



Value Management

A Brief Overview

September 2020

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What is Value Management?

“Value Management is based on principles of defining and adding measurable value, focusing on objectives before solutions, and concentrating on function to enhance innovation”

Institute of Value Management (UK)

Focus Areas

- Create business cases and cases for change
- Identify performance improvement opportunities and develop high-impact recommendations for improvement
- Diagnose causes of performance gaps
- Benchmark against best-in-class performers
- Prioritise projects based on proposed value delivery
- Use effective thinking processes to solve business challenges and problems
- Design projects around value and business objectives



Global Rationale for Value Analysis

Improve quality and raise cost efficiency



In the U.S., value analysis was introduced to achieve a better balance between project objectives and the associated costs.



In the U.K., value management was introduced to ensure the optimum combination of whole-of-life costs and quality (or fitness for purpose) of the good or service to meet the user's requirements.



In Japan, value analysis was adopted to improve industry competitiveness by managing and to reduce construction costs in public works.



In South Korea, value analysis was introduced to minimize cost overruns in poorly designed public works projects.



In Malaysia, value analysis adoption was introduced to instill cost control and 'Value for Money' in the auto industry.



In Australia value analysis is one of the tools being explored by the government to achieve 'Value for Money' in major development projects and optimise efficiency and effectiveness in infrastructure projects.

Value Management Works

The Impact can be Quite Spectacular!

- Project construction costs for government agencies in the U.S. and U.K. with savings of **5% to 50% p.a.**
- U.S. Federal Highway Administration's Highway Program saved the agency an average of **US\$1.8 billion p.a.**
- Value analysis studies conducted for the U.S. Dept. of Defence resulted in massive savings of **\$25 billion**
- In the UK, government departments saved **£23 billion** as a result of applying value management (including the London Underground mass rapid transit system)
- Value analysis generated savings on the Oita Prefecture in Japan of **over 31%**
- In the South Korea toll way project, the value engineering savings made without decreasing the project's benefits and functionality was **over 50%.**

How does Value Management Improve Projects?

- The optimal application of value analysis is at the earliest stage of project development when it will yield the greatest benefit.
- Promotes optimal value delivery in the project outcomes that are aligned to business objectives:
 - Performance enhancement
 - Cost reduction and waste elimination (on the project and the overall organisation)
 - Risk reduction
 - Customer and end-user upliftment
 - Revenue enhancement and value for-money (VfM) outcomes.
- Infuses value drivers into project processes:
 - Reduces changes in scope (variations in the project) during project implementation
 - Reduces delays in project implementation (all project components and resources are identified upfront)
 - Improves the quality of the project - better defined and strategically aligned
 - Proportional value - balance between value created and value captured
 - Increases the use of environmentally-sound and energy-efficient practices and materials
 - Value analysis complements other management techniques
 - Optimises the utilisation of resources
 - Use of leverage to prioritise and motivate decisions
 - Use of technology to promote speed, spread, simplicity and stability
 - Adoption of effective thinking into decision making

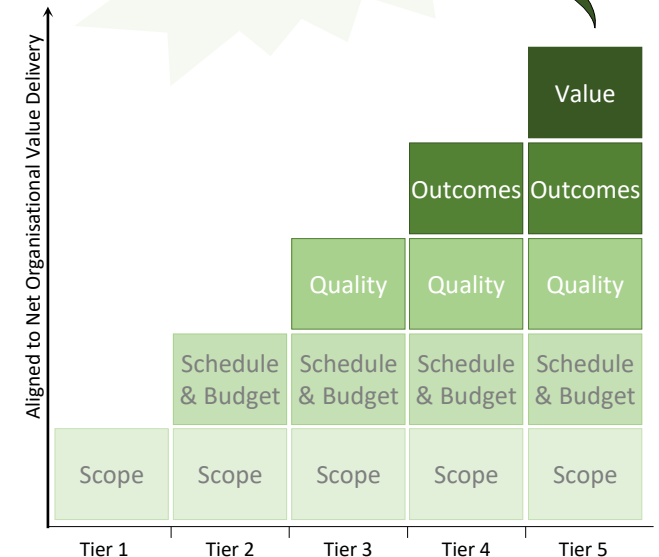


The Evolution of Project Management

Focus On	Project	Solution	Business Objectives
Outcome	Efficiency	Improvement	Optimisation
Project Management 1.0	Project Management 2.0	Project Management 3.0	
“Project Management as a Process”	“Benefits Realisation”	“Value Management”	
Looks at how the formalisation of the project management process can deliver efficiency to the organisation	Look at the benefits of the product or system implemented to ensure the business gets it's money's worth (implementation success)	Look at the value that the product/system will contribute to the whole organisational ecosystem with emphasis on optimisation for <i>all</i> parties	
<ul style="list-style-type: none"> Project is an autonomous entity (scope, time & budget) Only concerned with the delivery of the project (intra-project) No further activity when the project ends Measures are based on project processes and not on the business Focus on time, scope and budget 	<ul style="list-style-type: none"> What you asked for = what you are delivered Associated with intra and post project delivery to an extent The activity ends when the project ends Tick box approach (i.e. benefits promised = delivered) Focused on a specific successful delivery project or portfolio – defined by product benefits 	<ul style="list-style-type: none"> How can we do more with less? How do we get the most out of our resources? Associated with pre, intra and post project delivery Continuous – becomes part of your DNA Opportunistic – look for value creation or capture opportunities in everything we do Organisational and citizen focused. The project manager is connected to overall success of the organisation 	
<div>Pre-Project</div> <div>Intra-Project</div> <div>Post-Project</div>	<div>Pre-Project</div> <div>Intra-Project</div> <div>Post-Project</div>	<div>Pre-Project</div> <div>Intra-Project</div> <div>Post-Project</div>	
<p>Emphasis</p>	<p>Emphasis</p>		



Product produced by the project creates significant net value for the organisation and all other stakeholders after the project is completed



Value Gap Analysis

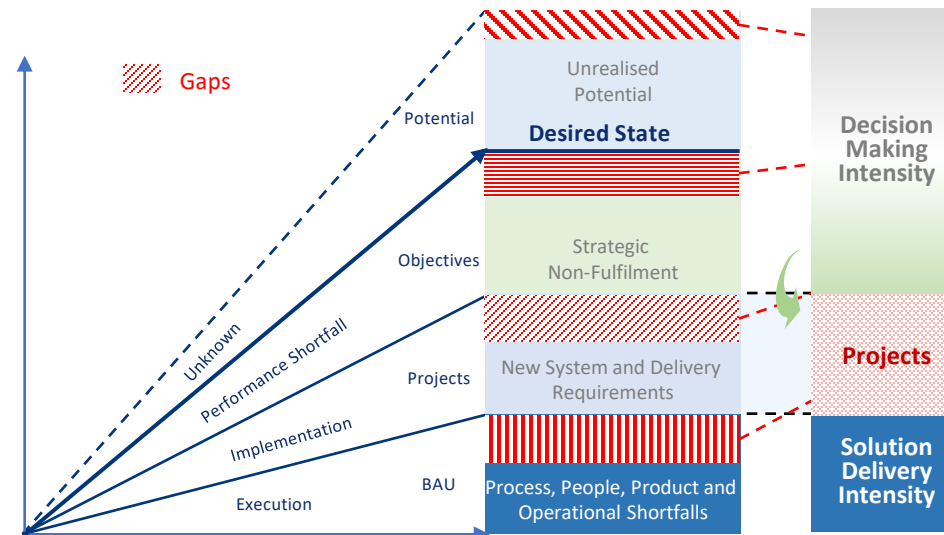
Why do Gaps Occur?

“Gaps are opportunities to build value!”

