

President's Message

Working alongside people to achieve best Value for Money

IVMA's primary purpose is to help everyone achieve best 'value for money'. That's what we do!

One way of fulfilling that purpose is to work alongside people as a helper — no matter what those people are actually working on.

They may be working on projects and programs and the help may be in planning, design, construction, manufacturing, service-delivery and ongoing operations.

Or it could even be helping someone shopping at the local supermarket!

Most people want to achieve best 'value for money' and our role is to help them do it.

I chose the words "work alongside" carefully for this article. I wanted to distinguish between "working alongside" as a 'helper' from "force fitting" into projects and programs a pre-determined process conducted by experts.

In working alongside people, we can help achieve best 'value for money' by any or all of these means:

- Promoting an organisational culture where 'value for money' thinking and habits are modelled, nurtured and encouraged.
- Within that organisational culture, developing the habit of asking questions about the purpose of 'things'; especially the 'primary purpose', whatever that 'thing' might be. It could be a meeting, an organisational structure, a new bridge, a hospital re-development, a manufacturing process – literally anything. (This habit alone will make an enormous difference.)
- Listening and offering advice about principles and practices of achieving best 'value for money' and how to implement them.
- Delivering professional services to facilitate any or all of the five-step 'value for money' process described below which is based on AS 4183 (2007).

I have frequently mentioned in these Value Times articles, that the single most important thing we can do in helping

people to achieve best 'value for money' is to get them to define and focus on the primary purpose of the 'entity' that is being considered.

Following that, people need to ensure that all decisions are backtracked to that 'primary purpose' statement. That 'entity' might be a breakfast at a local café, a product from the local supermarket, a proposed new freeway or investment in mining exploration.

It makes absolutely no difference at all what the 'entity' is. We always start with 'primary purpose'. Always.

Having established the 'primary purpose' and built shared knowledge and understanding of it, we are in a position to move ahead and build the whole Value Statement.

This also involves working alongside people: listening, probing, challenging and framing – until we have a clear statement of:

- useful purposes of the entity
- benefits that are expected to flow from those useful purposes, and,
- features of the entity that are particularly important.

These three factors, of course, are taken directly from the Australian Standard of Value Management AS 4183 – 2007. Depending on the circumstances and the number of people involved, the task

“Having established the ‘primary purpose’ and built shared knowledge and understanding of it, we are in a position to move ahead and build the whole Value Statement.”

Continued on page 2

President's Message

Continued from page 1

of producing a Value Statement may take anywhere between half an hour and two hours but rarely more than that.

We can help to achieve best 'value for money' by introducing five steps that need **not** be undertaken in one sitting.

In some cases, it might be possible to get through all five steps in an hour or so. At the other extreme (such as in mining exploration) the same steps might be spread over several months.

No matter what the time frame is, the steps remain the same. Here they are:

1. build a **Value Statement** *within the context* of the entity being considered
2. ask lots of **'can we'** questions without answering them
3. **sieve** the 'can we' questions
4. produce 'value for money' **proposals**
5. make 'value for money' **judgements**

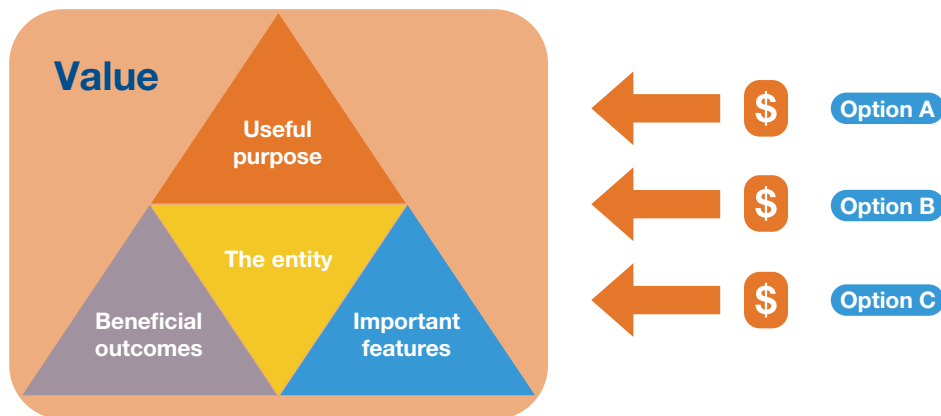
Once we have established the Value Statement and other contextual information (depending on individual circumstances), we can then move ahead and ask lots of 'can we' questions without answering them! That's the golden rule – don't answer the 'can we' questions!

