become invalid very soon.

New professional organizations are continuously formed. Company secretaries have formed a very different skill branch from Chartered accountants. Bio-technologists or Microbiologists are not considered medical professionals, even when the nature of skill they discharge are often identical to Pathologists. Thankfully, no government initiated professional organization exists for the Interior Design practice, and the day it is formed, its death date will also be cast.

Professionalism: A professional is required to behave professionally with:

- Person/s (clients) who retain the professional,
- Other professionals,

Other professionals of the same skill,
Other individuals who help carry out the job,
Society.

In each of this case the *nature of professionalism* is also different. In cases where a skill is being compensated, a client is involved. Whereas in all other cases, professionalism is simply being fortified.

A *Professional* comes into being for a *Client* with a specific assignment and capacity to pay for it. Professionals themselves become clients, when they have an assignment for someone with extraordinary skill (-a professional) and are ready to compensate.

Professionals need to behave with another person of the same profession sensibly, so that the greater interests of the profession do not suffer. These include unhealthy competition, unfair means to achieve objectives, being always together, etc.

Professionals need help of many other people, who behave with near professionalism, but may not be distinctly professional. These people include, venders, suppliers, dealers, contractors, etc. A sincere, reliable and honourable professional draws lot of respect out of such co-workers.

Professional respect: A society acknowledges outstanding professionalism of a professional by *bestowing a leadership*. A good professional is considered reliable, not just for the exclusive skill, but also for the personal behaviour, thoughts, actions, and views. These qualities are emulated for many other members of the society as well.

Professionalism as a personal asset: A skill is a personal asset, so professional creativity is adjudged as a personal pursuit. As a result when professionals come together to practice a skill cohesively (as partners, associates), some confusion may arise for the *authorship to creativity*. One way out of this is for partners to tacitly accept the *work domain of every member*, and refrain from encroaching it. Another way is to accept all creative accomplishments as collective achievements of the organization, and not of a person. A partnership document is a codification of norms of behaviour.

1.3

CLIENTS

A Client: A lay person has very limited capacity to solve many of the problems *quickly, economically or efficiently*. Such a person, if had means of compensation would certainly hand over the problem to an expert. For the expert (professional) such a person, out to hire a help with offer for consideration is a client. A Client, to solve problems, desires not just a skilled person, but one with a predictable and socially acceptable behaviour *-the professional*. A professional needs assignments with compensation, to profess the skill. Client and a Professional are thus mutually dependent.

A Client's Disabilities: These manifest for many different reasons:

- there is no awareness of needs or of problems.
- there is no insight to the nature of skills required.
- things are not always very simple, easily selectable, readily available, or producible.
- there are no obvious means to judge the rightness of decisions made.
- there are no resources, or, one is not aware of the resources required to accomplish something.
- one has been incapacitated for taking decisions and actions by any extraneous cause, and so cannot use the available (or the personal) skills.

Sometimes, a client, wishing to hire services of an expert, has no competence to check the suitability of a professional for the job. Therefore, a client may have to retain an intermediary to find and appoint an appropriate professional. The job of an *intermediary agent* here is like that of any other competent and socially acceptable person, *-the professional*.

A professional often requires services of professionals of different skills to handle a *multi disciplinary assignment*. Here the (hiring) professional takes on the role of a client. Here the hiring professional (enacting the role of a client) and the retained professional, both may be ultimately serving a real client.

Clients' Levels of Awareness: Clients come to a professional with varying levels of awareness, what a professional could and should do.

- A client at a very basic level is a *lay person*, who has never seen or experienced a professional in action, and so is

guided by a well wisher. Such clients are very inquisitive, and eager to participate in the work-process of a professional, and if allowed to do so appreciate the professional's contribution better. A professional intentionally creates situations where such clients seem to contribute to decisions, and are formally acknowledged.

- Some clients are *experts* in their sphere of work. Such persons (restaurant owner, club manager, managing director, etc.) are well informed of both, the product and the process to achieve it, but seldom have the time or inclination to accomplish the same. Such *expert clients* may consider a professional to be just a service provider, and not necessarily a unique creative person. The Professional in these circumstance is required to manage the over interference, and yet achieve an objective detachment. The professional may have to consistently prove the professional supremacy or distinction.
- A client could be very *detached or unapproachable*, due to either lack of time or understanding of the subject. The first, must be managed by acute management of the client's precious time and the second, may vanish on seeing the first proposal (visual and other presentations) and replaced with sharp comments.
- A Client *representing an organization* may not show distinct interest, to limit the involvement within the ambit of the authorised powers. Their comments though may come, but little belatedly.
- A client could be a *faceless person* like a project report, and the nominal human interaction is not available. A professional has to not only define the client's requirements, but also predict the responses such a non real client would generate.

Categories of Clients:

AN INDIVIDUAL CLIENT: At simplest level the client is representing own-self, or perhaps the family. Such a client is very real and visible in personality. Such individual clients are easy to define. Such clients are easily accessible and provide interactive feedback during the meetings.

A SPECIFIC GROUP OF PERSONS AS CLIENT: Clients representing a specific group are partnership firms, private or limited companies,

corporations, societies, associations, some government departments and semi-government organizations. A specific group has members who have formed the group on their own initiative, or have joined a suitable existing group. The designated leader or a small group of representatives invariably have the authority to represent their group. So individually or collectively they behave almost like an individual client. It is not very difficult for a professional to generalize and determine the characteristics of the specific group as a client.

A GENERAL (NONSPECIFIC) GROUP OF PEOPLE AS CLIENT: These are set of people or beneficiaries, classified per certain logical norms, and are represented by a public organization, a government appointee, a public leader, etc. The members or beneficiaries, need not be aware of their being a party to the group. The person/s who represent such generalised (nonspecific) group functions as a client with or without their mandate. The representative of the group could be a job assigning client, in addition to perhaps approving and funding authority. The real -user-client (of the project) is invisible and sometimes hypothetical. Since the hypothetical user-client is not interacting, direct feedback is not possible. In such a case, the professional has to define the identity and representative characteristics of the client.

Other Ways of Categorizing Clients:

USER CLIENTS: Clients are actual users or consumers. They directly use the entity created or derive the benefits from the ideas or concept generated by the professional. Such clients, if properly identified and if can be approached, provide the right feedback.

ASSIGNING CLIENTS: A client could be a person just assigning the job, like a government official, but may not use the entity created or derive any benefit. Often an active citizen may generate a debate in the society for an issue, and ultimately provide sufficient leadership input to become the defacto conceiver, convener and executioner of the project.

NON CLIENTS OR MULTI CLIENTS: In very complex projects often there is no single or identifiable personality or agency that is acting as a client. The project evolves as conglomerate or a consortium of multilateral agencies, often with conflicting interests. There may not be any appointed or recognised professional as a coordinator. There may be many *part conveners, sponsors, owners*, all acting coherently, Members of such group function democratically, infused with mutual respect and commercial sense. Where a coordinating professional

agency is involved, its job is, more of auditing the quality parameters. The audit agency gets involved during and after the execution.

MARKETING OR OTHER SPECIALISTS AS CLIENTS: In many instances a professional is required to serve a large number of user clients, who remain isolated not just due to their large number and variations but also due to their location. Definition of a user client is derived by marketing or such public relations specialists. These definitions are invariably very specific, though coloured by the agency that forms such views. It becomes very difficult to pinpoint the failures either to the initial faulty definitions, or wrong professional input. Though professional working on a brief devised by marketing or public relations expert gets very exact assignment to operate.

Dealings with clients: Clients are easy to deal, if are real, singular, grouped and well organized. Clients are not very difficult to handle even when are invisible (faceless) or generalized, but, if are well defined. A Professional's work moves very fast and efficiently, when client's feedback is certain or predictable. Professional out-put for organized and well-defined clients is not only very relevant, but survives or functions better.

1.4 CLIENT & PROFESSIONAL MEET

A Client and a Professional must seek each other, and do so in a variety of ways. A client can proceed without any inhibitions, whereas a professional can go about it with certain constraints, depending on the nature of ethics followed by the particular profession.

How Clients seek Professionals: In case of Interior Design, a client primarily comes to know about a professional on seeing a project. However, personal contact is established through intermediaries like friends and relatives. It is rare for a client to call on a designer, directly on seeing a project, a sketch or a publication about it. And it is extremely rare for a client to contact a designer through yellow pages or such directory type of listings.

Initiative for a project: Clients initiate a project on the basis of one or many of the following Five assets:

- Needs,
- Finance - investable resources,
- Space - land or building,
- Experience - expertise
- Intense desire, aspirations.

An endeavour involves investment vs return formulation and for this reason a person first approaches a financial expert to evaluate the idea, and also define means to execute it. Such financial experts may then direct a client to a project consultant. The project consultant is generally an expert of the project domain. The project consultant then sorts out the fields in which expertise is required and more often than not advises the client 'how things can be done and by whom'. Architects, Interior Designers, etc. are generally approached at this stage. However some designers by virtue of their vast and varied experience are able to handle multi disciplinary matters, and they provide the project consultancy services.

Different types of clients and selection of a professional:

INDIVIDUAL CLIENTS are largely unaware of the professional services they need. And even if knowledgeable, would like to hire a professional by personal reference. Such personal referencing by a well-wishing intermediary can open out many avenues for a professional.

ORGANISED CLIENTS (SPECIFIC OR NONSPECIFIC GROUPS) set a process of selection for a professional. This provides for a rational, transparent and democratic procedure for selection. The process of selection of a professional begins with invitations offered to:

- any member of the society, to come forward and prove competence,
- persons with a defined level of competence,
- members of a body who necessarily have optimum level of competence,
- any of the above conditions, but persons belonging to a certain geographical region, experience, age, sex, nationality, religion.
- anyone who wishes to offer a radical proposal through a competition, which may perhaps provide a reward, or if selected a job award.

How Professionals seek Clients: Professionals have to depend primarily, on their social contacts for the first few projects. Professionals also directly contact potential individual clients. However, if a person is a potential client due to a position, then an official appointment with the clear declaration of intent is necessary. Winning a project by participating in a competition is another method. Interior Design competitions, though, are very rare, may exploit young professionals, unless sponsored by legitimate organizations.

How a professional seeks a client is conditioned by the nature of the profession and the role of professional bodies play. Professional organizations regulate a professional's exposure, and consequently the behaviour with the society. Modalities of relationships with potential and regular clients, form the substantial part of the charters of professional bodies. For the same reason many professional bodies discourage direct advertisements by professionals to seek clients and assignments. An *advertisement*, however effective cannot project the professionalism, or the competence of a professional. It provides an undue advantage to the user. Most professional organizations believe that professionals should receive jobs in proportion to their professionalism, and not their capacity to project through media.

Paying out any consideration or any promise to that effect, to obtain a job is also considered unethical. Problems of this nature arise, when a client is an official, and so can select, appoint and compensate a professional. It also means a professional must not provide free advise, samples, trial or test materials, sketch design, draft etc. till a client has made a firm commitment. Ethically a professional competes with another professional on the sheer quality of the professional work.

Strategies to Develop the Clientele: Professionals resort to many different strategies to develop the clientele. Professionals keep in touch with their past clients and acquaintances, as these prove to be the most potential source for jobs. Professionals also must keep in touch with the intermediaries through whom clients were introduced. A professional may take past clients and intermediaries to visit completed projects.

Other means of personal-approaches include, sending specific letters, emails, or bulletins, making telephone calls, attending get-togethers, parties, social and other functions, sending greeting cards, etc. Professionals make it a point to attend as many, trade and business meetings, seminars, workshops, etc. as possible. Here they get an opportunity to project their personality, but put forward ideas, views, etc. by way of direct address, reading of technical papers, or participation in discussions.

A meeting or telephonic call to a potential client creates a short lasting impression that may not be of desired type and intensity. Letters, bulletins or emails though very objective and remain on records of the client, have to be brief to be effective. Emails are considered unobtrusive, but like the letters are likely to be ignored by the recipients.

Biodata - Résumé - Synopsis - Curriculum Vitae (CV)

These are very effective and longer lasting means. At basic level the presentation is a General Document meant for both the lay persons (no-clients) and also for current or potential clients. It contains the basic information about the professional, achievements and competence. At another level a Specific Document is created. It serves a particular client, or a class clients. A specific document, of this nature may selectively reveal or stress information relevant for the particular occasion. Generally this is ethical. However, it needs to be checked if the information is intentionally concealed or de-emphasised for some malicious reason.

A General Document creates an impression of a commodity pamphlet. Creative professionals generally do not use this type of medium. It lacks professional sincerity.

Internet has become an ideal medium for forming, placing and circulating Specific Documents. Information placed on a world wide web (www) site is nearly interactive (one can go deeper for details). HTML as a format allows flexibility and makes it virtually accessible worldwide. Access to it is without any obligation. It can be updated by the author as desired.

One of the best way to create a lasting impression is to make a potential client visit the Designer's Workplace, Studio or Office in the first instance, or as early as possible. The studio conveys more about the person, nature of practice and flourishing practice of the professional, than anything else.

A completed site also can serve the same purpose, but cannot present the infrastructure for design creation as experienced in a design office.

Professionals' dealings with Clients: These vary region to region, with time and from profession to profession. In professions where rules regarding behaviour have not been formalized, it may vary even from a professional to professional. In most countries allopathic doctors are not allowed to advertise their skills, but in some Latin American countries plastic surgeons have large road side hoardings. In USA, Lawyers who do not practice in court of law, and work as counsellors or advisors have been resorting to newspaper advertisements.

Finding a Professional: Members of the society have no problem in finding professionals of well-established fields or traditional professions. However, in newer branches of skills, the professional and the client do not have an appropriate precedent or a forum to interact. In such situations the intermediary professionals help bring together the Client and the Professional. Such intermediary professionals include Project consultants, Industrial consultants, Financial experts, Hotel consultants, Administrators, Estate managers, Public relations experts, Event organizers, Marketing executives, etc.

1.5 COMMITTING A CLIENT FOR JOB

Nature of relationship: Relationship between a professional and a client develops very gradually. Client and professional usually have some degree of rapport, even before a job is discussed. A professional and client both wish to delay any discussion about fees, terms and conditions.

Delays in Formalization of Relationship:

WHY A CLIENT MAY WISH TO DELAY.

A Client is unsure, if at all professional is needed for the problem, and whether the professional is the right person for the job.

A Client as an official (of an organization), may not have the authorization to initiate the retention process for a professional.

A Client may not yet have, the permission, land ownership, funds, etc., to initiate the project.

A Client may shrewdly wish to negotiate with other professionals, or is trying to collect free ideas, and later carry on the job on own.

WHY A PROFESSIONAL MAY WISH TO DELAY:

A Professional (at least well established ones), check out their client completely, before agreeing to take-on the project.

A Professional (fresher) is always eager to get-on with the job. Yet such professionals delay discussing the fees, terms and conditions because that can disturb the budding, but fragile relationship with the client.

A Professional may be waiting for the client to be firmly determined, so that fees and terms can be properly negotiated, and a firm commitment can be sought.

Formal Commitment (consent): The relationship between a client and professional, must develop formally, and as early as possible. For a professional, securing a formal commitment (consent) from a client, for a job, is one of the most difficult of all professional tasks. Consent commits a Client to pay the professional for the services to be rendered. With the consent a Professional becomes obligated to deliver the expected services.