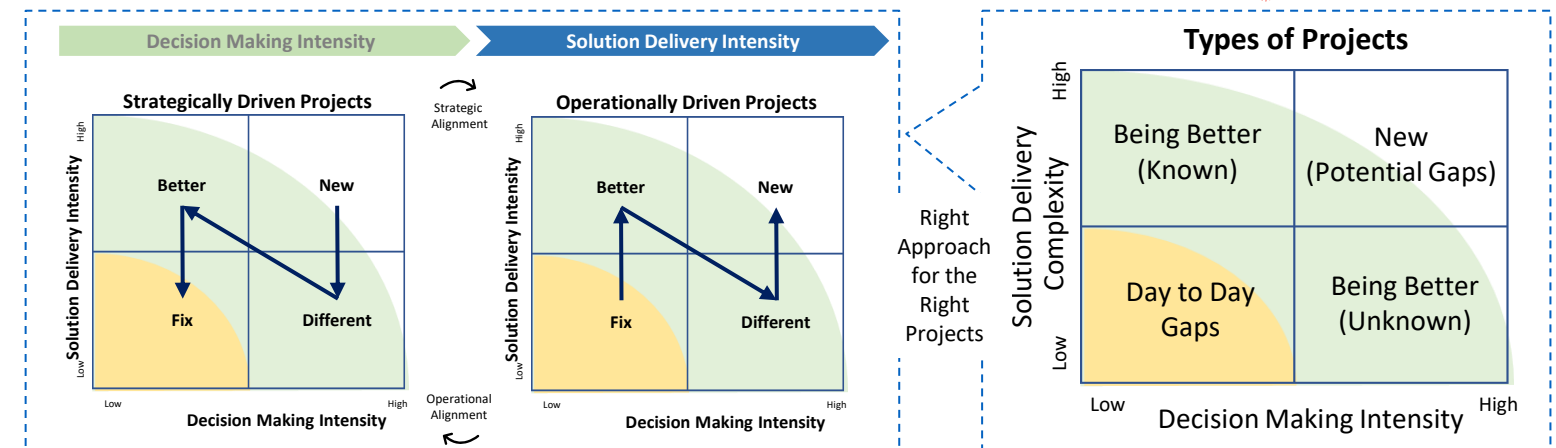
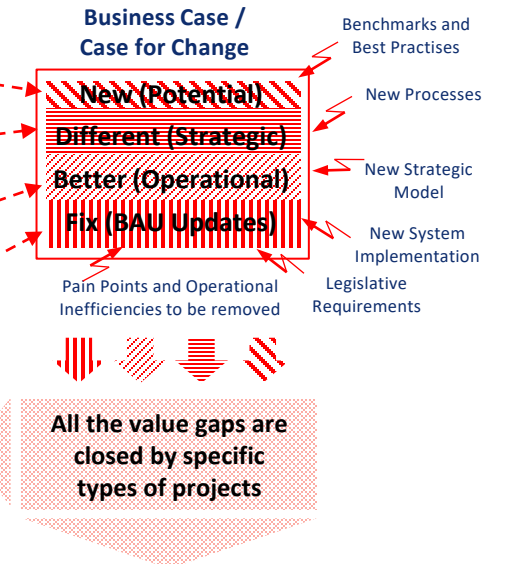
Generic Triggers	Actual
Strategic	<ul style="list-style-type: none"> New Business Model New SAP Transformation System
Operational	<ul style="list-style-type: none"> Pain Points New Business Requirements New Processes
Mandated	<ul style="list-style-type: none"> Policy Regulations, Legislation, Statutory Requirements
BAU / “Life”	<ul style="list-style-type: none"> Tweaks Adjustments

Types of Gaps		
Better Solutions (Known)	Better Solutions (Unknown)	New Solutions
“Improve and upgrade on what we already have”	“Find new ways to differentiate our offering in order to be more competitive or induce greater customer upliftment”	“Find new solutions to solve new problems or identify new ‘blue ocean’ solutions to greenfield opportunities”

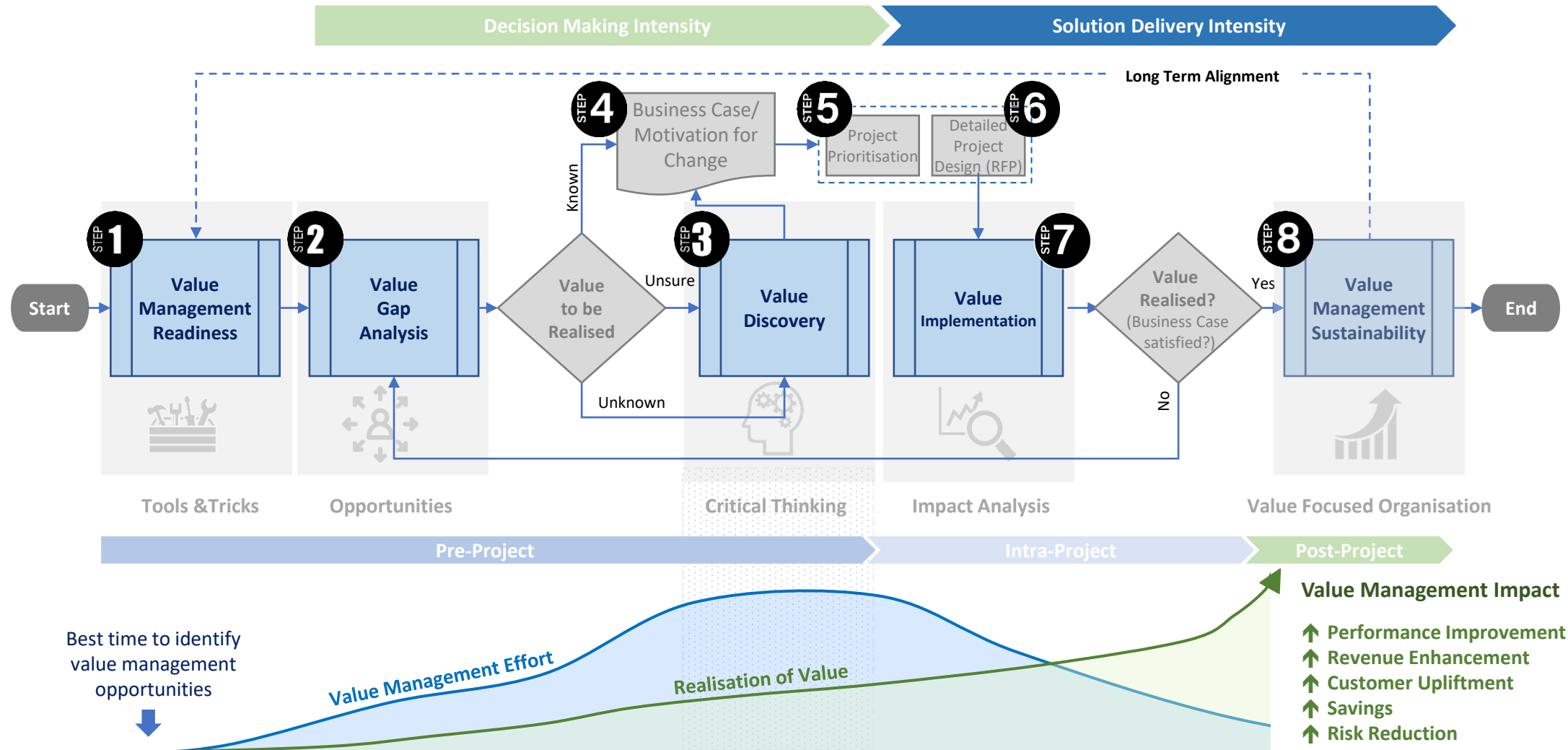
Where do Gaps Occur?



How do we Close the Gaps?