Just keep on coming up with ways to achieve the Value Statement: "Can we do this...?", "Can we do that...?", "Can we...?", "Can we...?"

As we move on, we still do not attempt to answer the 'can we' questions but we do want to distinguish between those ideas that are realistically possible and show potential benefits from those that are not.

For this purpose, we can use a simple sieving process that can be carried out very quickly. After sieving the 'can we' questions, we are left with a number of randomly generated ideas, that show realistic possibilities and potential benefits. We then work with those ideas to develop proposals.

Value for Money



Each option provides more or less **value** for more or less **money**

Then, it's a matter of making judgements. Which of these potential proposals will deliver best 'value for money'? Here again, the Value Triangle and Statement come into play as we make comparisons amongst the various options available.

There is no algorithm to decide this. Tools such as 'multiple criteria analysis' won't solve it either, even though algorithms and MCAs might give us some useful information to help in making our judgements. 'Value for money' choices always involve judgement between options including, of course, the option of doing nothing.

In making those choices, we must recognise that each of the potential options that have been identified will satisfy requirements to a greater or lesser extent and that each option has a price tag (whether presented as capital or NPV).

In working alongside people to help them make judgements as to which option (or options) provide best 'value for money', our task is to guide them to consider each option one by one; recognising that each option provides more or less value (as measured against the Value Statement) for more or less money.

This is shown in the above diagram.

There are occasions when it's appropriate to follow all these five steps in a single event such as a facilitated workshop. In other cases, the steps may be undertaken one by one over a period of time.

If people apply these steps as part of everyday decision-making, building them into normal practice, then they will certainly be in a position to increase the likelihood of achieving best 'value for money'.

As consultant facilitators, IVMA members are able to work alongside people in the manner that I've described. We are especially well-placed to help in building 'shared knowledge' and understanding – amongst all the main stakeholders as well as project team members – about the context, needs and aspirations relating to the 'entity' being considered.

I've written in previous articles about the importance of doing this – It's fundamental to achieving best 'value for money'. This includes working together to clarify 'givens' and 'assumptions'. I'll write more about this next time.

Dr Roy Barton
President, IVMA

Value, Value for Money, and Value Management made simple

Whenever I ask someone what they understand by the term ‘value’, particularly in a business context, I often receive the response that “value is the monetary or assessed worth of a product or service”.

I am always intrigued by this choice of words, and the all-consuming idea that ‘value’ can be reduced to a single, calculated number.

In contrast, when asked “what do you personally value?”, an entirely different response is provided. These responses are often profound, thoughtful, and rarely about monetary worth.

In these cases, ‘value’ is priceless and about core principles like respect, friendship, personal growth, safety, and family. This perceived value is individually created or owned and therefore the sources of ‘value’ are not always equal, or equally important to all individuals.

This provokes two key thoughts worth considering:

In our personal lives, we seem to have an innate ability to sense ‘value’ and recognise that this ‘value proposition’ is sometimes complicated, difficult to quantify and cannot be reduced to a simple number.

Whereas, in a business context, this capability does not seem transferable and we seem to be somewhat bewildered by what ‘value’ means: we may lack practical guidance and we reduce ‘value’ to dollars and cents or some other metric.

I regularly encounter this paradox and it is this observed phenomenon that has spurred a professional interest and personal desire to add to our understanding of ‘value’, and find a more intentional and deliberate way for individuals to proactively unlock ‘value for money’.

“If we can surmise that ‘value’ is perceived, and differs between individuals, how do we even begin to assess ‘value’?”

This is what I have learnt.

Value

One of my most profound influencers is the famous philosopher and mathematician, Daniel Bernoulli.

As early as 1738, Bernoulli wrote that “the value of an item must not be based on its price but rather on the utility which it yields”.

This statement is deeply insightful and notably decouples price (or money) from ‘value’ and suggests that ‘value’ is to be found in utility.

Utility, however, is contingent; dependent on circumstances and often unique to individuals.