Contracts and MoUs: Ideally two parties must initiate their relationship with a contract, according to the laws of the land. A Contract is a very *formal*

expression of intent between two parties. It is too much to expect a contractual relationship in the initial stage of a job, when the client and the professional hardly know each other, or have yet fully formed a project. Just the same, even without a contract a relationship must be nurtured. Normally this is not very difficult, when both the parties are willing, enthusiastic and have a mutual faith. A memorandum of understandings (MoU) (for further details see chapter: 1.06 Contract), is a tool, frequently used as a step towards a full legal contract.

Cost of Inconstancy: For a professional a job begins with investments in labour, stationary, materials, and intellectual skills. Whereas a client remains worried, if the professional will at all deliver the services, of required quality, and in prescribed time.

- When a Professional fails to deliver, (even if any advance sum, that may be fully refunded) a client's time and effort are wasted (both non calculable entities).
- When a client refuses to acknowledge, or rejects the professional's contribution, all the labour, stationary and input of intellectual skills (only some of it is calculable) are lost.

An Informal Relationship can turn very vicious at any stage. When disputes arise either of the parties may refuse to even acknowledge the relationship between them. In such a situation the Professional will lose all that was spent in understanding, preliminary working, planning of the project. This could include not only labour, stationary but patent ideas. On the other hand, the Client will never recover the time wasted in searching, identifying and engaging the professional.

Circumstantial Evidences of Job Commitment: It is very natural for Clients and Professional to be extremely careful about things they say and do in the initial stages of a job. For a professional who is often operating without formal consent, securing a proof that his involvement has a tacit approval of the client, is very important. The evidence in such a case is usually circumstantial, and generally not tenable in a court of law, unless corroborated by other circumstantial or real evidences.

These are proofs that establish the time, location, context, contents, pre and post effects of a happening or an event (here the client's commitment). It is not full evidence, because it may be lacking in one or many of these factors. Circumstantial evidences are of many types:

1. Records and minutes of meetings with the client
-location, time, context, witnesses, etc.
2. Record of telephone talks with the client,
3. Correspondence to the client,
4. Replies from a client for the queries by the professional,

5. Changes, doodles, and notes, etc. made on drawings and other documents by the client during meetings,
6. Original plans, sketches, writings, data, etc. as supplied by the client,
7. Keys, authorizations to visit the site.

Retainer Fee: The best commitment, next only to a legal contract, is payment of a Retainer fee. *A retainer fee, however small, signifies establishment of a relationship, between a client and a professional (a retainer fee should not be confused with retention money: see chapter: 1.13 Tenders).* Ideally the amount of a retainer fee should be large enough to cover the labour, stationary, and the cost of patent (original or exclusive) ideas, required to generate a schematic design (or similar a stage, when first fees become due). The cost of patent or unique idea is collected at first go, because a unique idea or a concept once exposed to an outsider like a client loses its originality, and so the value.

A Retainer Fee is very different from Retention Money -which is part of job execution process, an amount retained from payments to the contractor to accumulate a guarantee amount so that a job will be completed as per the schedule and according to the specifications and other terms and conditions.

Formal relationships (e.g. a contract) usually have built-in Redressing Procedures with compensations, so that, in case of a failure no one is harmed. An Informal Relationship in total absence of corrective remedies can create lots of problems.

Different types of Clients and typical troubles: Until a professional secures formal consent, each class of client poses varied set of problems.

- An Individual Client, as a single person may seem to be one of the simplest entities, but unpredictable whims cause unforeseen problems in the job.
- A Specific Client, representing a formal or informally constituted group, with appropriate authorization, e.g., president of a club, behaves almost like an individual client, but with responsibility and sincerity.
- Group Clients or Committees, being multi faceted are very difficult to handle. A professional must treat such members as if they are one-entity, any individual queries or suggestions must pass through their designated leader. All decisions and actions of such group clients are necessarily formal, so delays are inevitable. Nevertheless, once decisions are made, job commitment is not a major problem.

When things or services are swapped against an immediate payment, as in trade few problems occur. However, a transaction between two parties taking place in a very extended time-space segment, the gap between the *expectation and promise* must be bridged lastingly. The expectation, the promise and the nature of payment, all must be collectively stated in a document by the parties.

Circumstances of a Contract: A contract can emerge between any two parties desiring to conduct a relationship. A contract can occur between: husband-wife, client-professional, client-contractor, buyer-supplier, teacher-student, and so on. When two such parties come together to bridge their relationship, a clear notion must emerge as to:

1. Why do they *want each other*?
2. Are they *qualified to play the part* they are in?
3. Have they been in any manner *disabled, to play the part* they intend to take it up?
4. Do they require any *external assistance to enact the part* they are to play?
5. Do they have the *resources* to carry on their duties?
6. Do they have the *competence* to enter / alter / terminate their understandings?

An understanding about these issues ultimately results into a Contract. A contract is a Covenant (Latin: *come together / an agreement held to be the basis of a relationship of commitment with God*), where parties have a distinct role to play.

Contract as an understanding between two persons: A contract is an understanding of exchanges between two persons with distinctly different but definite roles. One-party needs goods or service and, has means to pay for it. The Other party whereas, has the requisite means / qualities to provide the required things, and is willing to do so for the offered consideration.

A contract occurs between two individuals only. There is no space for anyone else to play a role. A contract, though can occur between two groups of people, provided interests of their respective groups are represented by an individual.

Understandings that do not involve an exchange, like sharing something without a consideration, are not contracts. (*For example business partners prepare a deed -a document stating the terms of understandings*).

Simple Definition of a Contract

A contract is an understanding: Written or not, Witnessed or plausibly, between Two parties where, parties have some degree of social faith.

At a very elementary level a contract could be a mutual faith intensely felt, but not necessarily expressed orally, or spelt-out in writing. Conventional contracts, even though not witnessed by a person, are evidenced by circumstantial events and happenings. However, most other contracts have to be credible and so legal.

Advantages of legal contracts: A legal contract makes it easier for the parties to register the document, enforce the terms and conditions as specified within the contract document, add, delete or modify the terms of contract, continue the contract beyond the lifespan or terms of the signatories, solve the disputes and discharge the contract.

'Contracts are promises that the law will enforce. The law provides remedies if a promise is breached or recognizes the performance of a promise as a duty.'

'Contracts arise when a duty does or may come into existence, because of a promise made by one of the parties. To be legally binding as a contract, a promise must be exchanged for adequate consideration. Adequate consideration is a benefit or detriment which a party receives which reasonably and fairly induces them to make the promise / contract. For example, promises that are purely gifts are not considered enforceable because the personal satisfaction the grantor of the promise may receive from the act of giving is normally not considered adequate consideration. Certain promises that are not considered contracts may, in limited circumstances, be enforced if one party has relied to his detriment on the assurances of the other party.'

Legal Definition of A Contract: The Indian Contract Act enacted by the Government of India regulates the contracts-agreements by Indian citizens. The act defines a force as:

An agreement ¹ enforceable as such, ² having been made by free consent of parties, ³ by persons competent to contract, ⁴ for lawful consideration, and lawful objects, and

⁵ *which, are not expressly declared to be void by any statutory.*

The definition is very precise.

- 1 *An agreement enforceable as such...* All agreements should normally be enforceable. One cannot contract to carry out an action that is not feasible under accepted circumstances, e.g., flying by shaking hands, going back in future, etc.
- 2 *An agreement... having been made by free consent of parties...* Parties entering into a contract must do it of their own free will. No one can directly indirectly force, or influence them to enter into a contract.
- 3 *An agreement by persons competent to contract...* A contract requires both parties to play their distinctive roles, and be competent to carry out their prescribed duties. It promises a consideration for goods to be delivered, or services to be rendered. The first party is capable of paying out a consideration and the second party is capable of delivering - rendering goods and services of the type promised. One cannot sign a contract with a layperson to deliver an aircraft. One cannot sign a contract with a social outcast like a convicted criminal, mad person, one who has been declared insolvent, or a foreign national of a country with which India has not signed a covenant or postponed it due to war. Persons under certain age are considered minor and so cannot be a party to a contract.
- 4 *An agreement for lawful consideration and lawful objects...* All agreements must indicate the amount and the rate at which the consideration will go out for goods or services. It must also indicate consideration or amounts to be retained, i.e., not allowed to go out, if goods and services are not delivered on schedule dates, in prescribed quantities and of intended quality. It can also mention other punitive measures for similar failures. The consideration offered must be lawful as per the laws of the country. Similarly all actions that result due to the contract must be lawful.
- 5 *..... which are not expressly declared to be void by any statutory.*

All goods and services, not only the end products but the entire process must be lawful. One cannot contract for someone's murder, or pay with illegal money or consideration. All contracts that are unlawful under any law

are likely to be held null and void and not binding. One cannot contract a person to pay 2 years rent in advance, because the law forbids it. Similarly one cannot contract a person to reach from Ahmedabad to Vadodara within 1/2 hour, because the road speed regulations do not permit such a fast travel. The golden rule is, What is bad for law, is even worse for the contract.

Registration of A Contract: A contract to be legal must be registered with appropriate authority. There are many different registration procedures for various types of contracts. Some require a date / time stamping, submission of an original or a copy, payment of a stamp duty (tax), write up (execution) on a special paper, or witnessing by a designated official.

Discharge of A Contract: Contracts are very formal and binding documents, which if once signed cannot be easily dissolved. Some contracts become void, after particular time set, others become useless once required actions are carried out, or considerations are given. Some contracts like marriage, and understandings like partnership; require execution of another contract or understanding to dissolve the original.

A contract may be discharged (done away, dissolved) in any of the following ways:

1. **PERFORMANCE:** Contracting parties fully discharge their obligations.
2. **AGREEMENT:** Contracting parties with mutual consent, and as per the terms laid down in a contract, agree to cancel, reduce, or alter, the effects of a contract. Such agreements take into consideration consequences of such actions.
3. **LAW:** On dispute, or bankruptcy (insolvency) of either of the parties.
4. **CIRCUMSTANCES:** Due to change in legislation (of higher order), and declared war like conditions.
5. **LAPSE OF TIME:** Most contracts have automatic time closure specifications.
6. **BREACH OF A CONTRACT:** Intentionally or unintentionally, either of the parties fails to fulfill the obligations as set in the contract, and take a recourse to law for enforcement of a contract or redress.

Organization of a Contract Document: A contract document generally consists of certain components placed in a hierarchy. The document consists of following parts:

1. **NAME AND IDENTITY OF PARTIES** signing the contract. Name, address, age, sex, nationality, residency, eligibility and capacity (individual, a power-of-attorney holder, authorized representative of a group, authorized signatory, government official), a licensee or a permit holder, group's identification (formation, constitution, registration, recognition, taxation status), medical certification (sound mind and body), solvency status.
2. **INTENTIONS OF THE FIRST PARTY** to cause the contract (generally the first party is the person who provides the consideration and the person who provide the service is called the second party - but not as a rule). Eligibility of the first party (rights to property, ownership, easement rights, tenancy rights, permits, licenses, quotas, grants, sanctions). Duties of first party (providing data, permissions, items, services, etc.)
3. **COMPETENCE AND READINESS OF SECOND PARTY** to serve the cause of the contract. Extent and nature of rights, duties etc. of the second party for the cause of the contracted job.
4. **JOINT DECLARATION** by both parties that according to their knowledge and understanding, the contract is enforceable and legal.
5. **RELATIONSHIP OF CONSIDERATION TO THE TASKS**, in parts, groups of parts, and as a whole (schedule of rates, time and quantum schedules, guarantees and liabilities, risk coverage).
6. **CONDITIONS, SITUATIONS, ACTS, AND OMISSIONS**, that can debilitate the contract, remedial measures to correct them, rights to raise and settle such issues, unilateral acts, effects of such an exercise and acceptability of the result.
8. **CORRECTIONS AND ATTESTATION modes**.
9. **TIME SCHEDULES:** Date of signing the contract (dates of various signatures), Date and conditions (if any) for the enactment of the contract, Date schedules for things to be provided by the first party and second party, Schedules of start, continuance and completion or termination of the contract.
10. List and details of **OTHER RELATED DOCUMENTS** that form part of the contract, and support or corroborate the contract. Details of any action to be caused, being caused, or already caused by the contract.

11. List, details and certified copies of OTHER CONTRACTS, MoUs, that form the basis of this contract, or must be implemented as a follow-up action.
12. Mode of REGISTRATION OF THE CONTRACT (where required by law and other bodies)
13. SIGNATORIES of the contract, parties, witnesses, government officials, dates, place, time, jurisdiction, etc.

Memorandum of Understandings (MoUs): MoU is less formal than a contract. MoU's are formal documents that bind the signatories. However, penalizing anyone for the inadequate performance would be very difficult.

MoUs override many of the restrictive aspects of a contract. Such as: Parties are not very clear about their roles, Two or more people are involved, Actions, compensations etc. are not perfectly lawful, Parties are of different nationality and face a dilemma which country's laws must be followed. MoU can also be executed when things and services are not clearly linked or are exchanged for a neat consideration (e.g. gift, favour, etc.). MoU can occur when the roles are not very clear as to who provides things and who pays out the consideration.

Many complex jobs / ventures fail to take off, unless some exercises are undertaken by the concerned parties to define their respective roles and involvement.

Situations where MoUs are preferred:

- 1 MANY CLIENTS come together to let a professional or agency to solve their problem. (Understanding between clients).
- 2 MANY PROFESSIONALS (contractors or suppliers) come together (form a consortium) to solve a client's problems. (Understanding between professionals, contractors and suppliers).
- 3 CLIENTS AND PROFESSIONALS together need services of an agency or a group of vendors, contractors to execute a system.
- 4 CONSORTIUMS, MULTINATIONAL COMPANIES handle Jobs / ventures that are conceived / contracted / executed / paid / delivered or become operational in different countries.
- 5 MULTI LATERAL AGENCIES like Governmental departments, semi government organizations, NGOs, come together to undertake works.

Umbrella MoUs: Often such exercises occur as part of job definition or planning processes. An umbrella MoU often creates a cohesive structure to tie-up several bilateral or one-to-one contracts, or MoUs.

Budding or initiating MoUs: Budding or initiating MoUs become a source document out of which, series of bilateral contracts are generated. MoUs becomes a point of origin or culmination for many other MoUs or contracts.

1.7

ARBITRATION

Resolving Disputes under Contractual Obligations: Disputes are part of any relationship. Minor disputes can be resolved by discussion. However, when the differences are very acute, a mediator may be invited. A mediator impartially guides the parties to achieve a solution on their own, but cannot impose a settlement. The result of the *mediation* should be an acceptable agreement for the parties.

Occasionally, disagreements over commercial transactions are complex, involving matters of technical nature. A court can only interpret a law in a given context. Court of law procedures can be extremely slow, complicated, and expensive, and when more so when conflicting technical issues are involved. Disputes that cannot be resolved through *Mediation* are offered for *Arbitration*.

