

# Value is the Glue

holding together project portfolios

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## What are organisations worried about?

What could we do?

Strategy

more often than

How could we do it?

Tactics

## What are organisations worried about?

What should we do?

Strategy

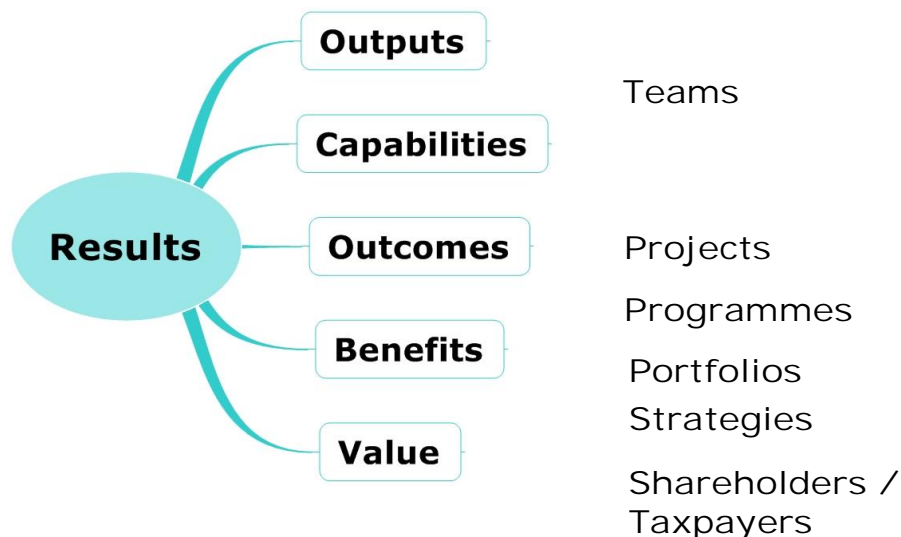
Why?

Value

How should we do it?

Tactics

## What do we deliver?



## Concepts of Value

- Aristotle
  - Ethical, judicial, religious, political, social, aesthetic, economic
  
- Economic distinctions
  - Use = utility
  - Esteem = desire, perception
  - Exchange = market, cash .

## More info please

- “Standards”
  - Value Analysis, Value Engineering
  - SAVE International Value Standard and BoK
  
- Standards
  - AS 4183:2007 Value Management
  - BS EN 12973:2000 (European)
  
- Guidance / training
  - IVMA accreditation criteria for training courses
  - Management of Value 

## What is Value?

$$\text{Value} \equiv \frac{\text{Satisfaction of needs}}{\text{Use of Resources}}$$

Alternative forms:

$$\text{Value} = \text{Benefits} / \text{Expenditure}$$

$$\text{Value} = \text{Function} / \text{Cost}$$

## Why is it hard?

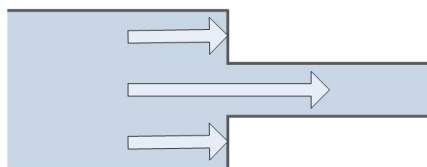
“The constructive and destructive force of human attitudes and practices, and their effect on appropriate designs and costs”

Lesson learned by Victorian Gateway Unit:

- Evaluation of procurement proposals is (still) driven by up-front cost rather than long-term value for money .

## Why is it hard?

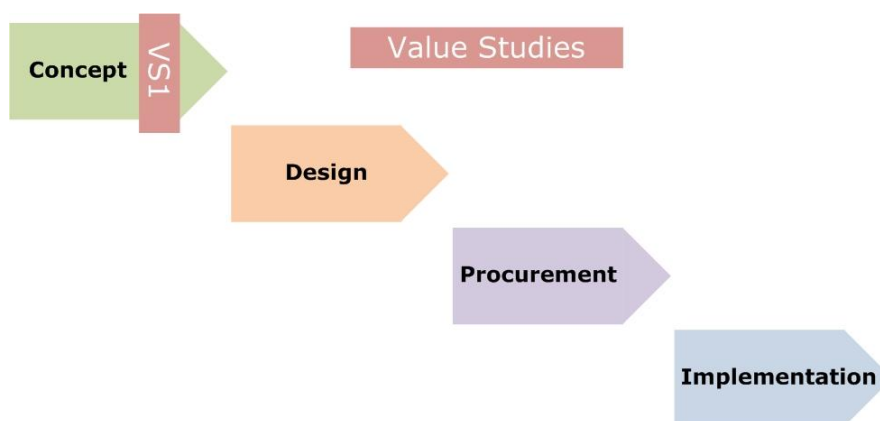
- Comparing apples with oranges
  - Comparing disparate options in meaningful ways
  - In the face of differing priorities, clashing agendas
  - And arriving at a balanced decision enjoying consensus support
- “Impedance mismatch”
  - Lack of clarity about value among the players .