A simple example: I have two teenage children and our family would gain little utility (or almost zero value) from a baby stroller. In fact, we no longer own one.

In contrast, friends at work with a newly born baby would garner immense ‘value’ from such a ‘tool’. Interestingly, this ‘value’ becomes more opaque as we consider the differences in functionality that they seek from this ‘tool’: in this instance, a preference for a mere canvas buggy compared to a complete travel system.

So, if we can surmise that ‘value’ is perceived, and differs between individuals, how do we even begin to assess ‘value’?

You need individuals to articulate the ‘value’ (in a real, non-monetary sense), you need to contend with differing opinions, that may change over time, and you also need to make trade-offs to determine those features

and characteristics that provide more value than others.

There are several procedural tools and techniques available to capture the ‘value’ factors from a variety of perspectives.

The IVMA advocates the Value Statement and my own organisation has its bespoke terminology, but fundamentally I believe this is rather about adopting a humanistic posture and being able to develop a collective understanding of what ‘value’ means amongst those involved.

To process this requires two foundational capabilities: first, an ability to create an environment in which diverse opinions about ‘value’ can be honestly expressed, discussed and understood; and second, the adroit ability to manage conflict, make trade-offs between diverse opinions, and converge on an agreed collective understanding of the sources of ‘value’.

I believe that defining ‘value’ has little to do with a procedural tool and technique — although these can be useful — and everything to do with creating a shared narrative between individuals of how a given ‘thing’ or ‘activity’ has value.

Value for Money

Now that we have defined the ‘value’ found in utility, we can introduce the price we are willing to pay for that utility and determine the best ‘value for money’ outcome.

The best ‘value for money’ outcome would be that price that maximises the

Continued on page 4

Value, Value for Money, and Value Management made simple

Continued from page 3

utility: akin to driving a wedge between the price you pay and the utility you consequently receive.

Let us revisit our baby stroller example.

If we were wanting to buy a new stroller (with numerous options ranging from less than \$100 to more than \$1000), how would we know that we have selected the best 'value for money' option?

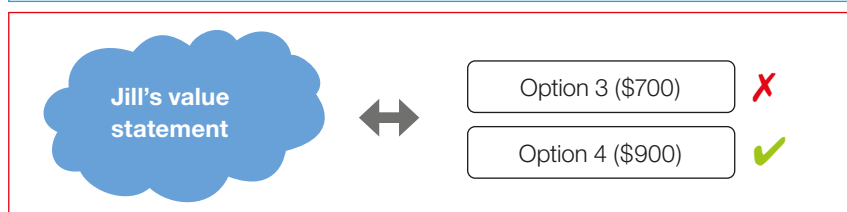
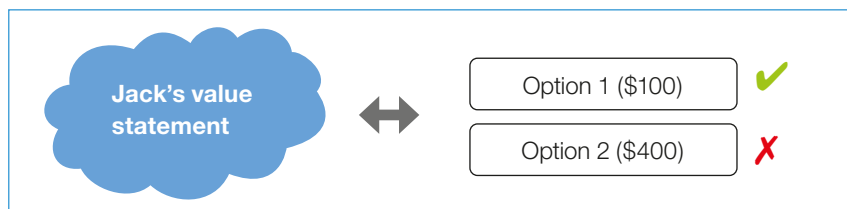
As we have discovered, the first step is to define the 'value' sought. The purpose of the stroller and its benefits might be clear, whereas the difference between prices is probably attributed to stroller characteristics or features. Are we okay to make do with a simple 'bassinet' stroller or do we want the latest 'Ferrari' branded push-chair?

Once the options have been identified, we can compare these against the 'value' sought. Logic would argue that the option that provides the greatest utility, for the lowest price, would be the best 'value for money' option.

As illustrated below, Jack and Jill are in the market for a new baby stroller. Jack values simplicity and would be more than satisfied with a basic canvas buggy. In contrast, Jill values brand appeal, keeping up with the 'Joneses' and a complete travel system.

Both would conceivably develop completely different Value Statements and this explains why there is a range of baby strollers to

Jack favours simplicity



Jill favours brand appeal

“A comparison between options based only on price is irrational as the lowest price would always be preferred.”

satisfy different needs: it is not a case of one-size-fits-all.