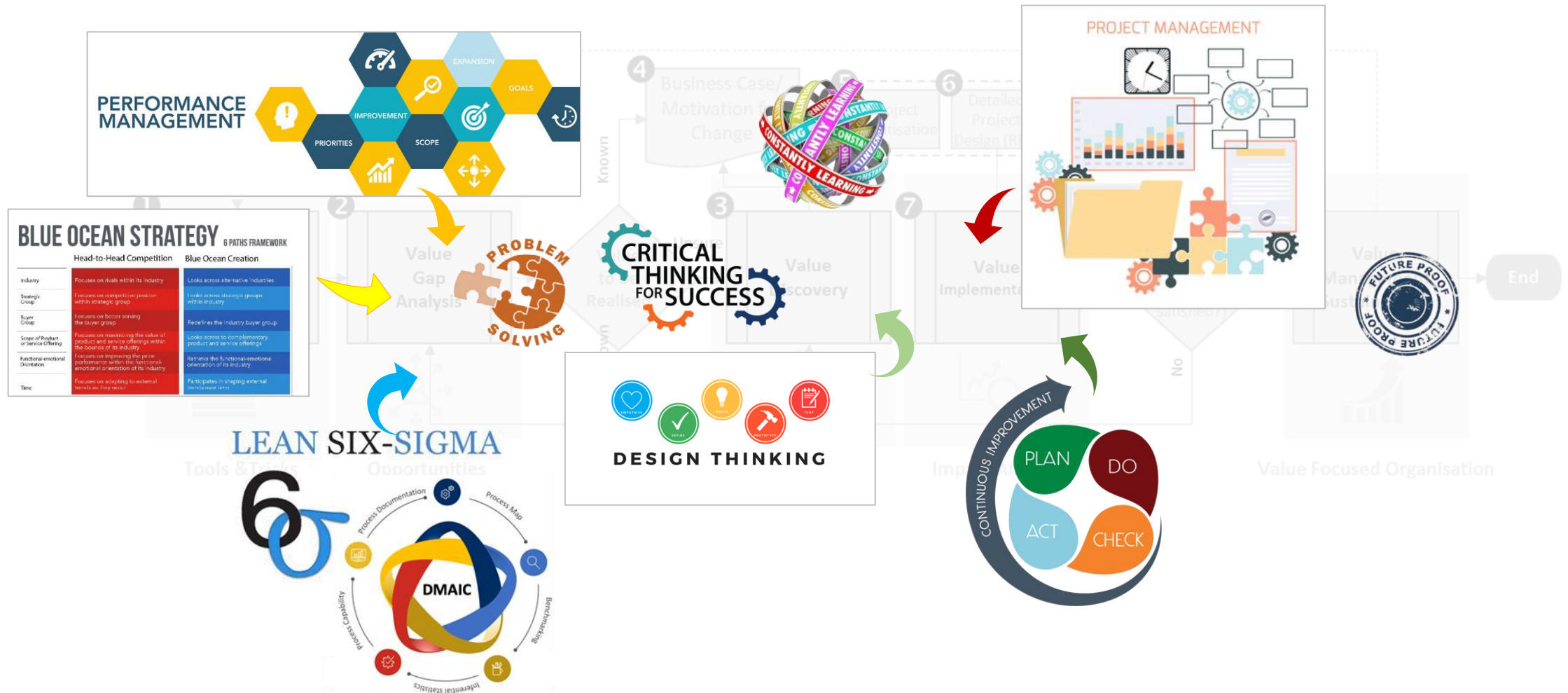


Value Management Approach



Value Management Approach

Value Management is Integrated and Complimentary

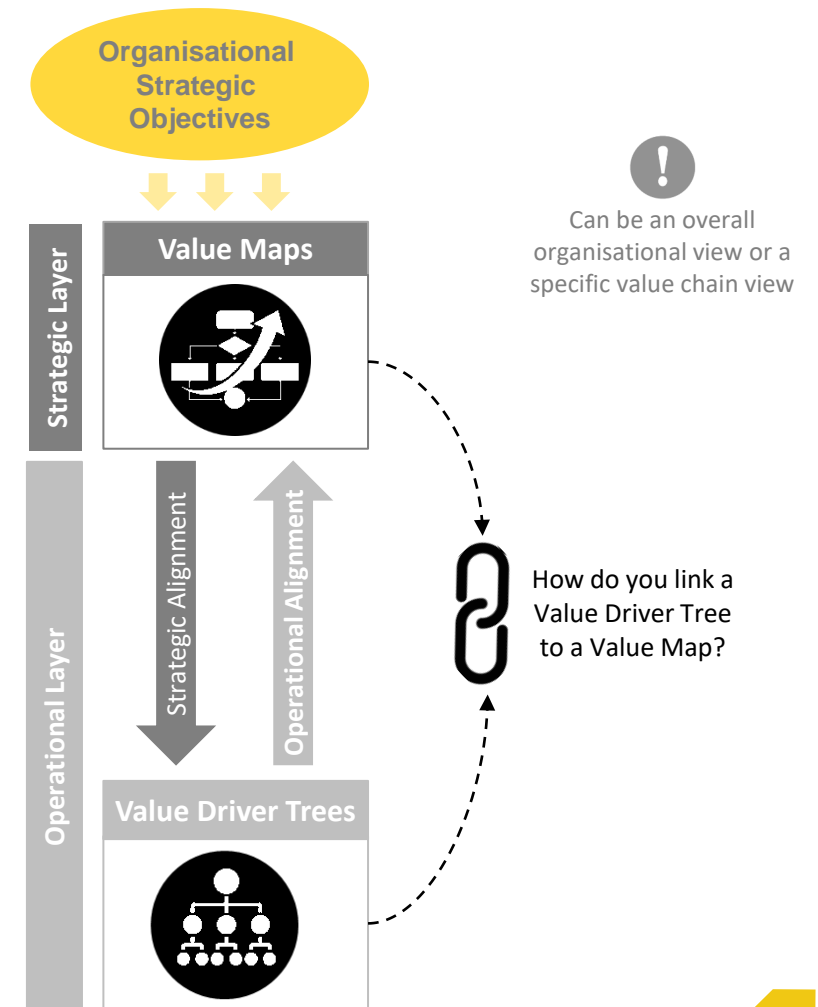


STEP 1 Value Management Readiness

Preparing for Liftoff

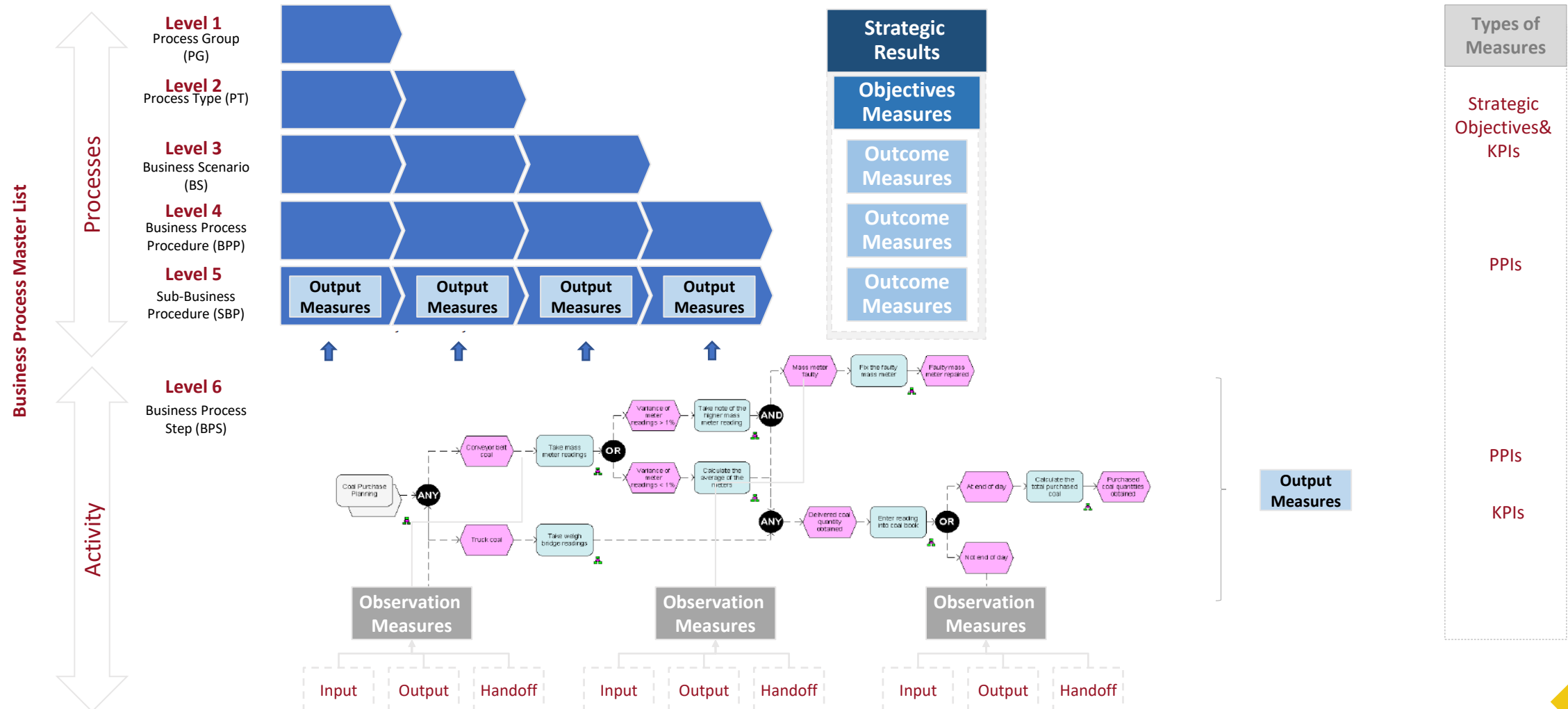
- Identify a suitable Value Management Leader
- Identify a suitable Value Management team
 - Skills
 - Availability
 - Appropriate organisational status and recognition
- Define Roles, Responsibilities
- Ensure appropriate tools are available:
 - Benchmarking tools
 - Measurement artefacts – KPIs, access to data etc
- Access to Value Management portal
- Plan the Value Management approach to be used by your organisation
- Set annual value management targets
- Identify and define the value management landscape

