

Entities, Attributes and Value

Unpacking the Australian Standard definition of value (Value Times article, June 2007)

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This is one of a series of articles that were published in Value Times. The purpose of the series was to inform IVMA members of the rationale and implications of the new Australian Standard on Value Management.

This article deals with the definition of "value" in the new Australian Standard on Value Management. In previous Value Times articles, IVMA conference proceedings and elsewhere, I have described the reasoning that led up to the redefinition of "value" and "value for money" for the purposes of the Australian standard. In those articles, I have emphasised the importance of separating "value" and "money" so that we can be clear as to why something has value and then determine best "value for money" solutions. In this article, I will focus upon the definition of "value", explain selected terminology in the new standard and offer some practical "how to's" in using the new definitions. The definition of "value" in the new statement reads: *"an attribute of an entity determined by the entity's perceived usefulness, benefits and importance"*.

Entity

When writing the standard, we initially used the phrase "product, process, service, system or organisation" to describe the subjects of value management throughout the document, but found it so cumbersome (since it is used so many times in the document) that we needed to find a single word that could do the job. Hence, we settled with the word "entity" which is, in fact, a very appropriate word. We then defined the word "entity" for the purposes of the standard, to mean "any product, process, service, system or organisation (or part thereof)". Of course, the idea is that for each individual value management study (when the actual subject will be known) the word "entity" will be replaced by the actual descriptor e.g. "Somewhere General Hospital" or, "XYZ IT integration system" or whatever.

Attribute

In making a clear distinction between "value" and "value for money" we sought a definition of "value" that made no reference to "costs" or "money" but simply focused on what it is that gives an entity value. We settled on the word "attribute" and hence the phrase "attribute of an entity". We considered other words such as "property", "quality", "characteristic" and "facet" and saw that most would suffice but agreed that it was the word "attribute" that best suited. This is quite consistent, by the way, with modern dictionary definitions in common use. The point is that it is "attributes" that give an entity "value". But what are these "attributes" and how do we capture and measure them? As described in previous Value Times articles and several conference papers, I have found that we can very effectively capture these attributes under three headings: *useful purpose, benefits* and, other factors of *importance* (that is, matters of importance about the entity that were not drawn out under the other two headings). It is on this basis that we constructed the definition of "value" and also constructed the first stage of the value management work plan.

Just as there was an array of words at our disposal when we chose the term "attribute", so there was such an array when defining the attributes themselves. We agreed on these three (*usefulness, benefits and importance*) as being the most meaningful. Individual practitioners might choose to use

other words that they prefer which is quite okay as long as the intent is maintained. I have found no situation where these three words did not work well.

Usefulness or useful purpose

In making this the first attribute of the value definition, we continue the conventional Value Analysis/Value Engineering approach of recognising the central role that "use" or "function" plays in the definition of value. In the definition of "value" we have simply used the word "usefulness" but later in the document, for example, in the work plan, we specifically refer to "useful purpose". I much prefer the term "purpose" to "function" because "purpose" captures the notion of *intentionality* whereas the term "function" does not necessarily do so and it is the "*intended use*" that we are usually trying to get at in determining value. And so, the notion of "useful purpose" or "function" is still seen to be at the heart of the matter, even though we have radically departed from convention in many ways. If something, whatever that thing happens to be, has no "useful purpose", it is highly unlikely to have any value at all. But to give a clear picture of value, we need to explore further than simply the notion of function. In practice, we need a structured approach to enable the group with whom we happen to be working to construct a statement of purpose or intended use. Here, the conventional "verb-noun" approach is very appropriate, possibly with the addition of one or two adjectives. The exercise normally establishes three or four dot-points and within those three or four points, there may be more than one level of abstraction. This short statement can be used later in the workshop as the starting point for a "purpose-means" diagram, function-hierarchy or FAST diagram.

By way of example, consider for a moment a normal passenger train. We can capture its useful purpose (from the point of view of customers) in the conventional verb-noun format by saying that it is to "convey passengers". We can add a few extra words to that statement, for example, "from A to B". Then, if the train doesn't fulfil that useful purpose, from the point of view of the customer, it will probably have no value at all. But let's assume that it does satisfactorily fulfil that useful purpose, we can immediately see that other attributes come into play that will add to the value of the train as seen by the customers. We capture these attributes beneath the headings "benefits" and "importance".

Benefits

Beneath the heading of "benefits", we want to capture the perceived advantages (or enhanced well-being) gained from the entity. These benefits are part of what gives an entity value. In conventional Value Analysis/Value Engineering, the phrase "higher-order function" is sometimes used and such items fit easily beneath the "benefits" heading. In my early days in teaching and practising value management, I followed convention in using the phrase "higher-order function" but found that without exception it needed detailed explanation to convey meaning of the phrase itself (let alone the subject being considered) and was quite out of place in most cases. By contrast, no one in a workshop has ever asked me to explain the term "benefits". There are usually several benefits gained from an "entity". In the case of the passenger train mentioned above, benefits might include being able to visit one's relatives or saving time, amongst others. Again, a short dot-point list will do the job. From time to time, practitioners might find it helpful to combine useful purpose and benefits into one set of information, classified by levels of abstraction. I have found that in by far the majority of occasions it is more helpful to keep them separate. So now we have facilitated the process of helping a group identify useful purpose of the entity and benefits that are expected from it. We're well on the way now to defining the value of the entity but there's still more to do. Next, we must identify other characteristics of the entity that are seen to be of particular significance or consequence that have not been captured beneath the previous two headings.

Importance

To complete the "value" picture, we need to find out if there are any other attributes of the entity that are seen to be of particular significance or consequence that have not been captured beneath the previous two headings. We can expect quite a long list of these things, typically between 25 and 35 dot points. Using our train as an example, comfortable seating may be of particular significance to someone - and hence the value of the train will increase or reduce depending upon how comfortable the seats are - yet note that this has nothing at all to do with the primary purpose.

We have now completed the task of capturing the attributes that give the entity "value". In practice, I refer to this as a "value statement" (this is not a term that we have used in the Australian standard, but is useful in practice). Once we have established this, we can go on to develop options that will deliver best "value for money", keeping in mind the important aspect of the new standard that we distinguish between "value" and "value for money".

The new standard recommends that these attributes are established early in the workshop. We have deliberately named the first part or stage of the workshop: "Building Knowledge and Understanding". This is intentionally distinct from the conventional terminology "Information Phase". We have done this so as to recognize that we are not just collecting information during this time. This is a time of *learning* - individually and organisationally - hence our choice of words "Building Knowledge and Understanding". It is extremely important that practitioners recognize this. It is also extremely important to see the construction of a "value statement" itself as a group-learning exercise.

Frequently, we see in the value management literature and most project specifications references to "value" and "value for money" as if they were static notions that can be calculated by some formula at a point in time. In putting together the new standard, we have recognized that the whole notion of "value" is not static and will change from person to person, organisation to organisation, place to place and, time to time. It is entirely a matter of individual perspective and choices. This is why we need structures and processes that will enable groups to work together - listening to and learning about one another's point of view - and, based upon the group learning that takes place, to construct "value statements" that appropriately reflect those perspectives and choices in terms of useful purposes, benefits and other matters of importance. This group learning process requires expert facilitation, ensuring that each person has an opportunity to express his or her needs (in relation to the entity) and that these needs are appropriately captured and considered in producing value statements.

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