It is worth noting that neither is right or wrong; they are purely the contextualisation of the 'value' Jack and Jill attribute to a baby stroller. This is a natural consequence of being human.

These different positions on 'value' may then give rise to different options and different options might satisfy these positions differently.

Although important, a comparison between options based only on price is irrational as the lowest price would always be preferred.

The true comparison is how each option (more or less) satisfies Jack and Jill's Value Statements. The option that provides better 'bang-for-buck' would be selected as the better 'value for money' option.

In essence, Jack and Jill paid a different price but both satisfied the requirements of their Value Statement. This is because it is almost a fatal flaw to compare the option prices against each other, rather

than how these options meet the requirements of their Value Statement.

In Jack's case, the decision was easier: the lowest cost option also met the conditions of the Value Statement and was clearly the best 'value for money' decision.

Jill's situation is more complicated in that the cheapest option did not meet her requirements, but it still proved to be the best 'value for money' decision.

We make these decisions every day when we buy breakfast, pick a movie to watch, decide on the best holiday to take, and where to buy a new house.

The most interesting observation is then how astute we are at 'value for money' decisions at home — although we may not agree with what individuals do — but this judicious talent does not always seem to be transferable to work. Why?

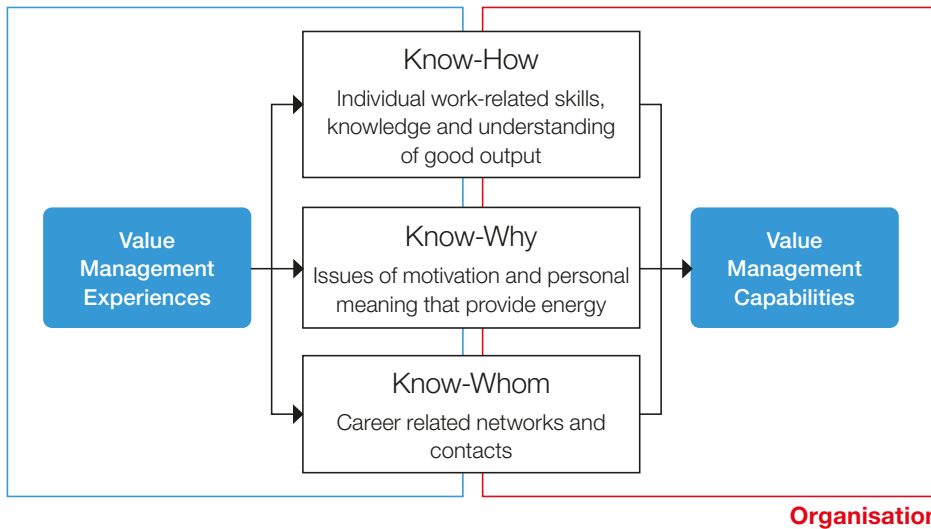
Value Management

These cognitive abilities are often known (but may not be deeply understood) by Value Managers and therefore provide them with control over the deployment of 'value for money' capabilities at work.

They are a critical determinant in the development and sustainability of these capabilities that reside in their attitudes and skills, how they coordinate and integrate activities, how they develop new ways to work, and carry out Value Management activities.

As illustrated above right, there are several factors that moderate a Value Manager's experiences in the deployment of Value Management capabilities at work (adapted from Lee, P. 2018: 348).

Individual



Firstly, Value Managers are limited by their reality where their *know-how* is narrowly constrained by what they have experienced in the past.

Secondly, it is important to consider how organisations learn and acquire these new skills and capabilities. In this capacity, *know-why* and the ability to engender trust, to take risks and create an organisational learning culture, plays a critical role in how organisations evolve their ‘value management’ capabilities.

Finally, managers with more varied sets of *know-whom* expertise and knowledge are more likely to identify changes quickly and/or take the organisation in a new direction if required.

From this, I would argue that managers are either the enablers or inhibitors who moderate the successful deployment of Value Management capabilities and are the pivotal gatekeepers to unlocking ‘value’.

As a result, Value Managers may constrain organisations if they are limited by their knowledge, and it is incumbent on organisations to create environments akin to ‘home’ if you really want to unleash the innate capabilities we already possess.

So, what should we conclude? First, we should recognise that humans are complicated in the ways we think, feel and act, and these characteristics drive why we perceive ‘value’ differently.