Identify and define the value management landscape



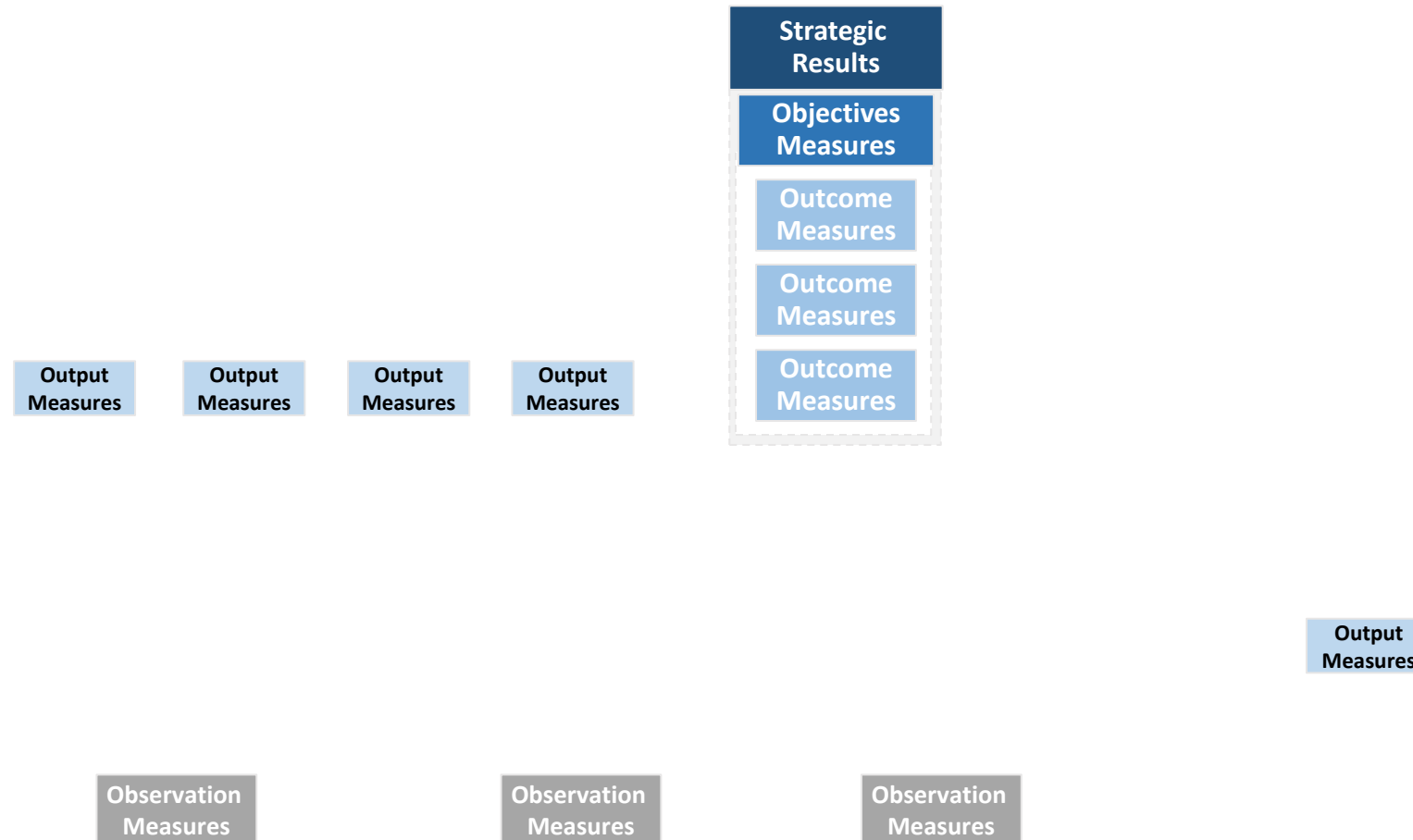
Linking a Value Driver Tree to a Value Map

The Organisational Measurement Landscape



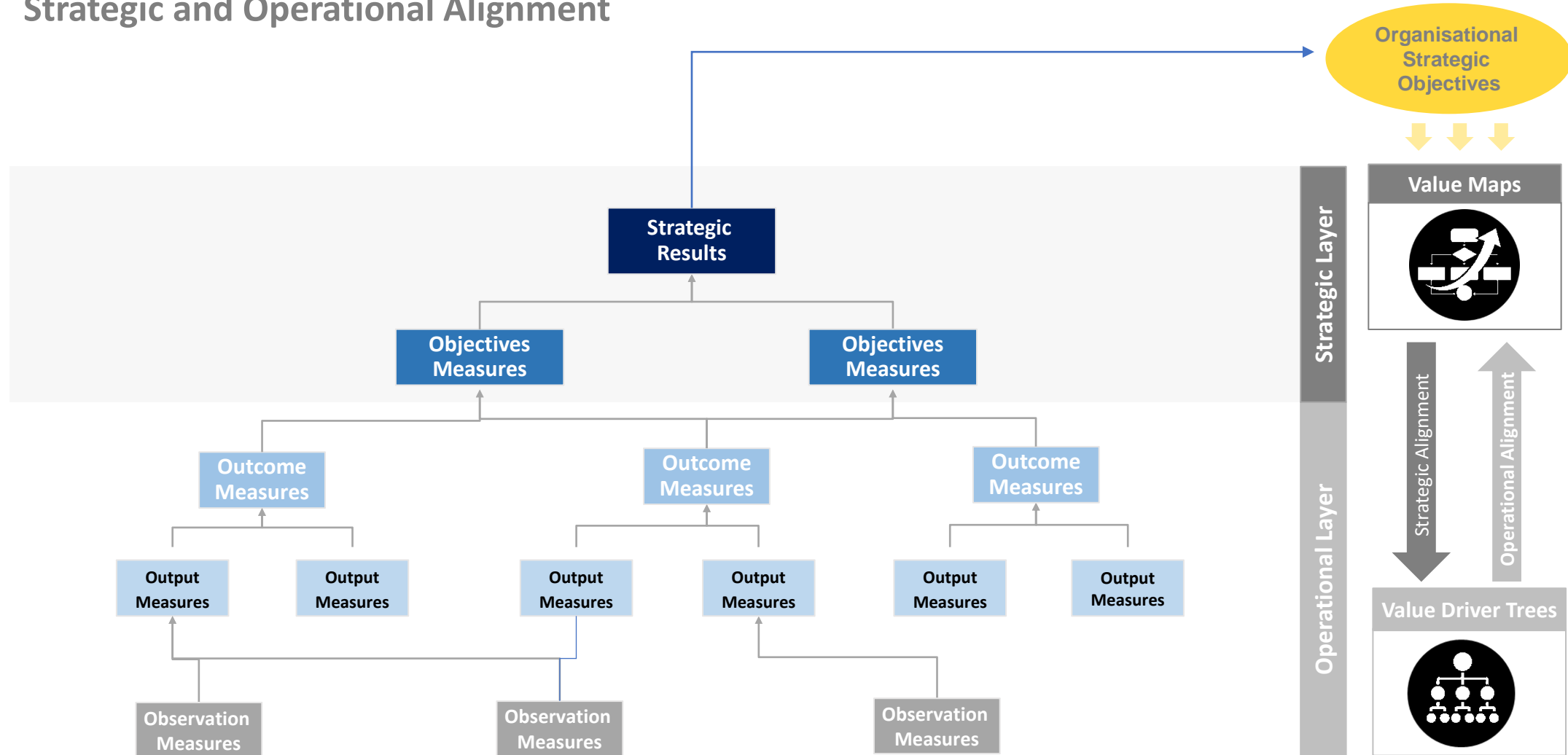
Linking a Value Driver Tree to a Value Map

