

Using Value Management to Optimise Project and Programme Outcomes

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Value, in its broadest sense, is the benefit to the business of a project or programme – that is, is it worth doing and can its value be quantified in business terms (though not necessarily in financial terms); for example, creating a better working environment or improving the experience of patients during treatment. Value is optimised by ensuring that the right choices are made about obtaining the optimum balance of benefit in relation to cost and risk. Value management provides a structured approach to the assessment and development of a project or programme to increase the likelihood of achieving these requirements at optimum whole life value for money.

Value management is a collection of techniques used to improve outcomes and provide best value for money. Value Management may be perceived as a method to reduce costs. The real 'value' of value management is in exploring the available solutions to business problems or opportunities to determine which will provide the greatest value for the money that will have to be invested.

Management of Value (MoV) provides guidance on how to conduct value studies, the roles that may be needed, and the tools and techniques that may be used. It originates from the UK, with a similar background, ownership and support arrangements as PRINCE2 and MSP. MoV is well aligned with the Australian Standard AS 4183:2007 Value Management.

Government policy across Australia is generally to seek optimal value for money in public sector procurements, however audits of procurement practices seem to indicate that the methods used generally focus on the lowest cost offer rather than the offer representing the greatest value for money. This is where the MoV guidance can be used to good effect in projects and programmes.

Both the PRINCE2 project management method and the MSP programme management method incorporate techniques for assessing and optimising value. PRINCE2 describes business options (strategy) and delivery options (tactics), the benefits of each of which are described and assessed in the project Business Case. MSP describes programme outcomes in a Blueprint and the means to attain these outcomes in a Projects Dossier, with the programme Business Case proving that the selected outcomes and delivery mechanism represent the optimal combination available. Both methods provide for periodic reassessment of value over the lifecycle.

Both methods imply that their approach will draw the business to the solution representing optimal value for money. However neither method shows how the solution space is explored and defined, how innovation can be fostered, how possible scenarios are identified, assessed and socialised, how disparate solutions can be compared in meaningful ways, nor in fact how to assess value for money. This is the space in which MoV operates.

Value management is a proactive process intended to be embedded in the lifecycle, in contrast to the Gateway Review process which is reactive and an add-on to the lifecycle. Value management is most useful during master planning and preliminary design phases of a project or programme; later in the lifecycle it supports decisions to continue beyond stage gates.

Application of value management practices is becoming accepted as a key contributor to successful construction projects in many jurisdictions. Government websites in NSW, Queensland, Victoria and Western Australia provide guidance on the use of value studies in such projects. However, value management has a role in major projects and programmes of any type.

The success of value management is highly reliant upon adequate preparation and involvement of key stakeholders. It is essential that open-minded participants, able to provide a positive contribution, become involved, with an appropriate balance of participant numbers representing each key stakeholder. Value studies also have the added benefit of eliciting the views of all key stakeholders, ensuring their understanding and promoting their buy-in to group decisions. Value studies should be scaled to suit the needs of the project or programme.

The study is conducted as a workshop over several days. Value study outcomes are varied but usually provide robust challenge of proposals. Participants are encouraged to explore best outcome alternatives, to be innovative, to raise and resolve key issues and to confirm essential function requirements of acceptable solutions to the business problem. Participants are encouraged to identify opportunities for improved functionality and reduced cost which will not impact on solution effectiveness. Improved value is frequently achieved through eliminating waste, avoiding duplication and unnecessary expenditure, maximising simplification and efficiency, and considering whole-of-life costs, environmental impact, sustainability and energy efficiency.

It is common practice to align value studies with risk assessments at key points in project and programme lifecycles. Risk management and value management are essential tools for the successful delivery of projects and programmes. Value management helps the business identify the best way of meeting business need. Risk management is used to manage the risks associated with the solution that offers best whole-of-life value to the business. Risk management is not a barrier to innovation; the most successful projects have well understood and effectively managed risks.