If we want clarity with regards to what people consider to be of value, then we had better start having more meaningful conversations about emotions or biological factors that drive us as opposed to simple discussions about procedures, tools and techniques.

Second, we should take comfort in the innate ‘value capabilities’ we already practice and build on what we already understand.

Finally, to be successful, it is incumbent on organisations to create an ecosystem conducive to making ‘value for money’ decisions. Such an environment would encourage collaboration, it would be safe to experiment and fail, and nurture learning; it would value the ‘value’ you place on Value Management!

George A. Scott
MSc, MBA, BCom, BTech, ND
(Civil Engineering) (TFIEAust CEngT
EngExec IntET) (CPPD)

A Call for Practical Presentations

Mosaic Project Services run the annual Project and Program Management Symposium in Canberra. The 2020 Symposium is on 25th and 26th August 2020.

Their feedback from the last three symposiums has been consistent: “our audience wants to hear ‘real world’ stories from the people who are doing what they do”.

Shared experiences from ‘real world’ activities are important to our development as project professionals. Whether around the bar, over lunch or in the corridor, everything from anecdotes to detailed, analytical dissections help us learn the art of being a ‘project professional’.

They are looking initially to a Presentation Proposal of about 150 words to be emailed to pgcs@consec.com.au with the title: *2020: PM Practical Paper Submission*.

There will be a variety of audiences and lengths of presentations at the symposium and the time and length of presentation will be worked out in conjunction with Mosaic.

The final Paper Submissions close on Friday 3 July 2020 at 5:00pm — so you have plenty of time to do a good, practical presentation.

So if IVMA members, even retired members, or our clients would like to demonstrate practical achievement of ‘value for money’, here is your chance!

More information on the symposium is available at: www.pgcsymposium.org.au.

Improving ‘Value for Money’ management by refining industry standards

During 2019 IVMA Directors identified the need to improve the implementation of value for money’ management in industry by potentially refining International Standards.

The term ‘value for money’ (VFM) is a poorly understood concept in practice. There is a lack of clarity in its application, especially in the distinction between ‘value’ and ‘money’ when assessing VFM in investment evaluation and decision-making. VFM is a common requirement in procurement and project specifications but there is no universally acceptable definition of what VFM is and how to measure it.

A working committee was formed within the IVMA to review the ‘need’, and appreciate how the organisation might influence International Standards on VFM management.

International Standard Review

The Project Management Institute (PMI) Project Management Body of Knowledge (PMBOK) Guide and Standards is a leading industry standard for ‘project management knowledge’. PMBOK involves ‘foundational’ standards that provide a basis for ‘project management knowledge’ and represent the four areas of the profession: project, program, portfolio and the organisational approach to Project Management. They are the foundation on which Practice Standards and industry-specific extensions are built.

Practice Standards describe the use of a tool, technique or process identified in the PMBOK Guide or other ‘foundational’ standards. Practice Guides provide supporting information and instruction to help you apply PMI standards.

Our review of PMBOK identified value-related processes in The PMI Guide to Business Analysis, and practice guides Benefits Realisation Management and Business Analysis for Practitioners.

In the Standards and Guides, VFM is not defined and is only mentioned once recognising that stakeholders understand the ‘value for money’ considerations to validate benefit profiles (Benefits Realisation Management s4.4.1).

Two relevant definitions to VFM include:

- **Benefits Management Plan:** The documented explanation of ‘benefits realisation’ defining the processes for creating, maximising, and sustaining benefits provided by a project or program.
- **Business Value:** The net quantifiable benefit derived from a business endeavour. The benefit may be tangible, intangible, or both.

Our review identified two main opportunities to enhance VFM management in Standards and Guides:

1. Expand the definition of ‘value’ by adding a definition for a Value for Money (VFM) Concept (AS4183).
2. Expand Benefits Realisation Management to include VFM Realisation Management (recognising that benefits are one component of the Value Triangle model – purpose, benefits and importance).

VFM Management Proposal

In response to the review, the IVMA submitted a proposal to PMI recommending the Value Triangle model for understanding the meaning of VFM, and on that basis, offering a procedure to guide VFM assessments in any context. The proposal is intended to provide a simplified method for understanding and achieving VFM.