A contract must mention and accept the mediation and arbitration as methods of resolving disputes before going into litigation. These clauses in the contracts allow establishment of a Domestic Tribunal by the parties under contractual obligation, to settle disputes and differences. The Arbitration Act, 1940, helps the parties to enforce that decision. Without such a clause, the parties will have to file a case and then the court itself may enforce arbitration procedures.

Definition of Arbitration: *'Arbitration is a reference of a dispute or differences between two or more parties, for determination, after hearing all sides in a judicial manner, by a person or persons other than a court of competent jurisdiction'*. The arbitrator may be appointed by the involved parties themselves, by the Government, or by any judicial head.

OR

The parties get together to appoint one or more persons to adjudicate upon the disputes and differences, which have arisen, or are likely to arise. The parties have already agreed to abide by the decision of the said one or more persons nominated for the settlement.

Advantages of Arbitration:

- 1 Persons, who are EXPERTS, are appointed as arbitrators, and their decisions are fair and refined and do not involve any element of guesswork. In case of a dispute concerning building construction jobs, the persons chosen as arbitrators are usually architects, or

engineers who possess expert knowledge of the subject and are fully qualified to act as arbitrators.

- 2 LEGAL FORMALITIES are cut short, and decision is reached in much shorter time compared with a court case.
- 3 SAVINGS in the cost, as there are no court fees, lawyers' fees, or long hearings.
- 4 Time, date and place of meetings can be arranged to suit the CONVENIENCE OF ALL concerned. The arbitrators are comparatively free, attending only one or few such disputes, so are able to handle the matter continuously.
- 5 PRIVACY OF VIEWS, OPINIONS, EXPRESSIONS etc., as hearing is not public.
- 6 The arbitrator may take HELP OF OTHER EXPERTS to understand the dispute.
- 7 Finality of the award.

Appointment of Arbitrators: Nominally a Single Person is appointed as an arbitrator unless the nature and complexity of the situation requires the appointment of more than one arbitrator. If there is more than one arbitrator, then they are known as Joint Arbitrators. In case of sole arbitrator, the appointment is by mutual agreement of parties. In case of two arbitrators, each party will appoint one arbitrator. Arbitrators are generally appointed by the disputing parties on their own or through the help of their professional organizations. A court of law also can appoint arbitrators to resolve disputes of technical nature.

Qualifications of the Arbitrator:

- 1 must be an expert in the particular branch of a profession to which the dispute relates.
- 2 must be honest, disinterested and independent of the parties, but be acceptable to the appointing parties.
- 3 must not be of a bias mind, having any ill feeling against any of the parties.
- 4 cannot be a witness and an arbitrator in the same dispute.

Powers and Duties of the Arbitrator:

- 1 Where there are more than two arbitrators, they have to APPOINT AN UMPIRE within one month from the date of entering upon the reference.

- 2 To make their AWARD WITHIN FOUR MONTHS from the date of entering upon the reference or within the extended time limit.
- 3 To examine the persons and witnesses UNDER AN OATH and hear the parties.
- 4 To seek the OPINION OF THE COURT ON LAW RELATED POINTS.
- 5 To ENLARGE THE TIME LIMIT FOR DECLARING THE AWARD on application from the parties or direct the parties to apply to the court for necessary enlargement of a time limit.
- 6 To decide the COST OF REFERENCE AND AWARD and in what proportion the same are to be borne by the parties concerned.
- 7 To correct the mistakes of a clerical nature in the award.
- 8 To decide upon the measurements and valuation of the work.
- 9 The powers of the arbitrators end, when the award has been filed and no clarifications are sought by the parties concerned, and parties accept the award and do not go in appeal, within the required time limit and after correcting any mistakes of typographical nature.

1.8

DATA FROM CLIENT

Prime Information or Mandatory Data: To initiate a project, a professional requires some Prime Information or Mandatory Data. It is a client's right and duty to provide data to the professional to be retained. Often a professional can get on with a project without such data. Yet a professional, to check out the capacity and the sincerity of a client, demands such information during the first meeting. Provision of data by a client, is a token of *job commitment and retention of the professional's services.*

Nature of Data from Different Categories of Clients:

- SMALL INDIVIDUAL CLIENTS, casually begin to discuss their needs and dreams (design input data). A professional must accept such submissions formally by acknowledging it in writing.
- ORGANIZED CLIENTS, with complex projects bring in a brief or project programme.
- NON SPECIFIC GROUPS AS CLIENTS, like a statutory body representing a mass of faceless clients, may have nothing more than the assignment title and appointment letter to offer at the start of a job. Virtually no data is offered.
- PROJECTS POSTULATED BY OTHER PROFESSIONALS, come with extremely detailed brief.

Potentials for a Project: Clients have one or many of the following potentials for a project: This also reflects in the nature of data available with the client.

- Needs,
- Finance - investable resources,
- Space - land or building,
- Experience - expertise
- Intense desire, aspiration, vision.

Data Categories: Data from clients can also be categorised into following groups

- 1 SITE Site: Characteristic, Size, Area, Location, Orientation, Mode of access, Services available, Contour-topography, Climatic conditions, On-site facilities,

 Things to be removed, retained or modified.

- 2 PROGRAMME Functional needs, Choices, Preferences. Economic, social, ecological and other parameters. Controls, rules and regulations, Myths and mysteries, Current and future needs, Technological input.
- 3 PROJECT Ownership status of the site, Investors to the project, Real users of the project, Operators of the project, Transfer of ownership / rights on completion of the project.
- Who will select, appoint and pay the professional/s and other agencies? Who will provide the mandatory data? Can anyone guarantee the validity of data? Who will receive the output when the proposal is put into action? Who will supervise the project? Who will certify the project during execution and on completion? Where several executioners are involved, who will generate the comprehensive guarantee?
- 4 OTHER Expertise available with the client as experience, training, skills, know-how, collaborations, franchise arrangements, staff resources, organizational structure, support services.

Data from a Client: A professional must let a capable client furnish the basic data to start the project. This instills a sense of responsibility and participation in the client. Sometimes it is the client alone, who must provide the necessary input, and must be made aware of the situation. Whenever a client provides a crucial data like sizes, technical requirements, permissions, etc. the transfer of information should be well recorded.

A client is often reluctant or technically incapable of furnishing the data. The professional must get such a client's formal consent, and then proceed to collect the data as a chargeable service. However, a professional cannot object to a client's right to obtain the data from some other source, or a professional.

Data by a professional: Data collected by a professional as a chargeable service cannot be used *for any other client or purpose*. Data collected and paid by a client on a professional's prompting, may not be made available completely to the professional.

Services of other persons or agencies for data collection: A professional however competent will require the services of other persons or agencies, to conduct a project. Where main professional appoints and pays for such sub-professionals, he receives the output, but also acquires along with it, the inherent Risks and Liabilities.

Very often the main professional has no role, or only an advisory role in appointments of other sub or co-professionals. If the client has retained a Master Project Consultant or an agency to appoint a Design professional, it is very likely that other sub or co-professionals to support the designer, are also appointed by them. Here all the appointed, main, sub, or the co-professionals, submit their individual output to the master consultant. The master consultant has a right to make available, to the concerned professional only the relevant parts of such information.

Contributions from other Professionals: Independent professionals whether appointed by the Designer or by the client are preferred as they provide greater clarity and a counter check. The risks and liabilities of the design professional are diluted. Professionals working under a Master or Assigning Professional have no problem regarding data collection, accuracy, liabilities or transfer, since everything is well organized.

GOVERNMENT AND LARGE CORPORATE ORGANIZATIONS have the necessary expertise to divide the routine jobs into tasks that can be assigned to different professionals or agencies. Such organizations themselves coordinate the out put from different professionals or agencies. Here the role of a professional though limited is very clearly delineated and so are the risks and liabilities. SMALL OR IMPROPERLY ORGANIZED CLIENTS require professionals who can handle the job till it is operational. Such clients generally leave every thing in the hands of a single master professional.

1.9

PROJECT REPORTS

Evolution of a Project: Projects evolve out of circumstances such as: Capital to invest, Land or property requiring a higher return, Entrepreneurship, etc. A person ('client') often comprehends the potential, when familiar with the project. Yet the same client finds it extremely difficult to formulate and manage a project (planning + execution + operation aspects of it). Services of experts are required to structure a project.

New projects more often than not evolve from the financial concern that assets like land, building, money, skill, experience, knowhow etc. must provide a return. But such assets cannot earn a return unless other additional resources (investments) are added. A Financial Expert can value such assets in monetary terms and perhaps identify other required resources, through Investment vs Return studies, for a venture. However, projects involving Building of Physical Assets cannot be detailed by a financial expert. Such projects require Multi Disciplinary Engineering Contribution of a Technocrat.

Project Consultants: A lay person unless is a finance expert or a technocrat, cannot initiate the Project Definition Exercise. Project consultants are Multi Disciplinary Experts, and have the capacity to check the feasibility and viability of a project from many different parameters.

Project consultants define agencies that, design, supply, fabricate and operate various systems of the project. They specify the nature of various professional services required, Modalities for Selecting Appropriate Experts, and create outline for individual assignments. Project consultants, if authorised by their clients may even supervise and coordinate the agencies through the planning, design, construction, and operations phases.

Many clients do have good comprehension of Routine Projects, and may directly assign specific sub tasks to specific professionals (like: architect, structural engineer, site supervisor, interior designer, landscape designer, etc.). A professional must have the Multi Disciplinary Expertise to judge the scale, scope and technicalities of a project. Such proficiency equips the professional to deal with larger and complex situations in future.

Project Definition Exercise: This starts with the formation of *-Project Facts File*. A project facts file is developed further as *-Project Report* or *Project Profile Report*. The whole exercise continues during the tenure of the project as one or several *Project's interim previews*. The project definition exercise reaches a conclusion as an evaluation of the completed project or a *historic report*. The project definition functions are carried out at

different stages, by different people from within the organization to provide a new insight. Outside experts are hired to provide unbiased perceptiveness.

Projects' Facts File: A project consultant (financial, technocrat, or designer) compiles a file, stating all the facts of the project. The project's facts file, to be intelligible to a wider section of users, like: non experts, clients etc., has intentionally a very simple format. It is concise, though may contain few graphical views or charts. A Multimedia Presentation of it is also made to achieve different purposes like: to put forth the nature of the project, entice a client, demonstrate design professionals' competence to handle such jobs, convince the sanctioning authorities, procure resources, etc.

It consists of many of the following aspects:

1. Clients' perception of the project, if any
2. Project consultant's approach (concept, theme)
3. Clients' assets
4. Scale of the project, study of comparative examples
5. Economics and financial working (investment vs return), (ownership, management controls)
6. Value addition to the assets
7. Functional viability (users, demands, market)
8. Futuristic projections
9. Legal aspects, Permissions, approvals
10. Level of technology, complexity, availability
11. Execution, modus-operandi, time schedule
12. Hazards and risks, Ecological concerns, other social affectations
13. Users profile, feed back
14. Operations management, maintenance routines, costs
15. Areas of further investigations, data procurement, search costs.

All design parameters, concepts, etc. sprout from these facts' file. Once a project is approved, the original creator of the facts' file may not have any role, and someone else is asked to create a detailed *Project Report* or *Project Profile Report*.

Project Report or Project Profile Report: A project report profiles the project to a greater detail and is closer to reality. It often consists of many

sections prepared by different agencies. Project consultants, detail a project more intensively, in areas familiar to their domain. Project consultants highlight certain aspects of the project to serve specific purposes.

Uses of Project Report: A project report is used by both, the professional and the client, to focus their goals. It becomes a *holy document* against which the creation is re validated, from time to time, during planning, execution and operation. It provides a *Quality Control Bench Mark*, against which everyone: Client, Designers or Planners, Contractors, Vendors, Overseeing agencies (government, social), Operators (managers), and Users, evaluate the performance.

A project profile once prepared, becomes a very significant document. Its *Unauthorized Exposure* destroys its patent-ness, and Premature Release to anyone (including an uncommitted client) creates a liability. Information contained in a project report is often exploratory, but is interpreted to be a promise or guarantee.

Some project reports are intentionally publicized for reasons like:

To originate a debate, generate resources, test public acceptance, educate people, put forth or publicize design professionals' competence, to copyright a patent idea or concept, to provide an alternative, to record facts, to notify findings, to inspire or instigate others, etc.

Structure of a project report: It varies according to *Who* creates it and for *what purpose*. Just the same, Project Reports have following sections, but not necessarily in this order.

1. Conditions of origin of a problem,
2. Definition of the problem,
3. Probable courses for settlement of the problem,
4. Characteristic conditions for which the solution is sought,
5. Environmental conditions within which the project can operate,
6. Skills required to detail, execute and operate the project,
7. Input-Output requirements for project execution and operations,
8. Cost-benefit ratio,
9. Risks and management of it,
10. Other implications,
11. Time schedules,
12. Human and material resources required.

Historic Reports: A historic report of a completed job is an evaluation report. It examines the project in terms of *intentions vs results*. It shows corrective measures for mistakes and shortcomings, and helps strategies for future projects.

Historic reports are based on Project Report. Project reports are suitably updated, and enlarged to cover the history of execution, changes, shortcomings of achievements, unusual gains, future guidelines for conceiving similar projects, etc.

Historic reports are created with many different intentions, by project experts by themselves, or through unrelated (third party) agencies (appointed by the project professionals or by the clients). The unrelated agency rechecks the validity of the project, defines a new (commercial) value for the creation, provides future strategies for development, defines the maintenance, operations and management systems.

For project consultants a historic report prepared on completion of a job, becomes a great source of factual information. Project operations and maintenance agencies like risk management, insurance, fire, safety, security etc. rely on historic reports to implement their systems.

1.10

STYLES OF PRACTICE

Professional Practice: Professional Practice is a highly individualistic vocation. The skill and the associated behaviour are personal. It is more so with Design Practice where skills are more of the intellectual nature, than crafty. A designer working alone is an ideal proposition, but a Single Practising Professional gets no relief in crisis (sickness, accident) or any free time for vacation. It becomes virtually a full time, Unending occupation.

Prime blues of *Single Person Practice* become less severe in a *Practice with Partners*, or as a *Member of a Team*. Professionals practising together must have individualistic and yet compatible competence. Professionals with identical competence in a group face the problems of 'cross-interest'.

There are many types of compatible professional design practices. An Architect makes a very beneficial match to a Structural engineer, Interior designer or to a Landscape architect. Interior designer pairs well with a Furniture designer, Graphics designer and a Product designer. Similarly two designers of the same branch but with different inclinations, also make a good combination.

Professionalism and Creativity: A Design Professional, in spite of being associated with others, functions as an individual. Good Professionalism ensues from individualistic nature of the person. To ensure this in a design team, members must devote substantial part of their time, individually, as well as collectively, to actual design work. By delegating tasks to subordinates one may increase productivity, but always at the cost of individualistic professionalism and creativity. Creative design organizations as a result must remain within the *optimal size in terms of staffing*. Design related dedication suffers while handling administrative chores of a large number of staff members.