The Measurement Hierarchy



Linking a Value Driver Tree to a Value Map

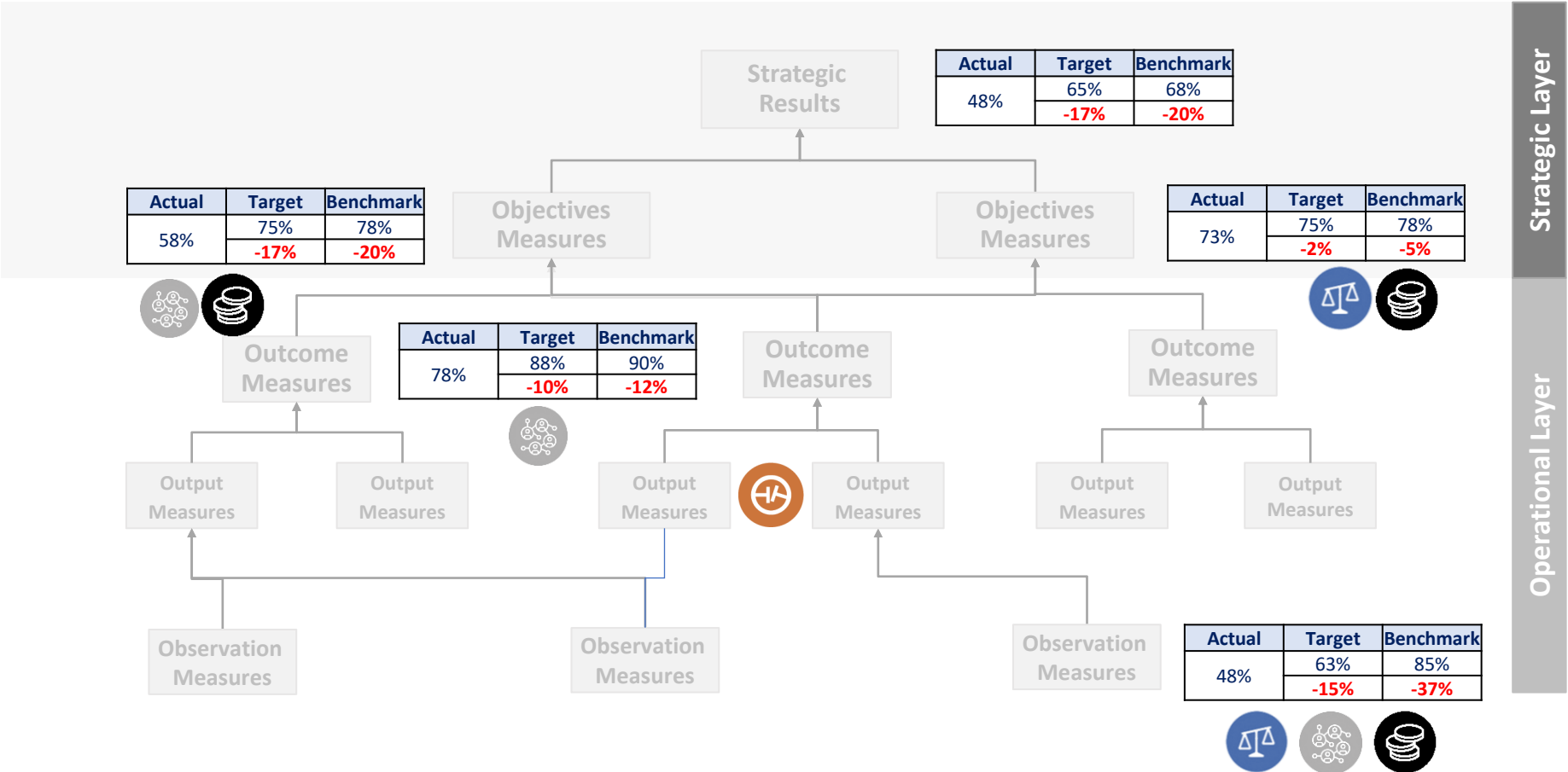
Strategic and Operational Alignment



STEP 2

Value Gap Analysis

Identifying the Gaps



Value Leakage



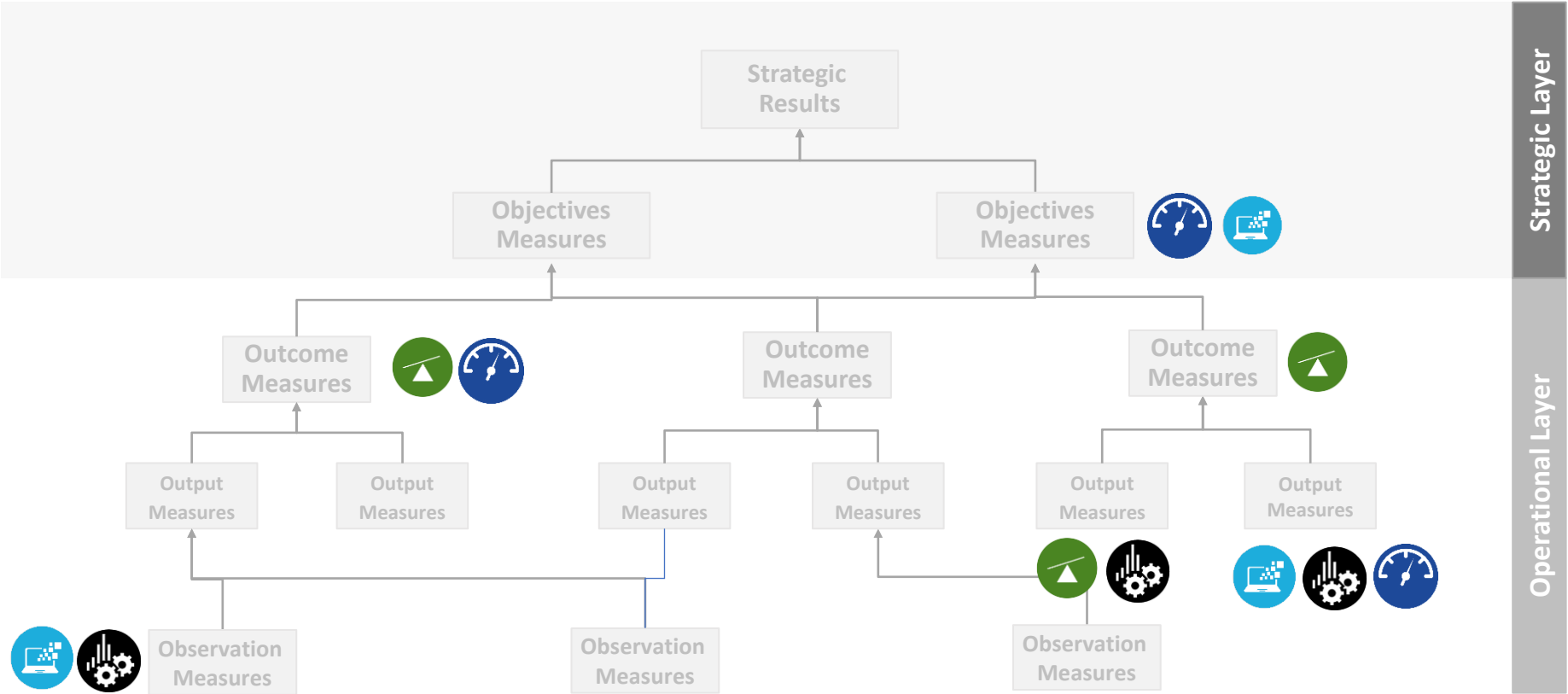
Value Opportunities

- Unbalanced Value
- Resource Optimisation?
- Savings
- Misalignment

STEP 2