The proposal highlights applying VFM Realisation Management would be a worthy response to the findings of the survey conducted by PMI in its 2018

Pulse of the Profession Report: Success in Disruptive Times that identified that fewer than 1 in 10 organisations report having a “very high” maturity in their Value Delivery capabilities and only 31% of organisations are prioritising the development of a comprehensive Value Delivery capability.

All public, private, commercial and industrial sector organisations seek to make decisions and achieve VFM outcomes for their entities (i.e. product, project, process, service, system or organization or parts thereof).

Incorporation of VFM in business processes would provide a generic and transparent methodology to deliver cost-savings for the suppliers of goods and services and for their users/consumers.

The application of VFM will deliver goods and services that best meet consumers’ needs. Including the VFM Concept in Standards and Guides will enable PMBOK documentation to assist industry improve VFM outcomes of their business endeavours.

Conclusion

There is a genuine need for a universally recognised VFM concept and supporting knowledge, skills, tools and techniques. Organisations frequently fail to achieve VFM-outcomes including robust and appropriate investment evaluation and decision-making, delivery of intended benefits, satisfaction of stakeholder requirements, incorporation of all necessary solution requirements, and achievement of other objectives for quality, time and cost.

The PMI have acknowledged our proposal and asked us to submit the proposal in the new PMI digital platform scheduled to ‘go live’ in early 2020.

Michael Ord
Director, IVMA

Procurement Week – Sydney 2019

Quest Events managed Procurement Week – Sydney 2019, a 3-day event from 12th to 14th November. I was a Panel Moderator and Chair for the 13th November that focussed on construction, mining and energy procurement. Government procurement and healthcare were covered on the other days.

The conference attracted people involved in procurement across the Public and Private sectors and incorporated a wide range of topics, including:

- Procurement Future Reimagined – What’s on Your Change Agenda?
- Improving Performance and Managing Risks (direct sourcing; strategic alliances; placing your customers / clients at the core of your procurement)
- Sustainable and Ethical Procurement
- Agile Procurement – Responding to Fast-Paced Changes
- Cross-Sector Procurement Trends
- Technology to Support Procurement / Supply Chains

Surprisingly, there was a universal acknowledgement across all of these different streams that having a clear ‘purpose’ and expectations about the benefits and outcomes of the procurement processes and activities was crucial to realising ‘value for money’: being clear about ‘requirements’ – the ‘why!’

Several of the presentations echoed this theme of looking for the ‘value’ to both parties in the procurement transaction. Also, that going beyond ‘the lowest cost or cheapest price’ to get the right products/services that best respond to the organisational and customer/client needs was a paramount consideration but

very dependent on clear and concise communication of these to the potential suppliers.

Having a common understanding enables smarter engagement with suppliers – clear interfaces and who manages them, fostering collaboration, including ‘shared systems thinking’.

For organisations involved in repeat business with the market place there was also an overt admission that, beyond the procedures and associated policies, there has to be a culture that imbues and sustains ethical practices as well as efficiency and timeliness. Doing the right things in the right way!

Does all this sound familiar?

I briefly presented just a couple of key aspects about Value Management (VM) – the “Value Triangle” – what goes into defining what is of ‘value’ – and making comparison of ‘costs’ to the ‘value’ in making the best ‘value for money’ decisions. I was also able to introduce VM in all of the Q&A discussion sessions.

This all resonated very well with the audiences and there have been several ‘follow-ups’ since the conference. More information on the conference, speakers and presentations is available at: www.procurementweek.com.au/content/speaker-presentations.

It was a great experience and I would therefore encourage other members and practitioners to get along to these types of conferences and be heard more often.

Mark Neasbey
Chair, Education Committee, IVMA

The IVMA Board

Have you ever wondered how the IVMA Board actually operates to steer the good ship IVMA through the storms and shoals of 21st century Australia? No, probably not!

The Board meets via “Zoom.us” and the following picture – taken about 2 minutes before the end of the November 2019 meeting – shows the enthusiastic contribution of the team.

As with most meetings and discussions, the ‘heavy lifting’ is done offline i.e. when participants are not at the meeting.

If any IVMA member thinks the Board should be addressing some matter that it is not doing at present, you can always let us know via ‘contact us’ on the website: www.ivma.org.au.