Types of Business Organizations:

Proprietorship: A designer who works alone (with or without employees) is an individual entrepreneur. The designer is the *Proprietor* (single-owner) of the firm. This type of organization has certain advantages. The firm is usually small in scale and overheads are very low. The proprietor has much flexibility of operations, including firm formation and dissolution. Clients get a highly satisfying personalized service. A Proprietor gains directly in proportion to the efforts put in. However, when the proprietor is indisposed or dies, business abruptly ends. A proprietor has to train someone or appoint a nominee, for continuing the business in such a eventuality. A proprietor's resources are always limited. A proprietor as a person can handle maximum six to eight designer subordinates. Even if Job Captains or Associates are appointed, a restriction to the size of the firm continues.

Proprietorship firms are not very capable of carrying out complex jobs, handling time-intensive (fast) jobs, or multi location sites.

Partnerships: When people pool their resources to strengthen a field of competence, an organization with partnership occurs. Partnerships help handling of diverse, larger, complex, and multi location projects.

Partnership type of organization comes into being, with two or more partners. Partnership of more than 11 participants, are legally called Cooperatives and have a different form. Partnership type of business organization can be casually launched through, an understanding, where all participants are (presumed to be) equal-agents. However, for legal reasons (income tax and sales tax registration, opening a bank account, etc.) a *formal Partnership Deed* must be executed and registered with appropriate authorities.

Partnerships are not always equal or simple. Partnerships have many constituent factors like, resource (assets, goodwill, prestige) input, capital investment, liabilities, goodwill, gain (profit) share, physical labour and expertise input, etc. with different and difficult to determine values. A formal partnership deed is necessary to clearly state all the factors. Yet all conditions of partnership cannot be fully described in a deed. Some contentious issues always arise later. Formally constituted partnerships can be altered or dissolved only through another Deed, which may or may not recognise the earlier deed, but replace it.

A casual partnership can be put-off when desired. A formally constituted partnership business cannot be called off in a moment, as certain gains / advantages and liabilities take years to be resolved. So, as an easy way out, one of the partners may take over the residual liabilities or the entire organization is sold to other firm, or a person (proprietorship firm).

A partner cannot transfer the personal stake to anyone, at will, in spite of the consent of all other members. When a partner is included or excluded due to death or for any other reason, the partnership automatically comes to an end and must be reestablished.

Partners bear full and unlimited liability, and all have to share the consequences of an action by a partner.

Partnership firms often give birth to a Small or Limited partnership firms. Here the mother-partnership firm as a single entity reaches an understanding with one or more persons (associates) individually, or with another partnership organization, to carry out specific tasks. When the task or the specific time schedule is over, the relationship ends. Birth and

dissolution of such relationships is comparatively easy, because the mother firm usually takes on all the liabilities.

Partners always face a problem, how to share the liabilities. Partners with monetary resource are interested in only a safe income for their investment, and do not wish to take other responsibilities. Often businesses are of very risky nature, and people who join wish to limit their involvement precisely. Joint Stock Company is an organization form where these problems are solved.

Joint stock company: Joint stock company allows people to participate in a business activity without undue liabilities. Participation is through a definite share in the company. In a Private-Limited company setup, a limited number of people are allowed to participate, whereas a Public Limited setup offers shares to the public. In both the cases, control of management remains with the largest shareholder. The largest shareholder may operate the company, or hire a competent person to run it. As a result the conveners of the company primarily allot sufficient shares to themselves, or known people, so as to retain the control. Conveners are persons with resources and / or expertise. A largest share owner or any person/s appointed to operate the company draws a salary for the work. Share holders receive a share of the company's income as dividend in proportion to their investment.

Joint Stock Company set up is suited for medium, to large size design organization. The administrative setup required requires an optimal turnover and staffing, usually unavailable with small companies.

Cooperatives: A cooperative comes into being under a state law for Cooperative Societies. As per the law, it is an amalgamation of more than 11 participants, who contribute the capital, and all have equal voting rights. Profit of the cooperative society can be distributed to members in a limited amount, and the rest is ploughed back in asset creation. A managing committee of the share holders (members of the cooperative) conducts the business by hiring required talent. A cooperative set-up is too impersonal for a field like design.

Consortiums: This a manner of business association, amongst business organizations of very diverse nature such as across national borders. Different participant organizations created to according to their own national laws, come together to state their stakes and contributions. A Consortium is usually a one project venture, but may be continued by repeating the arrangements.

A Multinational Company is a single organization (as a share holding entity) in the country of its origin, but with subsidiary functional companies in different nations, registered locally.

Business Set-up:

Pure Design Practices: Pure Design Practices require a small setup with a very low Capital Outlay (investment). One can operate without an office, often with a mobile phone and off a briefcase or a laptop.

Design + Supply Practices: Design + Supply Practices require a management set-up for arranging purchase, deliveries to the site, on-site installation, billing, and supervision. The capital outlay increases not only with higher human resource needs, but interim investments required for arranging the purchases. Sales Tax liabilities affect the supply part of the business.

Design + Build + Supply Practices: Design + Build + Supply Practices require production facilities. On-site Production Facilities save rents, but are temporary, small in scale, and cannot have heavy machinery. However, where sites are small, or available for very short duration, production must take place in a workshop. A workshop requires high investment, space, manpower and carries large overhead expenses. Finished components require transportation and further installation on the site. Design Organizations with temporary on-site or permanent workshop-based production facilities, both have to deal with Factory Regulations like Central Excise, Minimum wages act, ESIS, Provident fund, Gratuity, Labour union, Factory act, etc.

Studio, Production and other facilities with design practice: A Design Organization can have different levels of workshop facilities. A Design-Only Practice can have a small model making unit attached to the studios. Design + Supply Organizations have a resource store house, where frequently used tools and small equipments are serviced and stored, when not in use. Regularly required parts, components, adhesives, supports, scaffolding, ladders are also stocked here. Design Studios often produce prototypes, full size pilots, replicas, etc. for items that are likely to be provided by third party vendors. Design + Build Practices require on-site workshops, as well as permanent full production shops.

Other ways of Practising in Design Fields: A Professional Designer can operate alone without being bothered with the nitty-gritty of an organization. One can work as a *Free Lancer*, or get *attached as an Associate Designer* to a Design Firm. One can find employment as In-house Designer with an industrial unit producing Furnishings or Interior Components. Jobs are also available as Estate-in-Charge, or Furnishings Housekeeper in large companies, guest houses, resorts, large hospitals, cruise ship, or star hotels.

1.11

FEES AND BILLING

Rare skills provide a high return. A professional also earns more by exhibiting exemplary behaviour or Superior Professionalism. An Experienced Professional earns more than an Amateur. However, a Young Professional with fresh or new talent may demand more fees.

Fees' Determination: Fees' determination is a very difficult aspect of professional practice. To determine a *Right Fee*, a professional is expected to know the following:

- 1 What is the Value of Professional Services to the client, and in the society?
- 2 What is the Cost of providing a Professional Service (cost of input)?
- 3 Will there be a surplus (profit) after deducting (b) from the (a)?

Senior Professionals have experience and so are able to *prejudge the value of their services*. Fresh Professionals, and even seniors venturing into unknown fields cannot do so. They would rather compute the Cost of Input first, and then add a fixed or a percentage amount, as Profit.

Professional Fees are very subjective, and vary from a professional to professional, from one project to project, and also from one client to another. There are no standards. Professionals take on assignments for fees, determined by themselves, and sometimes after further negotiating with the clients. Besides fees a professional also collects: Applicable taxes and Expenses, incurred on all supplies and other services.

Professional Assignments and the Nature of Fees:

- In *Physical Assignments* the project implementation involves a lot of expenses, and the cost of the professional input match the scale of the project.
- In *Intellectual Projects*, the cost of providing and executing an unusual concept could be very small, but its affectations are great. A client may gain extraordinary advantage from such a professional contribution. So fees, for intellectual projects, are based on the value (to the client, society, etc.) of the professional input. Such fees do not match the scale or cost of the project.

A Professional's Involvement in a Project: Fees are charged as per the professional's involvement in a project, which depends on many factors: Personal attitude (sincere, commercial), Type of client (easy going, nagging, demanding), Nature of the assignment (routine, unusual, challenging), State

of competition from others, Client's readiness to bear the additional costs (of intense involvement, extra ordinary contribution), etc.

Cost of a job: Cost of a job nominally includes cost of all items that physically constitute a job. These items may be existing and are reformed, reused, or acquired afresh. Cost of Supplies by third party vendors and contractors are accountable, but items supplied by the Clients from the existing stock are difficult to document. Cost of Retained Structures, Antiques, Curios, used in a project are often indeterminable, instead their values, if available can be used. On sites where several Professionals operate simultaneously, exclusive authorship to a creation is disputable.

Cost of professional inputs: These consist of Expenses incurred to conceive, design and plan out a project. It includes cost of data collection, stationary, documentation, presentation, printing, conveyance, staff salaries, cost of management, cost of investments, cost of rents for plants, tools and equipments, etc. It also includes the cost of supervision, physical verification of the job for sanctioning its use, payment etc. Cost of providing guarantees and warranties, other quality controls, test operating a system, etc. may become part of the cost of professional input. It may include the value of patent ideas, royalties, and taxes.

Scale of a project varies during various stages of the project, such as planning, designing, detailing and the execution. Even at fixed spread (floor area) or volume, the costs inflate or deflate according to the economic conditions.

Cost of involvement in the project is as per the agreement on the variety of design services offered and agreed upon, and the scale of the project. Any downward sizing of the project does not automatically reduce the involvement of the professional. Upward scaling of a project, though increases the professional's work.

Nett Income from a project is derived by deducting the *cost of professional inputs* from the *total fees of a job* (gross income).

Income Factor (ratio) must remain consistent for all jobs. It can be calculated by dividing the *total fees of a job* (gross income) by the *cost of professional inputs*.

Right Fee: Each project is set in a different context. Not only Clients, Location, Work conditions are dissimilar, but a professional's needs and compulsions are different. A New Project is handled with wider experience and maturity than the past one, so charged with a higher fee. A young professional, on the other hand brings in freshness of new / modern ideas, and for that reason demands a higher price.

Answers sought by a professional for a Right Fee:

Is one aiming at a reasonable profit?

Is one striving for a high return to manage a high risk situation?

Is one striving for a high return for the rare contribution?

Is one trying to break-even, -operate no profit situation?

Is one seeking to avoid liabilities?

Is one looking for hypothetical - future benefit?

Is one, bartering an advantage?

To Take or not to Take a Project: Professional always face this dilemma. The reasons could be many: Unknown Project, Too Familiar (repeat) a Project, Too Busy Schedule, Unsuitable Location, Lack of Resources (staff, equipment, finance), Too small or too large a Project, non profitable proposition, a doubtful client, etc. A professional first raises following questions:

- a. If the project is taken, then. What would be the gains / loses?
- b. If the project is not taken, then. What would be the gains / loses?

The second question may seem absurd, how can one make a profit or loss, by not doing a job? For a busy professional an Odd Project will require reorientation of the firm's working, additional investments in plant, equipment, retraining or hiring of extra employees, slowing down some current assignments, etc. In such a situation, not taking on an additional project is advisable, unless gains are unusual in quality and quantity. On the other hand a Normal Project with reasonable and assured gains can be carried through the firm, if it fits within the working style, specialization, employees' capacity etc.

Preparations for Fees Calculations:

- 01 Define the *scale of the project* (at certain / optimum level) and the various *professional services* (project report, surveys, concept formulation, schematic presentation, working drawings, model making, other presentations, site visits, site supervision and reporting, bill checking and payment sanctions, certification etc.) required.
- 2 Specify the *nature of involvement*, (calling for rates, contract negotiations, selection of venders, approvals from authorities, appointing other experts)
- 3 Define an *optimal amount of fees* (a minimum take-home amount, or a break-even sum (no profit-no loss), in consideration of item 1 & 2.

- 4 For each of the sub components, define a matching amount, Clearly understand how *inclusion / exclusion of a sub component* will affect the optimal amount of fees.
- 5 Define various sections and schedules of the job, and set matching *sub-components of fees*.
- 6 Determine the *chargeable costs* for all *other services*, (fees payable to other professionals, cost of purchase for a client, cost of additional printing, copying or delivery, insurance, site visits, conveyance charges, etc.)
- 7 State all *taxes - levies* that will be charged additionally on various components of fees.

The section 6, as above, should not, as far as possible, become a part of a professional's fees. In case of a dispute or delay in payments, as it increases the professional's liability (as taxes are paid in advance or as soon as an invoice is prepared -whereas payment may not arrive or arrive on time). Inclusion of these items (section 6) adds to the turnover of the firm and increases the incidence of tax for the make concessions to.

Fees' Negotiations with A Client: Negotiating a fee is not always an inevitable issue, as many clients accept the professional's without an argument. But Fees Negotiation could become a long drawn, tiring and worrisome process. A client may not be asking for a discount, but just trying to understand the fees completely.

A lucky professional may get separate chances, each to explain the merits of work, and to justify the effective value of the fees. However, an inevitable mix of the two issues must be avoided by not letting these occur concurrently. It becomes extremely difficult to handle the two issues in presence of other competing professionals. A busy professional, not acutely in need of a project would forgo the project, rather than attend such a meeting.

A professional must discuss fees as early as possible. Discussions, even if agreeable must be backed by a detailed communication in writing. In the same letter, the professional should make a client understand, that of the total professional fees, what makes the fees' component and what forms the charges for services, (recoveries of expenses incurred for the client). Consequences of delayed, part or non payment of fees must be clearly defined.

All aspects of fees should be explained to the client, collectively in one meeting, and through a single written document.

With organised clients, a professional may not get a personal meeting to explain or redefine the level of involvement and obligations. Even if such a

chance is available to restate the case, it is professionally inappropriate to agree to reconsider the fees (for reduction in fees). Yet, a professional can (if one has structured the professional services and their costs) offer to take on additional responsibilities and services at no extra cost (while making the client aware of their costs), to make the offer attractive and viable.

Professionally it is not courteous to reject a client, or refuse a job, however, detestable or unwanted a person may be. A professional's only option out of this situation is to demand an abnormal fee and set extraordinary conditions.

Collection of Fees: A professional strives to collect some (however small) payment from a client. This sum even if a *Token Payment*, marks the beginning of a relationship. Professionals collect the *Retainer Fee* in the first meeting, or on Confirmation of the Assignment. This may even precede any presentation of detailed terms and conditions for fees. (A 'Retainer Fee' is different from the 'Retention Amount': for explanation of the later term, refer to the chapter 1.13 Job Awards).

A professional must try and collect a large part of the Agreed Fees at the first available opportunity. The First Fee covers the value for the Patent Idea, or Extraordinary Concept, (a non physical entity) being delivered to the Client. These entities lose their effectiveness once made public, so their worth must be realized as early as possible.

Fees for Small Jobs, and of comparatively Smaller Amounts are collected in one lot, whereas large amounts are collected in multiple Time and Physical Stages related lots. A substantial amount of fees for each of the component of the job, must be collected, before, at the start, or, at least in the early time section of that work.

Professionals wish to Time-Schedule their fees' components, whereas, Clients desire fees linked to a specific Physical Change or Achievement of the job. As a result, negotiated fees are generally specified by both time schedules and stages of achievements on the site.