Value Gap Analysis

Closing the Gaps



Value Remedy

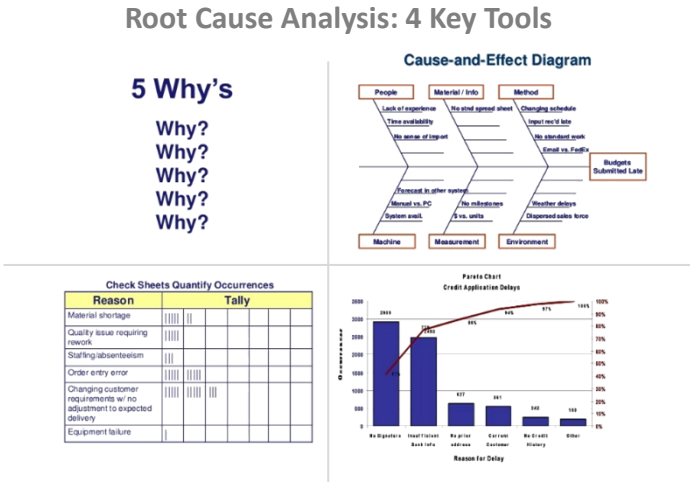
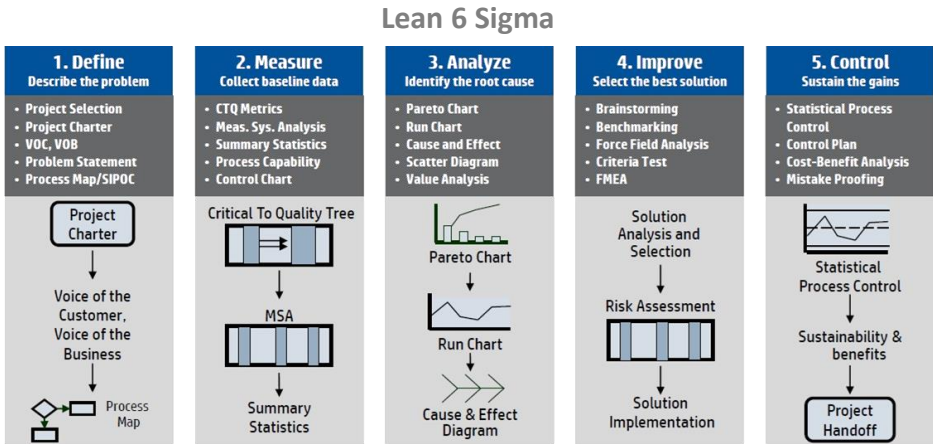
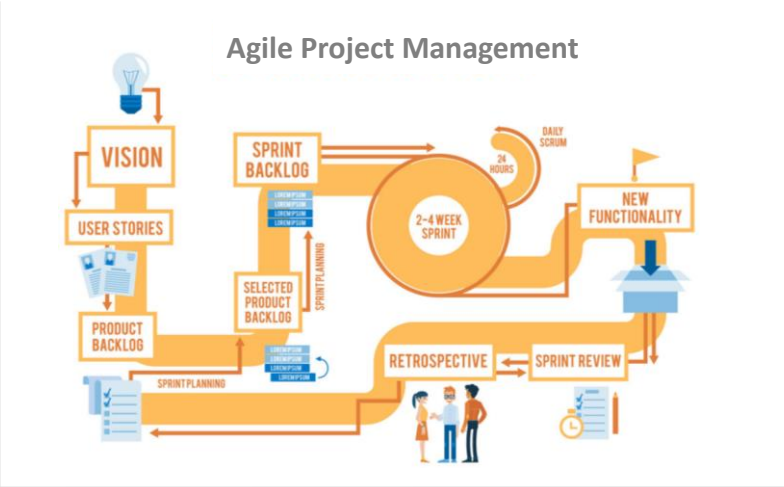
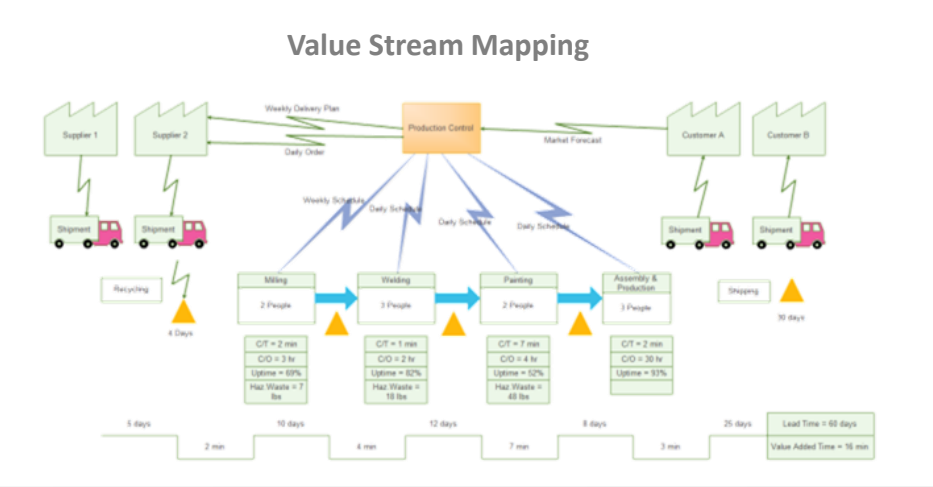


Value Drivers

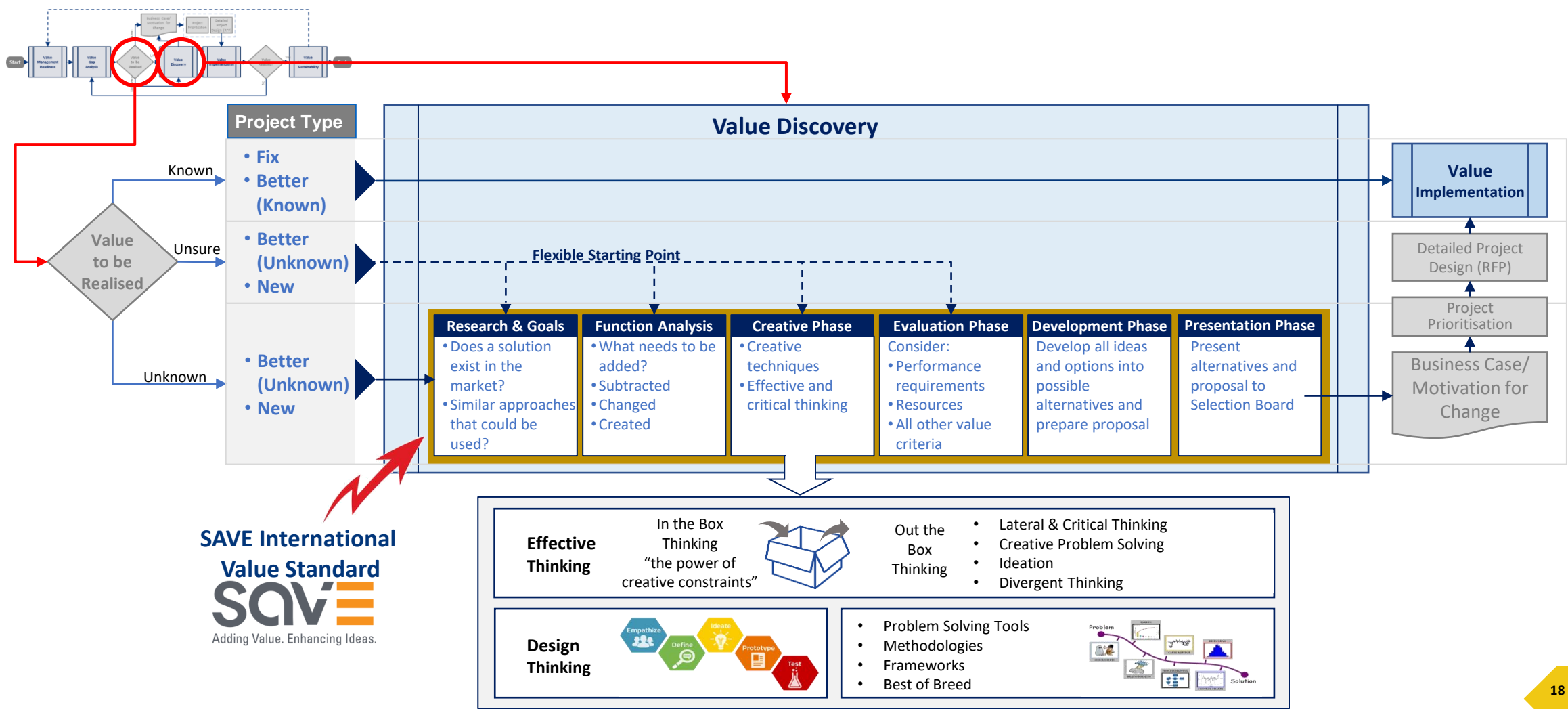
- Leverage Opportunities
- Technology Opportunities
- Process Optimisation
- Speed / Throughput