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## Value across traditional lifecycles



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## Scope for Improvement

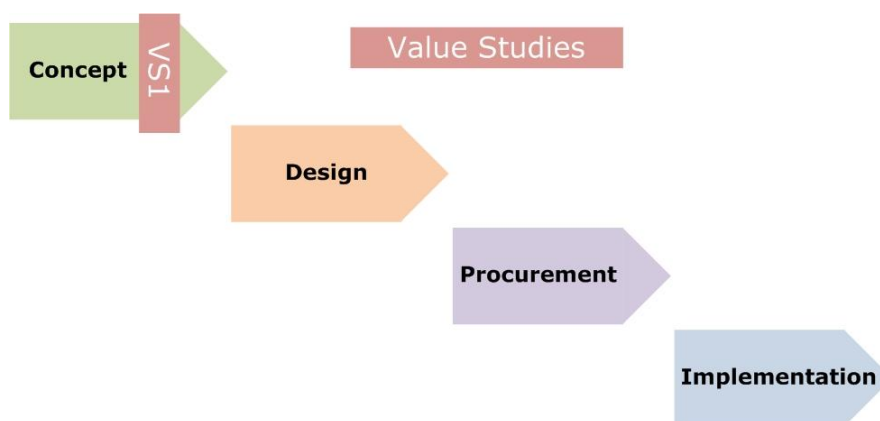
Key findings across all industries:

- Project scoping is getting worse, not better
- Inadequacies are discovered far too late
- Inadequate definition of project objectives
- Lack of stakeholder input to scoping
- Too little demonstration of value for money

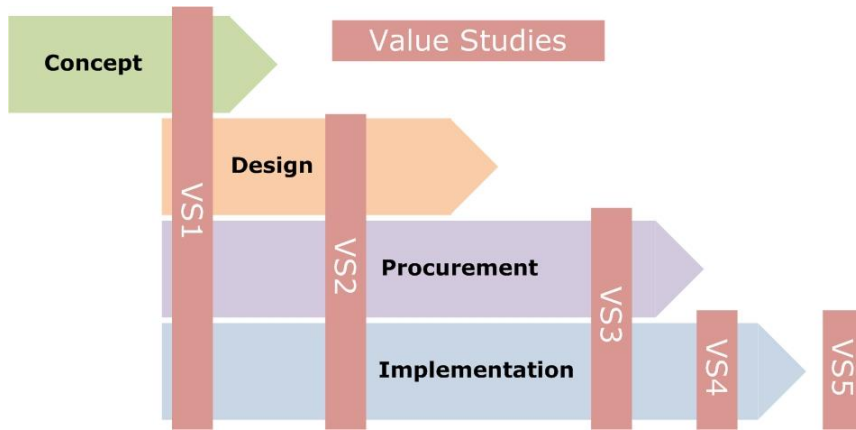
Survey 2006

Australian Constructors Association .

## Value across traditional lifecycles

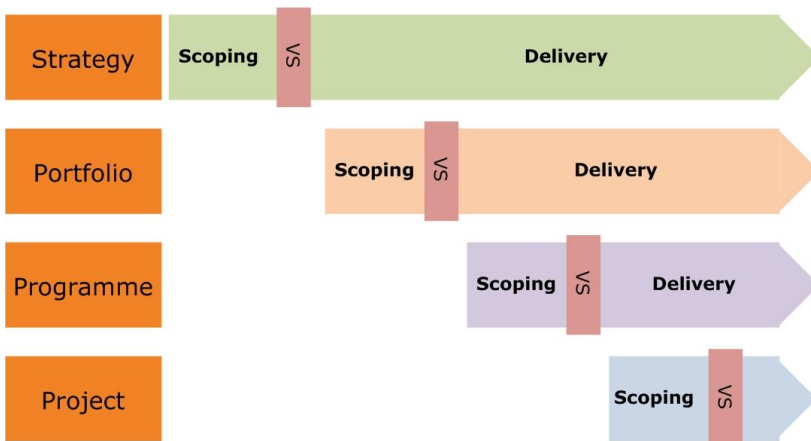


## Value as the Glue across phases



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## Value as the Glue across portfolios



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## Value as the Glue across portfolios



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## Value and Risk

Q: What are the critical risks in a portfolio, programme or project environment?