Other Issues of Fees Collection: A professional ethically, may not Discount the Fees for a promise to get further work or favour. Similarly a recognized professional (members of government recognized professional bodies like, Architects' council, Medical Council, Chartered Accountants') must not participate in any tender like procedures, or pay any amount as a Guarantee Money for their services. Demand by some government departments and organizations for payment of a Security or Earnest Money Deposit and Retention Amount is inappropriate.

Freebies, Samples: A professional must not provide free samples, trial products, sketch designs or concept write-ups before a Retainer Fee has been paid and a formal job commitment has been received. Even where a professional is voluntarily proposing a job, the project report or sketch proposals may not be handed over to anyone without a Receipt or Acknowledgment.

Fees for Failed Projects: Determination, assessment, billing and collection of fees, under normal circumstances does not pose any major problem. Yet when for circumstantial, malicious, or for any other reasons, jobs are prematurely terminated, variety of problems arise. Even well detailed and lucid contracts, cannot foresee or solve all the problems.

Fees and Tax Liabilities: Professionals get paid for their professional work, and also compensated for the goods and other services that may be offered as inseparable part of their professional efforts. If such services or goods are considered as items of sale or commodity barter, under the relevant sales tax laws, the professional is liable to collect from client and pay to the Government a Sales Tax. As for example, some times, extra copies of documents provided at a no-profit charge, is considered as taxable service.

Fees' Formulae: In design practice many types of fees' formulae are used, depending on the type of project, client and needs of the professional. Fees' are of two basic types: Lump Sum Fees and Percentage Fees (based on the cost of a job), with many variants through combinations, and additional riders.

Lump Sum Fees: Lump Sum fees are easy to formulate, and simple to deal with. In this system of fees, a Professional knows the exact *expected return*, and the Client clearly realizes the *outgoing sum*.

The primary problem for a Professional at the start of a job, is How to decide an amount for the Lump Sum Fee, when due to complexity of the job, the likely extent of involvement is not known. On the other hand a Client, at least initially, may not appreciate the value of a professional's contribution.

Secondary problems arise due to the ever-changing nature of a job. A job may increase or decrease in extent and value, creating hassles, whether Lump Sum Amounts are accordingly adjustable. For a professional, overhead costs increase, in jobs that last longer. For a Client slower implementation of a job mean, not only delayed returns, but cost overruns due to monetary inflation. Lump Sum Fees have to accommodate such issues.

Percentage fees: Percentage fees are very flexible and accommodating because these depend on a variable, the Cost of Job. Any change in jobs extent, cost, and inflation, ultimately translate in the overall cost, and so fees for it.

A major problem with Percentage Fees system is how to decide a True and Fair Cost of work. Where executions involve third party vendors or contractors, a Client usually allows the professional to check the bills of work done. A Professional calculates the fees as a percentage of the billed amounts. However, at least in Interior Design field, Clients often purchase or supply some of the materials, request the reuse of existing components, or execute some parts of the job; Determination of Cost and Fees, of such actions becomes very difficult.

Comparative Evaluation of Different Fees Systems: A lump sum fee system presumes a fixed cost for the job, which in reality is very changeable. Projects are shrunk or enlarged in size, hastened, or slowed down, affecting not only the professionals' schedules but also impacting the costs. Liabilities of a professional change due to external factors. Economic conditions affect the total cost of the job. A lump sum once agreed, cannot cope up with such changes.

A percentage fee system accommodates the variations in cost of a job, but when projects are substantially down sized, a professional may not get a break-even amount of fees. For a client, inadequate professional contribution may substantially over run costs of a project and also the incidence of fees.

Mixed fees-systems: Mixed fees-systems overcome the short comings of both the fees' systems. Clients prefer lump-sum fees, but demand a lot of explanation on terms and conditions. Professionals prefer Percentage Fees for projects, where the scale, nature are, not yet determined. Intellectual Projects based on the value, can be charged better through on Lump Sum Fees system. A mixed fee's system has a percentage fee system, where a professional would want a guaranteed minimum amount, and a client would need an assurance of a higher limit (maximum) on the payable amount of fees.

A mixed fee system is devised by including Riders to overcome situational problems.

- In addition to the percentage fees, specify Optimum Fees (minimum) amount.

- For the percentage fees system, specify a cost factor (based on units / numbers, length, area, or volume) to arrive at an optimum cost of the job.
- Specify, both a minimum (for satisfying a professional's needs) and maximum fees amount (for assuring a client) along with a percentage fee.

Service-Fees or Process-Fees: For very complex jobs a professional often functions as a co-ordinating agent for various sub professionals, experts, contractors, vendors, etc. Here the professional charges a Service or Process-fee, based on the payments being made to all sub agencies. In building construction often a structural engineer is paid by the contractor of the site, instead of by the architect or the client.

Value-Based Fees: Jobs like renovation, extension, addition, conservation, etc. make a substantial change to the existing environment, upgrading the commercial value, or advantage deriving out of it. *A unique concept that costs very little to implement, provides a substantial benefit to the client.* Should one charge a fee on the Cost of Job (the actual expenditure made on implementation - execution), or on the Value of the completed Job (benefits derived out of it)? Here determining an appropriate Cost Base for fees is very difficult, so Lump sum fees system is used.

Cost Plus Fees: Fees for very complex jobs or jobs that are unique, and without any precedents are very difficult to predefine. A Client wishes to see the job properly done, and the Professional wants a guaranteed, but a fair amount of income. Such jobs are executed on Cost Plus Basis.

The office work of the professional and the site work of the project, both are executed in a very transparent setup. All the expenses at the Professional's Office (salaries, stationary, conveyance, rents, service charges for equipments, etc.) and at the Project Site (on raw materials (stationary), wages, and salaries, rents for equipments, conveyance, postal and telecommunication charges, taxes, etc.) are well monitored and audited. The Professional is then allowed a percentage over the Audited Costs.

Fees as Part of Supplies: Where professionals (design + execute practices) arrange to purchase, erect, execute and supply the items, no separate fees are charged. The professional fees are part of the Cost of Supply, as included in the margin for profit. However, for Facilitating Purchases, a Commission or Facilitation Fee is charged in addition to the Professional Fees.

Invoicing (Billing): A professional presents an Invoice exclusively for the Professional Fees. Ideally a Professional must not provide any other service to the Client, and if has to provide it, must invoice it separately. Similarly a Professional must avoid re-invoicing for services provided by others.

The Professional Fee's description must avoid mention of certain Terms, which may be construed by tax authorities to be a Sale or 'Non-Professional-Commercial' transaction. Such terms include: rents, supply charges, maintenance charges for plants and equipments, cost of goods, plants, equipments, etc.

Professionals must in all circumstances avoid re-invoicing for supplies delivered to the client.

1.12 DOCUMENTS IN DESIGN OFFICES

Standard and Specific Business Documents: In any Business Organization two types of documents are created. One set is common to all commercial ventures, and consists of Standard Business Documents. Other set is of Specific Business Documents, exclusive to the nature of business. A Commercial Assistant is able to manage the Standard Business Documents, but management of the Specific Business Documents requires active involvement of the Owner (e.g. Design professional in a Design Organization).

Business Organizations involved in trading, manufacturing, services sectors have their peculiar categories of documents, such as, purchase of raw materials, machinery and equipments, maintenance, marketing, guarantees mechanisms, risk's management, etc.

Professional Practice Organizations: Professional practice organizations operate in one or many of these spheres of activities:

- Put-out their Intellectual effort in surrogate forms like reports, drawings, specifications, models, and other presentations.
- Practice their Crafts / Skills in real situations or with objects like surgical operations, medical and other treatments, painting, sketching etc.
- Execute their Assignments, jobs, projects into functional structures, full scale models, pilots, prototypes, operational schemes, etc.

For each of these domains, the natures of Specific Business Documents are different.

- In the First category, the means of implementing the decision, action strategies, etc., are specified. It also includes strategies of supervision, evaluation of the execution and operative performance of the systems.
- In the Second category records of the pre and post interventions are created. Residual actions are also listed.
- The third category usually follows the First one, and additional documents relate to action strategies, parameters of performance, testing and evaluation standards.

Standard Business Documents: These are of following categories:

Public Relations: Biodata sheets of persons known to the firm, Letters to potential clients, Details of competitors, Cuttings of advertisements and other writings from magazines etc. (relevant to the business on hand), Telephone numbers and addresses of past and potential clients, Invitations, Greetings etc. sent and received, Inward and outward registers for records and communications.

Personnel or Staffing: Appointments, promotions, demotions, terminals, resignations, notices, Rules and regulations for shops and establishment act, minimum wages act, provident and gratuity acts, Standard forms, registers, attendance cards, inspection books, Personal data sheets of staff members.

Legal Relevance: Formation of company, partnership deed, income tax recognition number, sales tax number, Rent receipts, premises purchase documents, lease, ownership, municipal taxes, cess, warranties and guarantees of goods, gadgets purchased, Original invoices of items whose depreciation and resale value are likely to accrue tax gain or a liability, or are required to cover risks (insurance), Vehicle registration documents, Telephone, telex, gas etc. connection documents, Service Contracts for maintenance of office equipments, plants, etc.

Accounts: Years wise account books, last income tax assessment, and past 10 years from thereon, Vouchers for expenses, Receipts for payments made, Bank account documents like passbooks, slip books, records of cheques issued, Investments, Bank deposit receipts, other security deposit receipts, Audit & Income tax assessment sheets, returns, vouchers (challans), refund orders, Professional tax, Invoices of purchase, Invoices for services rendered.

Product Data: Correspondence, Catalogues, Magazine cuttings, Samples, Addresses and contact's numbers of suppliers, Quotations, Price schedules.

Library: Books and magazines, catalogues, lists, reviews, Magazine subscription details, Register for books and magazines.

Office Input-Supplies: Suppliers contact details, Catalogues, Price-lists, Stock and issue register.

Dealings with/ for Clients: Correspondence, Records and minutes of meetings with client, Records and minutes of meetings for clients, Records of documents delivered to or for a client, Record of changes made in documents for a client, Records of on-site, oral and other types of instructions, Communication to/from consultants appointed by office or client, Copies of Certificates, statements, notices etc., Copies of Bills approved for payment, Reports received from sites.

Specific Documents: Here Specific Documents essentially relating to the **Interior Design Practice** are listed:

Preliminary Drawings and Sketches: All drawings once exposed to a client or other consultants in original form or a copy, with date, time and context of exposure. All alternatives, variations conceived, proposed in their original form with date and time.

Layout and Detail Drawings: Original drawings, Version copies, Documents from which items are estimated, load, structures calculated, and specifications written. Copies of all drawings as submitted to the contractor including copy date, issue-date etc. Copies of alterations in details, specifications, etc.

Presentations: Presentation drawings, perspectives, sketches. Stage wise visual documentation of work such as pre, during and post execution. Standardized presentations of all projects as conceived, and also as completed. Records of presentations on other media.

Reports: Client profiles, Schedule of requirements, Data provided by clients, Data acquired by the designer, Project profiles, Estimate reports, Specifications, Tender documents, Supervision reports, Site visit reports and follow ups, Bank loan reports, Job completion reports.

Digital and other Media Drawings and Presentations: These are stored on specific media and require special tools for retrieval.

Storing Documents

Strategies for Storing Documents: Documents are stored for their date of origin, relevance (client wise, category wise), type of media (paper, tracing papers, blue prints, photo films, CDs, etc.)

Intentions for Storage of Documents: Most of the documents become less relevant with passage of time. Some documents are disposed off as soon as the task/ project is over, but many are stored for a specific Obligatory (legal or otherwise) Period. Few are archived forever for being Key Achievements (mile stones). Substantial mass of documents is of a general category, but some are exclusive, or job and task-specific and require special folders.

Preservation of documents: Documents are stored and preserved for reasons like: to maintain continuity, legal requirements, future referencing, historical reasons. Documents are preserved in different forms such as originals, replicas, surrogates, edited or condensed versions.

Time Related Archival: Government rules and regulation require account books and tax related papers to be preserved for a specific period (usually 10 years from the date of audit or assessment). Legal Documents must be preserved till rights gathering out of it are available, or liabilities arising through it are properly discharged. Licences and Permits have a built-in expiry period. Project related documents need to be preserved till at least the linked guarantees warrantees, are active.

Value Related Archival: Documents represent achievements of the organization. Documents of projects that represent such turning points or milestones are maintained with pride. Presentation drawings and photographs of pre job site conditions, stage wise progress, completion of work, models, inauguration and other site related functions, etc. are invariably archived.

Information-Data Related Archival: Frequently archived documents are reopened and studied again, not only to seek information, but reaffirm-recast the goals and policies of the organization. Archived documents become the greatest information resource. 'Postmortem' of old documents helps in identifying how good and bad designs came into being. A postmortem provides a Historic View of the Project with data like cost on area basis, per user basis etc., cost per item, return per annum, consumption of raw materials, labour, etc., Input-output factors, fees vs. profit margins, etc.

Archiving Documents: Archiving documents in their original form, style, or medium, is not always feasible, nor necessary. Storage space, storage medium and the manner of future use (access), determine the form of archived documents. Important documents like letters, certificates, reports, accounts, are printed on bond paper, with balanced ph- value. Legal documents are printed on high rag content paper, so as to withstand frequent handling. Tracing paper used for long-term storage, are 'natural'-tracing papers (without optical whiteners or other additives). Presentations made on reinforced papers (sized with starch, etc. or bodied with kaolin, wax, etc.) do not last long, so must be transferred to micro films or other mediums. CDS and DVDs last much longer than floppies, video-audio cassettes, transparencies, or polyester films, so are better as a storage medium.

The medium and the format of storage substantially facilitate the easy retrieval and reuse of stored documents. A transfer from one medium or format to another degrades the quality of data, and should be avoided. Today substantial amounts of documents are generated and stored in digital formats. Compression (zipped files) techniques help reduce the storage space required. However, the tools (software and hardware) used for data

compression and storage become obsolete in a short time, so must be updated frequently.

Archival Activities in Design Offices: Archival activities in design offices are mostly ignored, but pursued very actively when there is a need. Organizations with stable employees are likely to be proficient archivists. Organizations open to public or with high degree of public relational activities are conscious archivists. Organizations which find that their goodwill is a precious asset, document their activities and, care then like an item of wealth.

Job Assigning Process: One of the important segment of work in a Design Practice, is Job Assigning Process. Job assigning results into a Contractual Award for the execution of a project. *Contractual assignment* of a job is nominally a privilege of the Client. Designers, however, have a selfish interest in proper execution of their projects, and so do not let a Client act independently, in this matter. Designers, more often than not, make their participation mandatory in the process.

Clients and Nature of Job Assigning Process: *Clients with small jobs* do not bother for a formal contract to execute works, and let the Design Professional arrange the execution. On the other hand, *Clients representing public organizations*, have to operate in a transparent (responsible) and a democratic manner, so prefer the participation of the Design Professional in execution-contract procedures. Large projects, to avoid later litigation, require exact terms and conditions for contractual assignment. *Government Departments and Organizations* have to follow many routines and regulations, and have the requisite experience, so conduct the execution assignment procedures by themselves.

Job assignments arise for: not just for execution of projects, but also for supply of goods and components, turn key installations, services, labour, installation and erection facilities, transportation, material handling, repairs, maintenance, housekeeping, security, management, estimating, billing, accounting, supervision, purchase, sale, disposal, performance evaluation, etc.