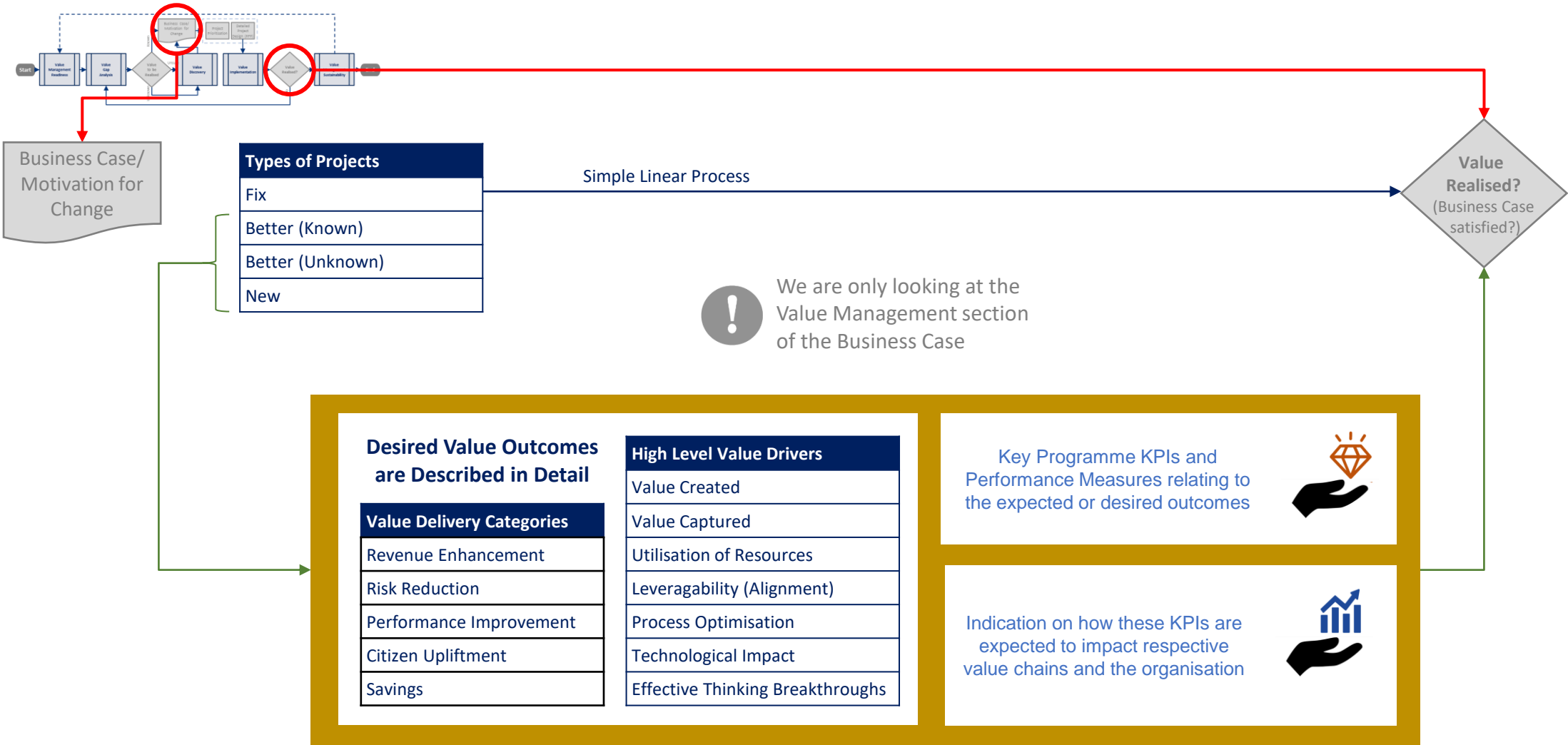
Value Gap Analysis

Some Value Analysis Options



Uncovering Opportunity through Small Steps and Giant Leaps





STEP 5

Prioritising Projects

1

Value Delivery Categories	Weighting	Expected Impact	Score
Revenue Enhancement	The Expected Impact Calculations are given a score, for example as follows:	1. High = Score of 5 2. Medium = Score of 3 3. Low = Score of 1 4. N/A = Score of 0	
Risk Reduction			
Performance Improvement			
Customer Upliftment			
Savings			
Overall Score			'xx'

2

High Level Value Drivers	Weighting	Expected Impact	Score
Value Created			
Value Captured			
Utilisation of Resources			
Leveragability (Alignment)			
Process Optimisation			
Technological Impact			
Effective Thinking Breakthroughs			
Overall Score			'yy'

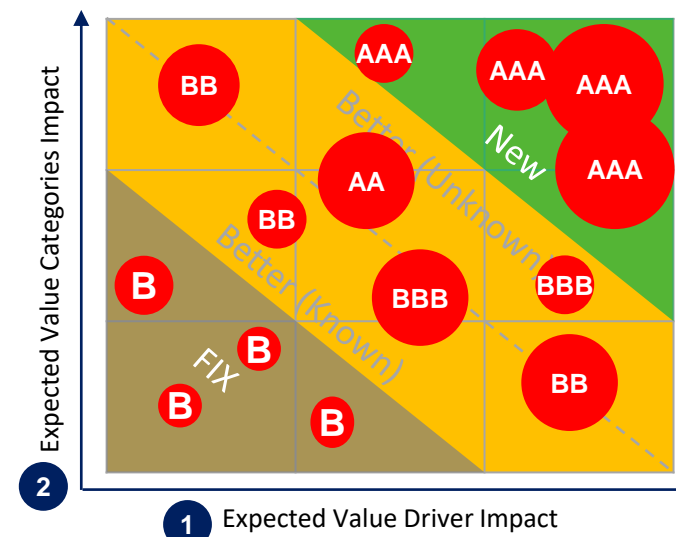
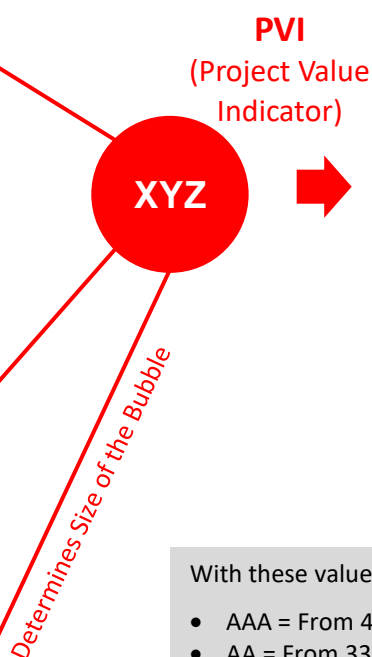
3

Types of Projects	Weighting	Expected Impact	Score
Fix			
Better (Known)			
Better (Unknown)			
New			
Overall Score			'zz'

Objective:

Use the Project Value Indicator (PVI) as a metric for valuing projects and prioritising project delivery. The PVI is used to give selected Projects a value rating in order to rank them

NB: The PVI does **NOT** prioritise projects for implementation, but rather as a criteria for selecting projects that will be most suitable as candidates for the value management process.

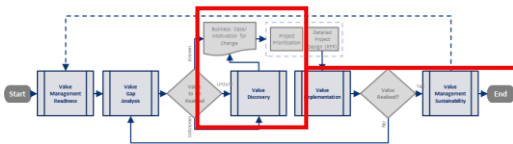


With these values in place, a PVI Calculation will create a range from 0 to 55.

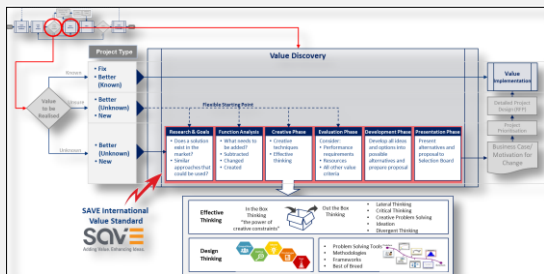
- AAA = From 45 to 55
 - AA = From 33 to 44
 - A = From 25 to 32
 - BBB = From 15 to 24
 - BB = From 5 to 14
 - B = From 0 to 4
- AAA and AA : Highest value return ratings expected or forecasted
- A and BBB : Very high value return ratings expected or forecasted
- BB and B : High value return ratings expected or forecasted

STEP 6

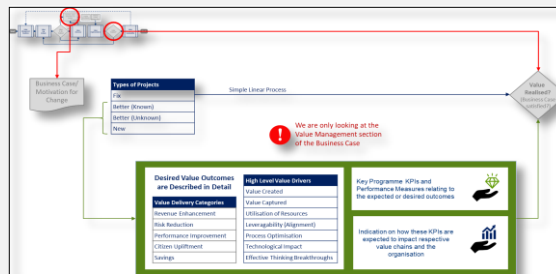
Designing Projects for Value



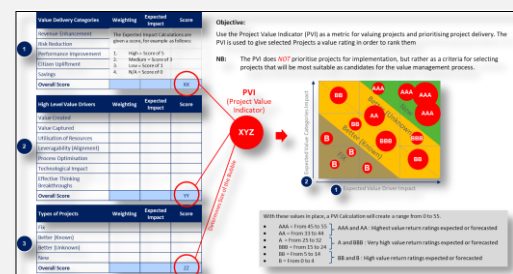
STEP 3 Value Discovery



STEP 4 Business case



STEP 5 Project Prioritisation



Project is designed around business objectives rather than solution parameters

5 Project Management Process Groups

STEP 7 Value Implementation

Comprehensive Value Delivery

1 Assurance - Qualitative Fulfilment (Value Evidence and Assurance)

“Assure Value is Created and Captured and there is Evidence of Benefits”