A: Risks to value

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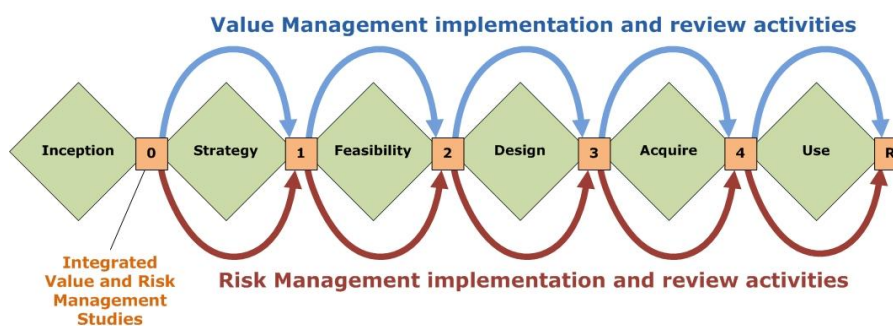
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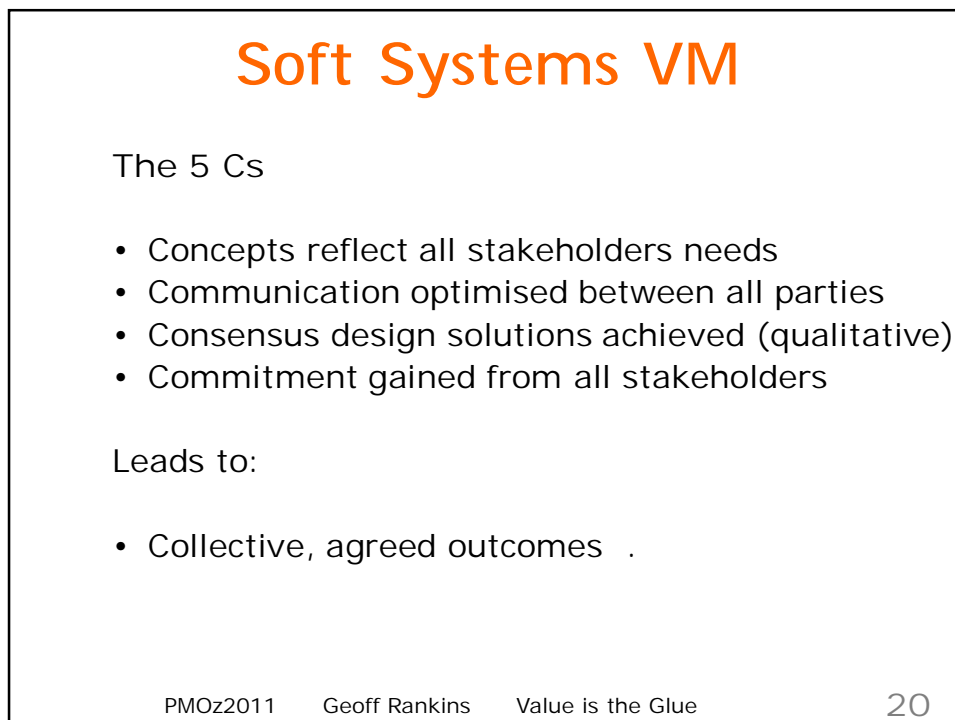
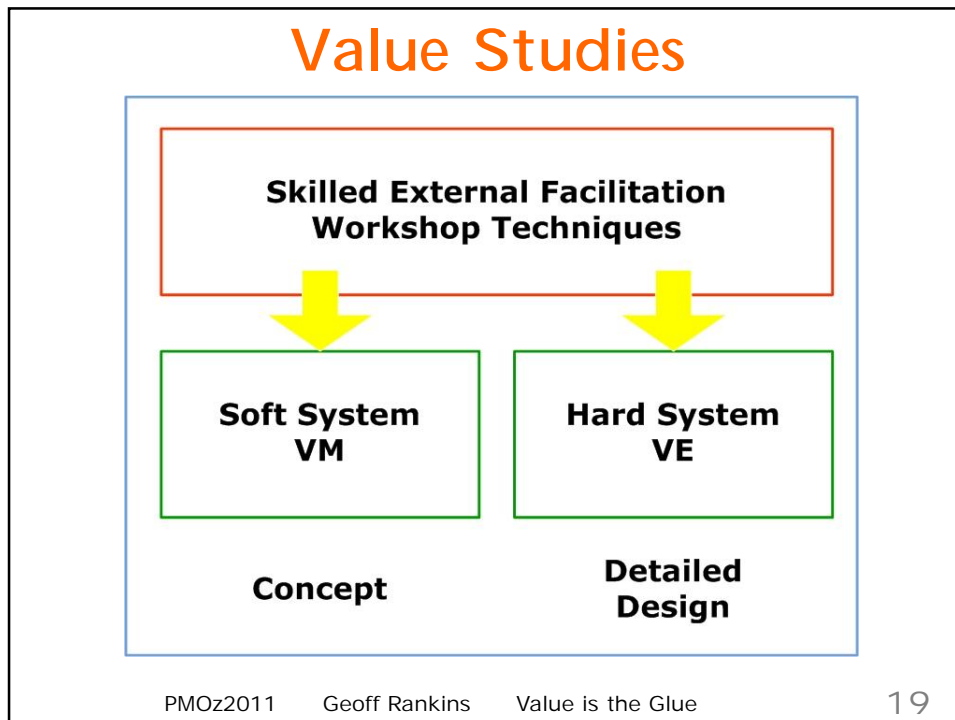