Types of Job Assigning Processes:

Single Rate Contracts: Job-assigning could be through a Single Rate for the whole work. The Single Rate work contract could be fully or partially based on conditions set by the Client, or as devised or improvised by the Bidder. The Contract Sum is often provided by the Client, and the Bidder is required to accept the same, or charge a + or - amount, or a percentage. Such contracts usually are for holistic systems, a singular component or a unique entity. Single rate contracts are often *Performance type*, requiring the bidders' exclusive (patent, copy right, expertise) contribution. Such contributions are uncomparable and cannot be determined separately from the service or item being offered.

Multi or Several Rates (Item-Rate) Contracts: The job consists of several tasks or entities which have comparable market equivalents. An Item, small in quantity even if bided with slightly a higher rate, does not affect the

overall budget, but a large-quantity item if bided with a minutely higher rate increases the budget manifold.

The Term (annual, seasonal) Rate Contracts: Single or Multi Rate Contracts could be very specific serving only One Project, applicable to Several Projects of the same Client (Sponsoring / Assigning / Funding / User organizations), and limited in time or locality, usually both. Contractors often hire their sub contractors (with expertise in specific items of work) on rate contracts, and provide them with a continuous flow of assignments. The efficiencies arise from the continuous use of plants and people resulting in lower overhead costs, standard work procedures, and the economics of scale.

Time bound contracts: Job contracts always have some time limit. But Time Bound contracts automatically become dysfunctional on expiry of a period, or getting updated per some formulae. A contractor is often paid a predetermined service charge, whether work is carried out or not.

Contingency Contract: A job contract could be a Contingency Contract, for remaining prepared to handle tasks or provide materials, components, systems at a location or for a situation that may or may not occur.

Build-Operate-Transfer contracts (BOT.): Job assigning could be a Build-Operate-Transfer contract (BOT.), where the contractor is not paid any sum for executing a project, but allowed to recover the expenses (investments) over a finite period, by commercially operating the project.

Turn key contracts: This are work contracts for stand alone or substantially self sufficient systems. The contractor usually offers a scheme for the specified performance conditions. The system is delivered in such *ready to use conditions*, that the user simply turns on the operant key or supplies the required inputs. Here the *user client* is likely to be a different entity then the project assigning or client. Trunkey contracts often require (through the guarantee + warranties arrangements) the contractor to maintain and operate the system for a certain performance.

Traditional (materials, methods and means) Contracts vs. Performance Contracts: Job contracts, generally present a scheme (design) of putting together a project through Specifications of materials, methods and means. This Traditional Method fails to register the Individual Deficiencies, in projects involving many subcontractors or vendors. The customary method operates well for known technologies, but is not suitable for incorporating Emergent Technologies. However, by specifying only the Performance Requirements, it becomes more opportunistic for the contractors or vendors to offer newer and often economic options. Planning a scheme through Performance Specifications, though is much difficult for any Designer.

Job Award Call: Jobs can be awarded to any competent person, or a group of persons formally organized as partnerships concern, joint stock company, corporation, cooperative, or a consortium. Depending on the nature of client and size of work, a job contract may be assigned by personal favour, through restricted bids, open invitations, or direct assignment or mandate. Complex job contracts are awarded by evaluation of bids leading to elimination, by mutual negotiations, and by open bidding, or auction.

Job Assigning Processes: Job assigning includes many sub processes like: Invitation, Validation of qualifications, Earnest money deposit, Filing a tender document with rates, Comparative assessment of bids, Negotiations, Job assigning and legal Documentation, Work Order (authorization to initiate the job), etc. The core of the Job Contract Document consists of a table with columnar items, such as: item head, its specification, quantity, quantity unit and rates. The rates, are pre entered, and the bidder is supposed to agree, discount or increase it. Alternatively the bidder fills in the rates.

1 **Invitation:** Vendors or contractors are invited to participate in the job assigning procedure. In the simplest process, one or few parties are sent relevant job documents, and requested to file the same before certain date. Since this is an invitation, Tender Document Fees (Tender Fees) are not charged, nor, any demand for Earnest Money Deposit should be made. Vendors or contractors may be invited from a mailing list, or through a public notice. Here the parties may be asked to pay both, the tender Document Fees and deposit an Earnest Money Amount. To discourage unqualified parties, and reduce the number of offers, a qualification check may precede the tender procedure. Generally public organizations prefer to issue a public notice, and then short-list few qualified parties, for job assigning procedure.

Tender Fee nominally includes the cost of preparing a tender document, copying charges, cost of processing and evaluating the returned document, and preparing the award of a contract. It may actually exceed this to control the number of tender seekers or may be a small token amount for a wider reach.

2 **Notice for Tender:** This is a formal notice, for transparency, put out by public organizations, usually in a newspaper, internet site or on a public notice board. It includes: Name of issuing party, Nature and extent of the job, Estimated value of the job, Location of the job, Time schedules: start-end dates, Procedures for obtaining & submitting tender documents, Person, time and place for clarifications, Procedures for paying or providing, earnest money, security guarantees, etc. Procedures, for opening and comparing the tender documents, Procedure for acknowledging the successful party.

3 Validation of Qualifications: To reduce the participants in job assigning procedure, an elimination round precedes the Tender process. Here not only the experience of the bidder, human and other resources like plant and equipments, are checked, but, other qualifications like, legal constitution, tax clearance certificate, registration with labour and other agencies, etc., are verified. Often tender procedure involves a two bid system. Here, in one cover a contractor submits documents relating to the qualification parameters, which when found satisfactory, another accompanying sealed cover containing the quotation is opened.

4 Earnest Money Deposit: EMD is an amount deposited with the submission of a tender document to prove the earnestness of the bidder to start, continue and complete the process. Such deposits for construction jobs are around 5 % of the estimated (tendered) cost. However, for jobs that are to be executed in a very short time span, or by nature are risky (delayed start causing large losses) may have a higher rate of EMD. This deposit is in cash, cheque, demand draft, or in the form of a bank guarantee, and en-cashed, if only the bid is accepted. Rest of the parties get a full refund of their money. The EMD of the successful party is retained till completion of the work contract. It may be converted into Retention Money Deposit (RMD).

Retention money deposit (RMD) is created by adding to the retained EMD, a specific amount retained from bills due for payment, as a guarantee that the plant, structure or system created or supplied by the contractor will operate / perform according to the specified requirements. The RMD is released (paid back) on successful completion, trial run or delivery (handing over) of the project, or after the stipulated period (in case of buildings after a monsoon season, or one year).

5 Schedules of Rates: This could be as simple as an Order Form or a Proforma Invoice, which just needs to be signed signifying its acceptance, and returned. A complex project will have Job Documents consisting of several pages, sections and volumes, which are submitted in one or different lots. Job assigning documents have many different types of Schedule of Rates.

Such as:

- Rates per standard units of weights and measures.
- Rates for optimum results, operative conditions, or yields.
- Rates for items in numbers.
- Rates of percentage profit over actual expenses.
- Rates with riders of maxima and minima quantity ranges
- Basic rates and optional rates for variant conditions
- Restricted or partial rates (labour or materials only)

- Rates for auxiliary services (insurance, risk cover, breakage, losses, security, purchase, sales, supervision, maintenance, etc.)

Schedules of Rate could be a Vender's Quotation, or a Price Catalogue. However, in a large project, Item-wise Rates or a set of different rates for similar items (with variant or optional specifications in each case) may be demanded. Item-wise Rates tend to create Divided ('fractured') Guarantees. So, in jobs where the Performance or Operative Worthiness of the work or job is of importance, a Single Rate is demanded for the whole job, to generate a Comprehensive Guarantee. The Schedule of Rate may also demand a discounted or incremented offer in percentage terms, over the quoted figure.

Some Designers operate a Design + Build setup. Here the Total Package is contracted by the Designer to the Client. Either a Lump-Sum Price for the whole job or Rates per Unit area / volume / number is provided. No Item-wise Rate Schedules are required.

Cost Plus Profit Rates: When a job is very complicated, its extent is indeterminable, or for reasons of secrecy, the job items (defence, atomic) cannot be documented formally; the rates are invited separately for various components of costs such as, labour, materials and rents for plants and equipments. In some cases even the type of material, labour or plant required is not known initially, then only the terms and conditions are offered. All input costs are recorded and audited to determine the Cost of Work, and the contractor is offered a Fixed Amount or % amount as the reasonable Margin of Profit.

6 Schedules of Quantities: Rates quoted for any item of a project are in consideration of not only the total quantity, but time and location wise lots. A contractor achieves efficiencies by using full lots of deliveries, plant and equipments' batch capacity, and whole day engagement of labour. A Schedule of Quantities (an abstracted list) helps a contractor to quote economic rates. Schedules of Quantities of a contract document are usually very exact, but general terms and conditions include a provision for a + or - contingency.

7 Terms and Conditions of Work: A tender document contains essentially Three categories of Terms and Conditions.

- Terms and conditions with Legal Relevance are included in the Legal Contract.
- General Terms and Conditions pertaining to the supply, service or construction management of the job form the Second category. These include: Management of estate, Risk management systems (safety, fire, malicious damage, accidents, natural calamities, loss to

third parties) Supply of auxiliary inputs (water, power), Management of inputs (import, stocking, inventory, warehousing) Management of by-products (effluents, noise, solid wastes). General terms also include the working of Earnest Money Deposit (EMD), Retention Money Deposit (RMD), Terms of bills presentation, checking and payments, Site supervision and report processes, etc.

General Specifications: Site establishment / Coordination between different agencies / Billing procedures / Payment procedures / Methods and channels of communications / Certifications / Acquisition of details Incorporating changes and alterations / Modules of measurements and modes of measurements / Safety, hazards, welfare / Structure of details, data, methods of accessing it / Supervision / Reportage, communication modes and methods / Time Schedules / Fines, penalties, damages, bonus.

- **Specific Terms and Conditions of Work:** These exclusively relate to the project. These conditions are frequently referred for various sections of the job or work, and instead of placing at several places, are bulked here. These saves the effort required in updating them. These include specifications of: Materials, Procedures, Plants, equipments, Sequences and schedules, Sensual aspects of results required, Performance or operative parameters.

Drawing or sketch or view, are ideal for placing the specifications of the item. However, certain specifications, are lengthy and better expressed in writing, or rather interpreted correctly through writing. Descriptive specifications, unrelated to a specific detail, or drawing, are included in the tender document. Certain specifications are formed at a later stage, and it is not easy to incorporate them into drawings. As a result such specifications are included in the last document to be prepared, the Tender. A tender document may highlight occurrence of special details in drawings etc., but not necessarily.

- 8 **Attachments:** Job assigning process requires exchange of many documents between the client and the contractor.

A Client needs to provide: Identity (person or organization), Proof of ownership of the site, Permissions to carry the work, Terms and conditions of appointment of various consultants for the job, Financial resources. A client is also required to offer drawings, reports etc. forming the basis for a tender document. A client also furnishes a copy or format of a legal contract to be entered into.

Whereas, a Contractor is required to furnish, Nature and constitution of firm, Income tax clearance certificate, Financial capability, Human resources,

Plants and equipments on hand, Past experience, ESIS registration, Provident fund registration, Labour contractor registration, Person to be in charge of the intended job.

9 **Other Actions:** A contractor works on a project in consonance with many different professionals, vendors, and sub contracting agencies. In large scale and complex projects liabilities and responsibilities of various vendors, contractors overlap, or are not clearly defined in their Bilateral Contracts with the client. To create a homogenous work culture, a Multi Lateral Understanding (MoU) is reached. All vendors, contractors, client/s, various consultants define their roles and pledge to unitedly handle the project, forewarn each other about deficiencies, and abide not to take any unilateral steps that can harm the project, or any one's, work or role. A Memorandum of Understanding also contains copies of all Bilateral Contracts relating to the project, among all concerned parties, so that all dealings become transparent.

Contracts between Client and Contractor often take note of other Relationships and Obligations, such as the contract between the professional and the client / contractor and their vendors / a contractor and subcontracting agencies.

1.14

ESTIMATING INTERIOR DESIGN JOBS

Intentions for Estimating in Design offices: Estimating in Design offices are carried out with two main intentions.

One, when estimating helps in Decision Making over available choices, In this case the exercise is for the Internal Operations of the Design Office. It creates no liabilities, and so the style of estimation is individual for every Design Organization.

Two, to Assign and Conduct the Execution of Projects. In this case the estimates are dealt by outsiders like contractors and vendors, and so the style of estimation is universal.

For every Design Practice the estimating traditions are different due to the differences in the nature of jobs and job assigning methods. The estimating methods for Interior Jobs have some similarities to the Architectural profession, which in turn has adapted it from the Building Construction (Civil Engineering). Distinctive methods for estimating Interior Jobs are gradually emerging.

Categorization Items for Estimating:

For estimating items are grouped on the basis of their similarity of materials and methods, locations of placement (ground floor, upper floor etc.), trades or craft's person handling it (contractors, sub contractors, vendors, carpenter, iron smith, painter, glazier, etc.), time schedules of execution (phases), work assessment and approvals, modes and methods of billing, payment schedules, completion and delivery processes. Such categorization streamlines the monitoring of site work and billing.

Estimating and Job Assigning: The format of the Estimate Schedule is chiefly governed by the Job Assigning method followed by the Design Practice in general, and the Design Organization in particular.

Civil structures and architectural buildings are executed by third party contractors (unrelated to the client and the design professional) and, so require detailed estimates. In Interior Design and many other Design Fields, the Design + Build or Execute, type of job handling is very common. Design + Build types of Interior jobs, are paid per the total cost (design services + cost of execution including materials, plant rents, labour + profits), so a detailed item-wise Cost Estimate is not required.

Estimating and the Nature of Job:

Civil structures: Civil structures though large, are made from few basic raw materials. The variations occur mainly in placement (erection, fabrication, installation) and shape (forms). As a result Estimate Schedules consist of few basic categories of items, and some extras for the variants.

Architectural Entities: Architectural projects are more varied and require complex fabrication or erection procedures. But the Architectural Profession is well established and systematized, making the estimating processes logical and simpler. Architectural site work is executed by a general contractor, who then appoints and coordinates the vendors, fabricators and such other supplementary agencies. Architectural Estimate Schedules also reflect such distinctive traditions.

Interior Jobs: Interior jobs are composed of many and rarely recurring components. These are produced from a vast array of materials, and executed by different crafts persons. Interior components, even when produced on a site, are generally very intricate and require a combination of services of several contractors, crafts persons etc. Complex interior systems are custom made, composed or assembled on a site through improvisation by the designer on a situation to situation basis. In interior jobs the sheer level of variety and absence of standardization, makes it very difficult to adopt traditional Modules of Measurements and market worthy Modes of Measurements. Due to their rarity, interior components are procured on the basis of their Value rather than their Cost. (For Modes and Modules of Measurements refer to chapter 2.4). (For Cost and Value refer to chapter 1.16).