- a) Pain Points
- b) Business Requirements
- c) Legislative Requirements

2 Impact - Quantitative Fulfilment (Effect and Impact of Value on Business)

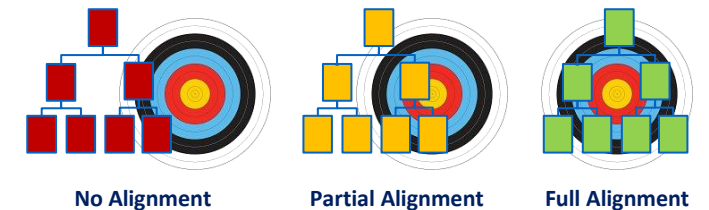
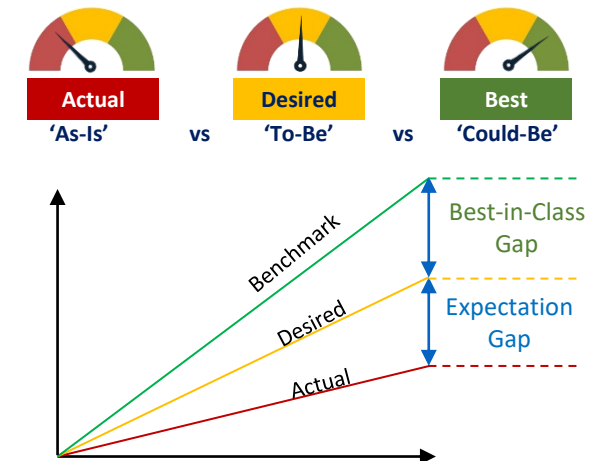
“Demonstrate the Effect and Impact that the new change has bought about”

- a) Phase 1: Establish a baseline. Capture the key Business Objectives and KPIs in the current “As-Is” environment
- b) Phase 2: Compare the impact on go live between the baseline (As-Is) and the new (To-Be) environment
- c) Phase 3: Compare go-live performance with best in class and best practice by benchmarking (The SAP VM Tool)

3 Relevance - Business Alignment

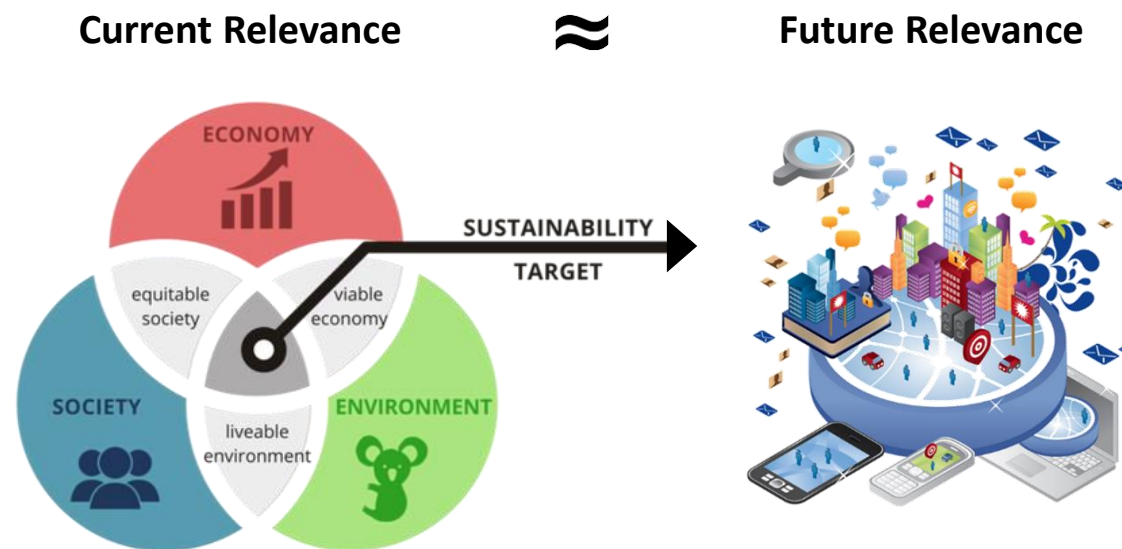
“Ensure Value Created and Captured is Relevant to Strategic and Long Term Ambitions”

- a) Value Maps
- b) Value Driver Trees

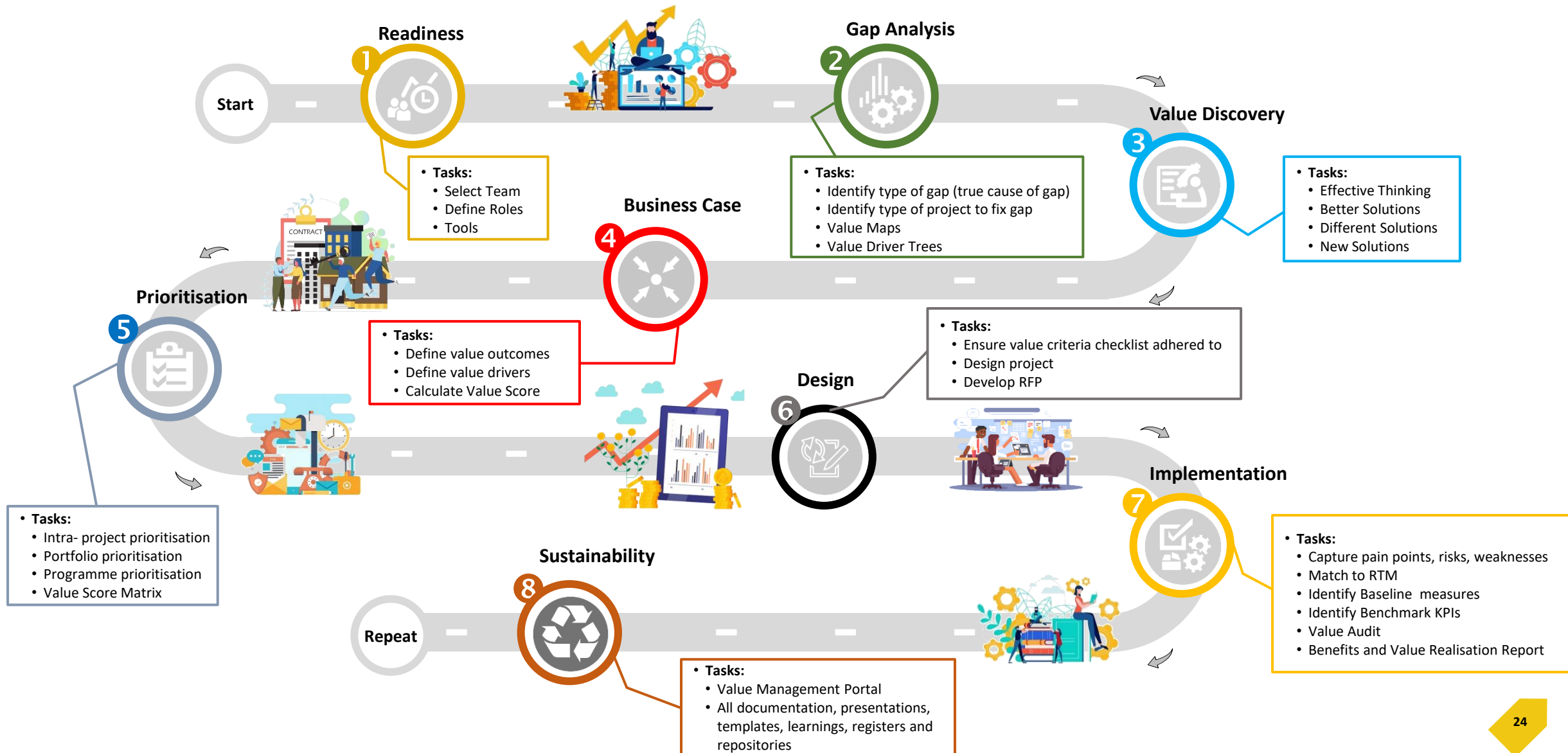


Maintain Relevance and Futureproof your Business

- In the long run you want value management so infused in the organisation's DNA that the complexity of project type will not matter – it will be consciously, seamlessly and effortlessly adopted throughout the organisation on all projects and all processes.
- Value Management Portal
 - Templates
 - Presentations
 - 'How-to' Documents
 - KPI Repositories
 - Documents and Evidence Repositories
 - Training Material
 - Lessons Learned



Value Management Key Offerings Summary



Contact Details

Get hold of us to find out more.....



www.growthhorn.com



sales@growthhorn.com



Other Consulting Offerings



Sales Process Management

- Build a predictable, measurable and sustainable sales process
- Improved sales conversions and relationship building
- Enhanced service delivery and customer satisfaction



Project Delivery

- New product development – cradle to ‘cradle’
- Help with entry into new markets and new routes to market
- Wicked problem solving and facilitation



Growth Management

- Identify and define approaches to grow existing and new markets
- Identify and define approaches to row existing and new products
- Innovation and disruption



Value Management

- Lean process and waste management
- Streamlined costing
- Pricing and optimal revenue management
- ‘More-with-less’ leverage philosophy



Performance Management

- Strategic and operational alignment
- Strategic objectives and KPIs
- Scorecards, dashboards and measurement
- Gap analysis
- Processes and projects