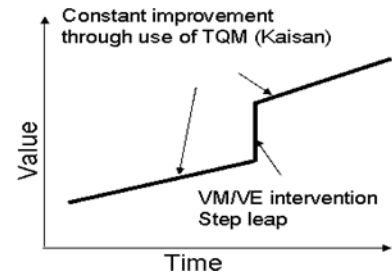


What is Value Management?

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Value Management (VM) is one member of a suite of methods dedicated to providing value assurance to owners of projects and processes. Others include Value Engineering (VE), Risk Resolution (RR) and Total Quality Management (TQM).

VM and VE are capable of providing step leap increases in value at any time over the life of a project, whereas TQM delivers constant improvement over time. All Value Assurance methods are complimentary and may be used at any stage of development of any project, process or thing.



Risk Resolution for too long was considered as separate to other value assuring methods but since risks have the capability of impacting on project value, progressive VM professionals now incorporate Risk Resolution into the suite of value assuring methods.

VM is defined by an Australian Standard AS 4183 - 2007 in which the five phase work plan is described. These can be paraphrased as:

1. Informing all participants about the project, constraints, problems and assumptions;
2. Analysing required functions and assessing their cost and worth;
3. Using creative thinking techniques to generate innovative and alternative ideas for achieving required functions in a better value way;
4. Critically analysing ideas and alternatives for worth and evaluating introduced risks;
5. Developing and reporting study outcomes, recommendations and an action plan.

It is the analysis of functions in terms of cost and worth that sets VM apart from cost cutting methods. VM focuses on ensuring all necessary functions are provided for the least cost.

Why VM works

It has been shown over time that value is improved on average by around 10% through the use of VM or VE. Value improvements may be much greater for projects not fully defined as a result of improved stakeholder communication, reductions in waste and reductions in abortive work. VM assists in getting a project “Right first time” but why is it so successful?

1. As individuals we judge value in different ways making it challenging in a large multi-discipline organisation or team to get a collective opinion on *real* functional need, to get agreement on the *true* cost and worth of functional objectives and to agree how a successful outcome may be measured. These constraints always have a detrimental effect on project delivery times, cost objectives and ultimately, project success. A VM workshop brings key stakeholders together in a forum where all views and opinions can be communicated and a *collective* view of need, value and success can be agreed.
2. At the end of the day we pay for functions; not the information, materials, machines, assets and people that create the form of a project. These things are merely input resources that enable functions to be performed. VM tests the cost and worth of functions in order to achieve a best value outcome and as a result is very likely to have an impact on input resources. In addition to functional outputs that everyone can understand, less obvious functions such as “Prestigious or iconic presence” may well be valid and through the use of VM, stakeholders are able to determine their worth in the context of services.

The Australian Standard for Value Management describes value as:

$$\frac{\text{A measure of the output value of an entity}}{\text{A measure of the total cost of an entity}}$$

The total cost includes all input resources that make the entity work.

3. VM utilises the *innovative* skills of participants to discover better value ways of doing things; as related to the parts of a project, the project as a whole and/or the system within which the project exists. At the early stages of a project, VM can be used to justify a clear functional need and to describe an appropriate solution.

In Australia, a professional VM facilitator utilises a 1 to 2-day workshop in which the combined brainpower of all key stakeholders is used to ensure all necessary functions are correctly identified and that the way in which those functions are provided represents best value for money.