Work Item Categories and Financial Accounting

The Categorization of work items in Estimate Schedules must, confirm to the requirements of Financial Accountings of the Client. Payments made for various structures, architectural entities, or interior items qualify for different levels of Depreciations. (For Depreciation refer to chapter 1.16)

Long, Mid and Short Term Depreciations: Outlay on account of Civil or Architectural works are considered Investments, so occur, more as a *matter of Strategy* (long range planning). These investments create assets which qualify for Long Term Depreciation (assets whose value depreciates over a longer period). Whereas Spending on some of the Interior items (hard furnishings, furniture, etc.) qualifies as assets with Mid or Short Term Depreciation. Most other Interior items are treated as Expenses (non asset creating / less long lasting! -like painting, soft furnishings, etc.) of *Tactical interest* (current actions).

Investments -Strategic and Expenditures -Tactical: In corporate world Civil and Architectural entities come up to strategically invest the surplus funds of Reserves. Whereas, the Interior works (at least in corporate

worlds) occur to tactically adjust the current Profits or immediate gains. Interior jobs often seem to be eruptive bursts, than a smooth attempt to satisfy the functional needs of the time.

Recurring Expenses and Nonrecurring Outlay: Interior Estimates, for Government Departments and other aided organizations, must satisfy their Annual Disburses or Planned Releases of moneys. The former is classified as a Recurring Expense and the later as a Nonrecurring outlay. For the first case Non-Asset Forming expenditures are allowed (covering items like paints, polishes, soft furnishings, etc.) For the other case only Asset Creating expenditures are permitted. (Such as acquisition of systems, components, holistic units, physical entities, etc.)

Redefine and Regroup Interior Work Items: One can redefine and regroup many interior work items (non asset creating / less long lasting) under appropriate headings so that these can be accounted as asset creating (strategic - nonrecurring) investments or regular (tactical - recurring) expenses.

For example instead of billing each item (painting, polishing, flooring, electrification, etc.) separately, the assignment could be termed as 'renovation' of a functional space unit (house, office, etc.). Gardening and planting could be termed as 'site development facilities'.

Validation of Estimated Costs and Assurance: Costs of Civil or Architectural entities as seen in an Estimate Schedule are nearly faithfully reflected in the Invoices raised by the Building Contractor. Such a Validation of the Estimated Cost is of great Assurance to the Client, and other interested agencies (insurance, maintenance, taxation, etc.). In Interior jobs, complete executions do not take place through Third Party Contractors and Vendors. Clients supplied items, resurrected and reused components are difficult to account for in estimate schedules. A Comprehensive Estimate Schedule is often never created. Final Estimates (historic costings) do not have the Customary Assurance.

Evaluate the Properties: Interior Designers are required to evaluate the properties of their Clients. These Evaluations have some specific intentions like, fees' collection, acquisition, sale, rent, lease, reformation, renovation, up-gradation, demolition or removal, etc. Such *Value Rating* is carried out along with the traditional Cost Estimates. This helps in determining the Value Addition vs. the usual Monetary Outgo for the asset. It also helps in finding the Cash Flow, Return on Investment, Debt Service Ratio (DSR), Non-Commercial Gains, Creation and Acquisition of Wealth, etc.

1.15 ASSESSMENT OF PROJECTS

Projects are assessed for many different purposes. Project assessment primarily requires some degree of Quantity Determination in numbers, lengths, area, volume, weight, etc. Quantity Assessments are further processed with Monetary and Non monetary values. Quantities are also compared against different factors ('yardsticks' or datums).

Monetary Assessments: Monetary assessments are in terms of the Cost (contribution for purchase or acquisition), or the Economic Value (probable increase or decrease to the cost, or attached sentiments) of an item.

Non monetary Assessments: Non monetary Assessments are based on factors like: energy efficiency, loads, stability, consumables, upkeep, time schedules, productivity, risk's probability, man power requirements, length, area or volume spreads, growth rates, change rates, ecological concerns, social relevance, legal implications, etc.

Project Assessment: Projects are assessed frequently and at many stages, through the period of Planning or Conception, Design, Execution and later during the Operational Phase. For each event the context like perception, level of accuracy, means of assessment, format of presentation, and the agencies are different.

Purposes served by Monetary Assessment of Projects, in Design Practice:

- to determine the cost of the project, its sub systems, components, etc.
- to find out, the quantum of chargeable fees, and fix a basis for fees negotiation.
- to help a client procure grants, loan sanctions, and determine subsidies, etc.
- to estimate intermediate and final payments to other professionals, contractors, suppliers, etc.
- to find out, if there are any cost over runs in a project?
- to accommodate changes in design, materials, installation techniques etc. due to availability of newer or cheaper options, or additional expenditure with higher allotment of resources.

- to estimate the total costs of executed work, or non executed work, especially when changes in the terms of contract / contractor, or rates are contemplated.
- to determine the incidence of tax that is payable as per the government's schedule.
- to determine rents, lease charges, other service charges.

Purposes served by Non-Monetary Assessment of Projects, in Design Practice:

- to solve problems, for making decisions, for highlighting or projecting certain details, for supporting or confirming facts, as part of Design process.
- for complying with the environmental, social and other concerns.
- for auditing the projects' parameters (energy input-output ratio, cost-benefit analysis, etc.).
- for re validating the economic estimates.

The monetary and non monetary assessments are naturally very diverse from each other. One is used, though to complement the other.

Quantity Estimating:

Assessment of a project largely depends on its Quantity Definition. Quantification through Universal Measures, or a Standard Measure System defines the numbers, linear (height, width, and depth depending on the orientation), area, volume, weight, etc. of the entity.

Dimensional Rationalization: On Quantity Definition, certain commonalities of Dimensions are recognised amongst various components. Such dimensional commonness is seen not only within an entity, but across many projects of un similar nature. At commercial level such Constants are recognised, and minor variations are levelled out with *Specific Dimensional Ranges*. Dimensional Rationalization occurs at three levels:

- by adopting a Modular Dimensioning System (see chapters 2.02 Measure Systems and Modulation, 2.03 Modular Coordination, and 2.04 Modes and Modules of Measurements).
- by following Modules and Modes of taking the Measurements. (See chapter 2.04 Modes and Modules of measurements).
- by evening out modest qualitative variations through a flexible Rate -quotation system and a flexible range of specifications.

Transformation of Quantities: Quantity Estimates form the Prime Database on which Monetary Assessment are made. Objects of diverse dimensions, contents, and placement conditions are thus equalised. Quantity Estimates as a result go through several conversions before becoming relevant.

Areas with 'similar one side dimensions' are compiled into a lot, Volumes with 'one or two sides' common dimensions' are massed into separate categories. Volumes with similar cubic products are accounted in numbers.

Quantity estimates are paired with many values. One of the most important of conversions is done with the Monetary Costs. Monetary and other values' conversions are carried out by different agencies, and the originator of the Quantity Estimate being aware of it, or being informed about it.

Monetary Estimates: Costing: Cost Finding.

Monetary estimates result out of a process called Costing. Costing or a Cost Finding of an item is done from its Price. Price is the cost of acquisition of an item as provisioned (custom made) by an agency, or as procured from the market (ready-made). However, where items have no readily available Market Equivalents, are put together on sites with inputs like: raw materials, parts, components, sub systems, man power, usage of equipments and the expertise. The inputs by themselves, if do not have Market equivalent, can each have sub items or sub tasks with market rates.

Items or jobs however complex, consist of elemental parts and basic tasks, comparable to many others used in different items or situations. However, the elemental parts and tasks acquire a unique personality, depending on the position in the whole, nature of use, method of installation or erection, and time schedule of installation. Costing becomes simpler, when such situational differences are identified, and number of cost categories restricted.

In Monetary Estimates parts and tasks are often categorised on the basis of external factors like guarantee mechanism, life span, utility, depreciation, finance, cost, return, energy consumption, waste output, hazard, ecological value, replacement schedule, etc. in consideration of their *cost raising or discounting effect*.

Non Monetary Estimates: Evaluation: Value Providing.

Non Monetary Estimates, follow a process called Evaluation or Value providing. It creates a new basis for judging an item.

Non Monetary Evaluations are like: Average space provided to a clerk, average area per resident in a hostel, proportion of area between rooms

and a corridor, proportion of usable vs. service areas, energy consumption per user, load per bearing area, garbage outputs per resident, noise level per vehicle, water consumption per unit, etc.

The end product of Evaluations is oftentimes presented in Cost terms, so as to be more comparable and relevant. The evaluations also may be presented as a comparative statement against certain Base, Datum or a Standard. Non Monetary Evaluations help define projects from many different angles for which No Monetary Costs are available. Appropriateness and success of a Design depend substantially on decisions made through such evaluations.

Estimate Schedules

Estimate schedules represent a Comprehensive Reportage of the Cost Finding or Value Providing process. The Estimate Schedules also include the rationale, means, methods of taking measurements, manipulations done with the information, elimination processes used for thinning out the data, and values added to format the estimate.

Formats of Estimate Schedules: Format of an estimate schedule depends on By Whom, and For What Purposes these are used.

- A Customary Format is evolved by the design organization to suit its own Nature of Practice and Needs.
- A Commercial Format is used for Tenders or Quotations, etc. a style conforming to traditions prevailing in local markets is required.
- An Organizational, Institutional or Corporate Format for Government and corporate entities is required to suit their Accounting Requirements. Designers have to format of estimate schedules for their specific needs.

Revision of Estimate Reports: Estimate Reports once created, are used by many different people, for uses that are nominally never perceived by the author. A person preparing the estimate must foresee that, *someone else in another time span will deal with the estimate, not only to upgrade, and interpret, but also reformat it.*

The format of presentation, logic and mode of documentation should *allow easy revisions*. All the contextual information and their sources must be properly recorded. Procedures for, accommodating the various parameters such as: fitment sizes, tolerances, modes of measurements, modules of measurements, rounding off, average, means, etc., should be of standard type, or well explained.

Accuracy of Estimates: Accuracy of an Estimate depends on how well the job has been conceived and detailed. It also depends on the purpose the estimate will serve. Estimate for Decision Making like selection of an item could be very approximate, as one wants to learn a comparative position. At concept forming or planning stage estimates help in strategic decisions. Estimates that create liabilities due to their ability to cause secondary changes elsewhere (such as: item selection, elimination, billing, etc.), or have hazardous consequences, are prepared with due care. Budget Estimates prepared, before or during a Design phase may not be exact, because the *cost base is presumed, or of a past experience*. Job assignment or Tender estimates cause actual execution, and so have to be very exact, with *cost base of committed prices*. Whereas, Historic Estimates prepared after the item has been executed and paid for, are very firm, as the *cost base is real and accomplished one*.

Estimate Reports

Estimate Schedules are re composed as Estimate Reports for presentation to others. Estimate Reports are even more 'inclusive' than Estimate Schedules, as these contain the background information on how the estimates were prepared, limitations, the conditions of use, and accompanying liabilities. For brevity an estimate report may not contain the details of dimension determination of an item.

One of the most common usages of the Estimate Reports, outside the Design Office, is for Fund Planning and Sourcing. Financial institutions would like to sanction loans on Objects that are *physical, fixed, long lasting and with resale value*. As a result, soft furnishings, polishing, painting and such other expenditures are not favoured for borrowing.

A Designer and the Client (or the financial expert) together can, to an extent, redefine some of the items, or divide and regroup the items so that these can be classified for an *appropriate category of disbursement, expenditure or depreciation*. By re framing the specifications, such items can be made integral part of the hard furnishings.

Exposure of Estimate Reports: An estimate schedule is a very sensitive document. It's exposure to outsiders, including the client, automatically makes it an open document with a lot of liabilities. A premature exposure conveys a hidden guarantee that 'items with such specifications will cost so much'. A Client may perceive the *provisional estimate details* (of a mid project appraisal, etc.) as a promise. Where it is necessary to expose an estimate report prematurely, it should be conditional. To prove such conditionality at a later date, all the data, specifications, assumptions,

forming the estimate base must be preserved integrally with the core of the estimate.

- Estimates Reports provided to outside agencies, though prepared for their specific needs, must not create undue liabilities for the designer.
- Interior Design Profession substantially follows Design + Build practice. Government and other agencies sanctioning grants, loans, subsidies, etc. interpret all estimate reports to be advance or pro-forma-invoice for supply of goods or services. Accordingly the Author of the Estimate Report (the Interior Designer) is perceived to be the provider of all objects and services indicated in the estimates schedule; and issued the money (in spite of a separate contracting agency being mentioned in the report). This could involve a Designer (operating a Design only practice -pure designer) into a huge liability service tax. (Turnover-based tax). To avoid such a situation, design professionals in their estimate reports, must clearly state: "this estimate report presented by the interior designer, is a Designer's Estimate, and not a pro-forma or advanced invoice, or a promise to supply, or arrange to supply the goods, or services, that are implicit in the report."

Types of Estimate Schedules: Estimate schedules are two types, representing the stage of the project.

- 1 Budgetary Estimates are prepared at the beginning or during the work.
- 2 Historic Estimates are compiled after the completion of the work.

Budgetary Estimates: Budgetary estimates are prepared to determine the likely cost of execution. It helps in planning of resources, to search options, to check quotations, to control likely cost over runs, to determine the professional services amounts for basing the % fees.

Pre Execution or Budgetary Estimates are made with certain presumptions. Such estimates remain variable, because for every change in parameters like, the cost of input materials, labour etc. the estimates need revision.

Budgetary Estimate, as a document is designed to be revisable. The fluidity lasts till the item is executed. Once the item is born, the budgetary estimate document if adequately updated, becomes static, a Historic Estimate.

Budgetary estimates are prepared by people involved in the design and execution of the project, and who have all the data resources.

Preliminary Estimates: Preliminary Estimates help in feasibility check up, primary budgeting, funds planning, in fixing the extent of a job, and stages of strategic and tactical actions. Clients on their own prepare or order a Cost Estimate, often, even before retaining a Design Professional. Such Estimate Projections prepared by a Financial or Project Consultant at times contain many Financial terms, and a good Design Professional must have the proficiency to understand these terms, and if necessary comment upon such data.

Mid-Project Estimates: Mid-Project Estimates are carried out, as a Design takes a concrete shape with dimensions and details. These estimates help in final selection of materials, finishes, procedures, details, etc. Several such in-house appraisals are carried out as the design progresses. A Client may be exposed to selective sections of such appraisals, to increase the awareness of the design process, to solicit additional information, and get approval of certain design decisions.

Tender or Contract Estimates: Tender or Contract Estimates are very exact, requiring equally perfect drawings, details and specifications. Tender Estimates are often used to verify Bills of Work. The structure of Tender Estimates is controlled by Factors, such as: *nature of an item, schedules and sequences of execution, contract system, supervision system and agency, modules of measurements, modes of measurements, mode of billing and mode of payment.*

Historic Estimates: Historic Estimates, are made, to determine the actual expenditure incurred on a project. It also helps in assessing the absolute Value addition to the wealth, investigate conditions that caused Cost Over or Under Runs, to determine the Set-off or Depreciation amounts, to set Insurance Cover charges, to fix Rents or Lease charges, to set Operational or Servicing Costs, etc..

Historic Cost Estimates are prepared on the basis of accomplished facts, soon after the birth of a product. Historic Cost Estimates are very realistic, unalterable static documents, and have an Archival Value.

Historic Estimates, may also be carried out by third parties, or people not necessarily involved with Design or Execution processes.