## Value and Risk working together

- VM provides the means to identify, articulate, socialise, agree and deliver best value
- RM provides assurance that the setup and delivery of portfolios, programmes and projects will avoid the destruction of value, and will seek the enhancement of value .

## VM/RM integration across the lifecycle





## Hard Systems VE

### The 5 Ss

- Static versus dynamic design problems
- Same understanding of which functions are necessary
- Systems Engineering, systems analysis (quantitative)
- Selection of preferred design through costing exercises

### Leads to:

- Succinct detailed design .

## VM - Getting the concept clear

### Strategic Value Management decision:

Build a hotel, not a shopping mall

### Project Value Management decision:

A 3-star hotel is out best option, not a 4- or 5-star

Evaluation criteria include: aspects of risk, safety, sustainability, etc – but not cost initially

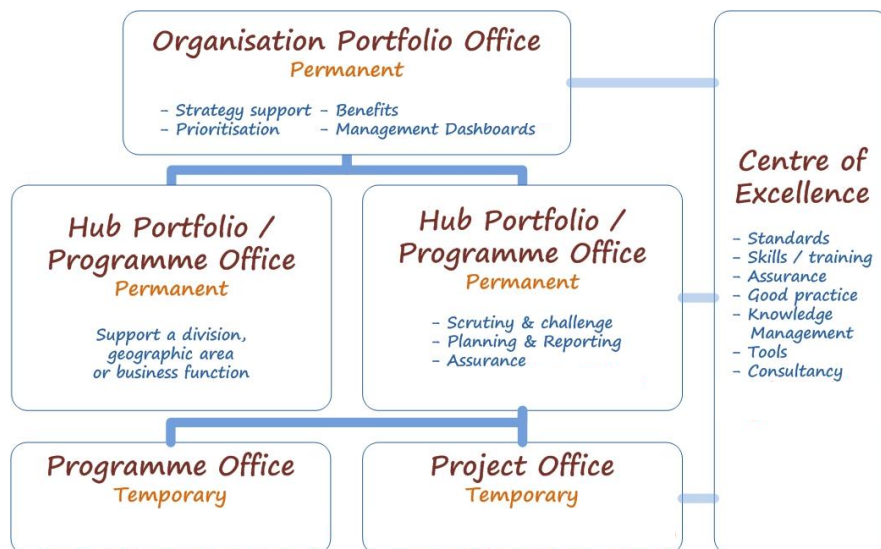
## VE - Getting the concept clear

It's to be a 3 Star Hotel.

So now:

- Maximise design efficiencies
- Minimise cost (without critical compromises)
- Meet stakeholder objectives of:
  - Safety
  - Sustainability
  - Aesthetics
  - Etc .

## Who?



## Value and Agility at the Speed of Light

- Value and Agility
  - Which way to skin the cat, today?
- Emergent strategy
- No more stove-pipes
  - Integrated processes
- **Value is the Glue!** .

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Value management



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