Cost - Value and Design Practice: Interior Design practice involves dealing with old (heritage) buildings, important structures, works of art, artefacts, craft pieces, and other precious things. It involves Identifying objects, judging their True Worth, acquiring, refurbishing them and sometimes even disposing off such articles. At another level Interior Designers also help create entities of such merit. The benefits accruing to the Client could be several times more than the Real Cost of *creation or acquisition*. An Interior Designer must charge fees for the *Value Benefiting* to the client, rather than the *Expended Cost*. It is very important for a Design Professional to be able to differentiate between the Cost and Value.

Cost: Cost is the amount of Price (money or something else) paid to buy or produce a thing. Cost of Buying includes, the Cost of Production and the Cost of Delivering the thing, to the Location of use. It also includes, any costs of Financing the purchase.

Cost of Buying is easy to make out as a transaction actualizes, with *money, commodity or service*. Cost of Production is little more complex, as it is composed of elements such as: *cost of materials, labour, and a proportion of the costs for the capital investment required to produce the good or service*. Certain costs like rent (for plant, equipment, buildings etc.) remain consistent, no matter how much one produces; these are commonly referred to as the Overheads or Fixed Costs. The Variable Costs are inputs like materials and wages, and these vary according to how much is produced. Cost of Delivery includes the Cost of Effort (conveyance, carriage, packing, marketing), Cost of Delay in Transit (thereby delayed or diminished utility), and Cost of Damages.

When a product is unique or first ever, two categories of costs are recognized: Primarily Labour and Materials costs are considered. To these costs, average Overhead Costs as determined for some production volume, are added. However, if the product is reasonably known, the Overhead Costs are actual and exact.

Costing: Costing or Cost Finding is a tool to derive the Cost of a *product, providing a service, performing a function, or operating a department*. Some of these are historical facts -Historic Costs -How much did it cost? -while others are predictive, Budgetary Costs -What will it cost? Cost has relevance primarily to the person, who wishes to acquire or dispose off the item. But, often a person to assess the 'Value' of an object, may want to determine its worth through the Costing.

Cost of a Product is the total expenditure (cost of raw materials, labour, rent for plants, and producer's profit etc.) incurred to produce or procure *an item, or its exact replica*.

Costing can be conducted through Two routes: Cost Analysis and Rate Analysis. There is a very thin difference between the two, so some consider them to be the same.

Cost Analysis: Cost Analysis takes into consideration all factors that form an item or service. Cost Analysis is more effective, for whole Items, i.e. when items are at a Design or Conceptual stage, and their parts have not yet been perceived. Yet it requires fairly clear perception of the system. Unless external conditions change, a product of Cost Analysis is specific, fairly stable, and may not need frequent revisions.

Rate Analysis: Rate Analysis is in a way a comprehensive application of Various Costs (arrived through Cost Analysis). Unlike Cost Analysis, the Rate Analysis takes into consideration the *optimum costs of production or supply* (economics of volume, batch sizes, packing units), *wastage, residues, etc.*

For items that have not been well detailed, vaguely or partially conceived, Approximate Costs can be derived, using Cost Parameters, like: *cost per unit of length, area, volume, or a unit learnt from familiar situations*. Often cost of a known thing is considered a Typical Rate and applied to nearly similar things, with accommodation of the variations, as plus or a minus factor. Costing done through Rate Analysis provides a generalised picture. Rate Analysis is preferred for task-based items (assignments that have universal work-procedure based identities -like distinct material and labour components).

External conditions affect a Rate extensively and often unpredictably. Costings done through the Rate analysis need to be continuously improvised.

Costing or Cost Finding in Design Offices: Designers choose entities, and increase or decrease their use by predicting the Costs. Designers develop their own Cost Determination Methods, appropriate for the jobs they handle, and for types of items specified in their projects. Input data like Market Rates for materials, parts, components, labour etc. are continuously updated, or sought as and when estimates are to be prepared. Updating feedback is also available through the Historic Estimates conducted on

completion of a project. Market Rates of many regions and for the past several years are available on Internet sites, and can be used effectively.

A project typically is made of any number of work items. The Quality and Quantity variations of minor nature are evened out while formulating the Costs, or while applying the costs for a Rate Analysis.

Cost of a Product or Service includes:

1. Cost of materials, including cost of royalties, taxes, mining, procuring, producing and all those expenses required to convert the materials into a utilizable raw material.
2. Cost of materials, other inputs required to effect a service.
3. Cost of labour required to modify the materials, assimilate into a product, to transport, store and protect it, market it and in some cases trial run it.
4. Cost of labour for performing, supervising and providing required assurances for the service.
5. Amounts paid to launch the finished product or services in the society, such as: royalties, cess, taxes etc.
6. Cost of rents or charges for plants, tools, equipments to manufacture, erect, install, testing, test operating, transportation, etc.
7. Expenditure to be incurred meeting various responsibilities and risks associated with the product generation, installation, operation and maintenance, and conduction of the service.
8. Cost of investments on resources that are tied up, till about a utilizable product is delivered or service is rendered and paid for.
9. Cost of other overheads such as cost incurred for managing the setup for procurement, production, testing and marketing.

Costing is also based on sum effect of these factors:

- Obligatory costs like: royalties, cess, taxes.
- Handling costs like: transportation, shifting, stacking, primary processing, storage.
- Costs of Losses or shortfalls: rejections, leakage, wastage, breakage, theft, evaporation.
- Energy Costs: processing, storage (temperature, moisture control), manufacturing.
- Replacement Costs: rents & lease charges, depreciation for plants, tools, equipments, containers.

- Risk Management Costs: insurance charges, security charges, indemnity charges.
- Assurance Costs: providing guarantees, warranties, trial runs, maintenance services.
- Quality Control Costs: adherence to standardization, quality control certification, testing, supervision.
- Return on Capital Invested.
- Profits.

Differences between Costing and Valuation: Costing is a logical (mathematical) process, and any *technically proficient person* can carry it out. Whereas, Valuation (see following part of this chapter) involves many hypothetical judgments, and only an *experienced person* can handle it.

Costing process must always remain justifiable, and requires many exact inputs, including latest Market Costs etc. Valuation on the other hand is a subjective judgment, and no explanations may be asked for.

Costing helps a designer in *planning, budgeting and auditing the expenditures*. Valuation is used to confirm or *justify expenditures*, indicate non monetary savings, and to convince a Client for options in case of uncertainty.

Value

Designers often help their Clients acquire or dispose off entities in their completely prepared form. When the transaction originates at Producer's end, it is little above the Cost, at Price. Price here reflects the Value a Producer attaches to the entity (over or under its Cost of Production). However other -later transactions may not in any manner, relate to entity's Cost of Production.

For a thing to have a Value, it must be transferable. A Latent Value becomes Potent when it is perceived that someone needs the entity in some time and space, for a utilitarian or ethereal purpose. A demand for a perishable commodity, if it does not occur within its life span, is irrelevant. Similarly demand for something in a far off place cannot be satisfied, due to transportation hazards and handling problems. Air has a lot of utility but is not scarce. Rotten eggs may be scarce, but hardly have any utility. Friendship is very useful and scarce, but is not transferable or marketable.

Historic Cost of creating a painting may be few drops of colour, a canvas and artists' few moments. But once the fact is accomplished, the painting gains a very high Value due to its extra ordinarily high relevance to the society. Relevance of a product in terms of its utility is (more) likely to

degenerate over a period of time, but its Value may appreciate or depreciate depending on its relevance to the owner or the society.

Since all Prices are effected in money (or bartering commodities), they go up or down depending on the fall or rise in the (universal) value of the money (economy). Any change in money (Monetary Value) affects the prices of all things across the board. However, Value is specific, there cannot be a general fall or rise in the Value of all the things. Value of a thing goes up, when we can acquire, or aspire for more - superior things in exchange, and goes down, when we can acquire or hope for less - inferior things in exchange. Value is relative, referred to in terms of something else.

Value of a thing, cannot be always in money. A Value, has many different relevancies, like: *In terms of, emotions, remembrances, associations, ageing, maturity, heritage, rarity, ecological, environmental, social, etc.*

Valuation: Valuation, in functional sense, is done to determine what one would gain by acquiring, or forgo by disposing the item, but not necessarily be doing so. Value of a product means an addition or deduction to wealth, Cost at the moment of transfer may or may not reflect the Value of an item, but it helps in a better judgement of the Value.

Valuation of Buildings: Valuation of buildings is done on many different counts.

- *Absolute value* of a building consists of Land and the Structure. Land has a contextual value depending on its location or surroundings. A structure has three sets of values, 1 -relates to its utilitarian purpose (nearly matching the original concept), 2 -concerns with remaining life as a sheer built form or shell (presumably utilizable for some other occupational use -different from the original intention - salvage value), and 3 -bears on its debris value. A comprehensive judgement of all three aspects is made to define the value of the building.
- In another valuation system, a land or building, or both together are assets and have an *absolute value*, which can be exploited to yield a rent. From the rent expenses for regular inputs, periodic repairs and maintenance, etc., are deducted. The monetary surplus is considered an income (or loss) if its rate of return is higher when compared to an investment (equal to the absolute value) in other fields.

Valuation of building is carried out to assess the income potential, actual profit or loss from an asset, addition or deduction in value on year to year or occasion to occasion basis (for computation of wealth, taxes, etc.), and calculating depreciation, insurance premiums, etc..

The Difference between Cost and Value of a thing: A rare painting or an antique may have an *Indeterminable Cost*, but will have a *Probable Value*. Value could be several times more or less than the actual Cost of the item. *Value is considered to be the true worth of an item, more lasting, but not necessarily reliable*. Cost and Price are very realistic and reliable, but not always representative of the true worth of the item. Both, perhaps, are required to gain a full insight of the situation.

Valuation of Monetary nature: Monetary valuations are not very different from Costing exercises. Though here utility, desirability, scarcity, availability and marketability etc. of an item are assessed in Monetary Terms, rather than Market equivalent Costs of such items. Value Assessments are very subjective, and so may not seem rational. It is the experience of the Valuer that imparts some degree of objectivity and also reliability to the valuation.

Valuation of Non monetary nature: Valuations of the non monetary nature, are made to check *the adherence to values, customs, traditions, ethos, rules, regulations, laws, etc.* Greater adherence to these issues results into higher Value application to the product. Often negative or repulsive aspect of an entity, such as Hitler's memorabilia, blacks magic tools, due to their rarity, invites a connoisseur's favour. Non monetary Valuations have a relevance only to people who are concerned with it in some way. Non monetary Valuation based on one aspect or few concerns are not very useful, desirable, or even reliable. Non monetary Valuations based on too many aspects are not comparable, so must be scaled into some economic or monetary component. These makes Valuation, a very complicated process.

Cost, Value and Design Practice: In design field valuation is made for all types of properties to assess their wealth. Whereas, the Costing is done to determine the expenditure (actual or probable) and thus the immediate Value of an object. Often people (connoisseurs) need to know, if an entity means wealth in the Cost or Value Terms, and in what proportion, and, so may carry out both. Routine jobs have a predictable Cost, and by adding a customary margin of Profit, one can derive Price. However, jobs with substantial intellectual effort accomplish more than the cost of implementation. So, a dilemma occurs, should one charge a Professional

Fee on the total Cost of the job, or Value accruing out of the job? Authors of creative efforts must know how to Value their accomplishments, and thereby demand fair compensation or 'Commission' for it. Designers need to know both the Cost and Value of their professional services.

Evaluations: Quantity estimates deal with actual measures and real life conditions but, in some situations do not serve much purposes. Quantity estimates to be meaningful are correlated with other values. With quantity estimates remaining constant, the correlated values are considered as the variables. The most common is the ever changing monetary value. Many such Values are measurable and realistic that, compared to other difficult to measure and abstract values like the ecological or social relevancies.

A designer may initially select an entity on the basis of an Abstract Value (subjective judgment) but will justify or reject the choice after exercises in several other types of evaluations. Multiple valuations based on abstract values could corroboratively support a decision. Such Evaluations seem almost intuitive, but are still -the Estimations.

Evaluations at primary stages of a project are based on the Subjective Values like: *Perceived costs, utility, suitability, etc.* But as project progresses, and detailed further, such Evaluations are rationalised. Finally the project becomes justifiable to colleagues, other consultants and clients.

Depreciation

Difference between Investment and Expenditure: Civil, Architectural or Interior jobs create Assets through substantial *Investments*, and are maintained at their optimum operational conditions through *Expenditures*. Designers need to be aware whether their decisions relate to an 'Investment' or 'Expenditure'.

Corporate and Business Clients decide to Invest or Expend for civil, architectural or interior jobs more to accommodate their Current Profits or near Future Cash-flows, rather than actual physical needs. Public Organizations and Trusts, go for creating Utilities and Facilities. With the former group, the Investments becomes the key focus, and for the later group, Expenditures are the major interest.

Assets created by Investment or maintained with Expenditures, lose their Value gradually over a period of time even *while, being used, not used at-all, underused, overused and misused*. Assets, also lose their Value suddenly on sale or through accidents. The sudden reduction in the Value of an Asset is easy to note, but the Gradual Diminution is often less perceptible, and is difficult to account for.

The Value degradation could be for external or contextual reasons like changed relevance. The Value decline for intrinsic causes could be due to the reduced utility of the asset. The gradual dilution of value of an item is termed as Depreciation.

Depreciation occurs for many reasons:

- Physical deterioration of the item affecting the possible benefit accruing out of it.
- Availability of a similar product at a lower price (obsolescence).
- Fall in value due to changed relevance.

Normally Dilution of Value in an Asset can be ultimately adjusted, *as and when a less useful object is sold off (at discounted value), or a useless object is disposed off (at zero or debris value)*. However in Accounting Procedures, such loses are *discounted on a year to year basis*.

Causes for Value change: Depreciation may be thought as the Progressive Decrease in the net benefit (cash flow) yielded by the asset for whatever reason. Primarily the yield or earning capacity falls due to *increasing inefficiency arising from physical deterioration*. But for certain classes of assets, for example computers and other gadgets, *the economic value falls rapidly due to obsolescence*. Garments lose their value due to *changed relevance (fashion)*.

Assets appreciate in Value for the same reasons. An upgraded or reconditioned item can once again begin to achieve higher yields. Obsolescence, being too circumstantial cannot be prevented, however a non utilitarian item, if rare and with other associated values may become a treasure with High Value. The Value of a Land is in the Location and the Surroundings.

Methods of Computing Depreciations: Depreciation is computed in many different ways. Some simple processes are as follows:

Straight Line Method: The rate of depreciation is constant for the entire working life of the capital assets. This is based on three aspects.

- assets' cost.
- the salvage or the book value of the asset at the end of assets' useful life.
- the period of useful life of the asset.

Sum of the Years Depreciation, to be calculated Method: This is based on four aspects.

- assets' cost.
- the salvage or the book value of the asset at the end of assets' useful life.
- the period of useful life of the asset.
- the period for which depreciation is to be calculated.

Double-Declining Balance Method: This method recognizes the substantial consumption of some assets' service potential in early years. This is based on four aspects.

- assets' cost.
- the salvage or the book value of the asset at the end of assets' useful life.
- the period of useful life of the asset.
- the period for which depreciation is to be calculated.