

President's Message

Engagement Planning

Hello Everyone,

Welcome to the Spring edition of *Value Times*.

I've recently been thinking a lot about the need to properly engage the key stakeholders in the early stages of planning and design.

When I say, "engage" the key stakeholders, I don't mean, "consult" with them (although that would be a good starting point).

No, I seriously mean "to engage" with them.

I've found no better way to do this than getting them all together and conducting facilitated workshops.

In many ways, the Covid pandemic has helped this process because we've now become used to meeting through Zoom or Microsoft Teams, which are ideal media for running such sessions.

One way in which Zoom or Teams helps is that people who would not otherwise be available (mainly due to time constraints) are able to participate in these sessions.

For example, we've recently run several workshops in Singapore in which Chief Executives have participated.

Getting their engagement with the process of planning and design has

significantly increased the probability of successful outcomes.

Mark Neasbey, has written an article for this edition of *Value Times* that further elaborates on the Singapore workshops.

As I have reflected on the engagement of stakeholders, my mind has gone back to some of the earliest Value Management studies that we conducted.

I especially recall one case very early in our Value Management journey. On a country road in New South Wales there had been an old bridge that crossed a river but recent flooding had washed it away and we were running a Value Management workshop in which we were examining the design of a replacement bridge.

Even in those early days, we were following the principle of engaging key stakeholders. Consequently, in addition to the Design Engineers, we had also invited two local farmers who had detailed knowledge of the area. These were key stakeholders because their farms included the riverbanks adjacent to the bridge.

As part of the engagement exercise, we asked what assumptions were being made. We always do this; it's a critical part of any Value Management exercise.

The Design Engineer explained to the group that he assumed that the clear span of the new bridge would be the

"Engagement ... has significantly increased the probability of successful outcomes"

same as the one that was being replaced. We know that cost increases with span so this was a critical assumption.

It was at this point that one of the farmers spoke up, providing some information that was previously unknown to the project team.

He told the group that there were three bridges in the area and that the other two bridges had clear spans that were about two-thirds of the one that was being replaced.

Following detailed discussion of this observation, it was decided that there was no reason for the clear span of the new bridge to match the one that was being replaced.

The result was a decision to reduce the clear span of the bridge by approximately one-third which resulted in a considerable saving in capital cost.

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This design change came about as a direct result of engaging the key stakeholders. It's important to see that no-one had made a mistake here. The design assumption, as presented, was perfectly reasonable.

It's just that in light of further information, another, less-costly solution was found to be appropriate and workable.

Another project also comes to mind where a key decision was taken as a result of exploring assumptions.

In this case, it was the Aquatic Centre for the Sydney Olympic Games at Homebush. All of the key stakeholders were present.

As with the country road bridge, we asked people to describe any key assumptions that they were making — this time, about the Aquatic Centre.

At one point, the discussion centred on the disinfection method for the water in the swimming pool. One group of engineers said that they were assuming that chlorine would be used, whilst another group said they were assuming that ozone would be used.

It had to be one or the other. Significant cost differences were involved.

After considerable discussion amongst the stakeholders, it was agreed that ozone should be used, even though this was considerably more costly than chlorine.

This is also an example of a group deciding on the most costly option from given choices. It's important that we recognise that Value Management

“So there we have it. Two Value Management examples that show the importance of stakeholder engagement”

is not about cost cutting. It is not about finding the cheapest option.

Value Management is about finding a solution that provides the best 'value for money' from a range of options. In this case, a strong case was made to the group in support of using ozone for environmental reasons and, based on this, the group decided to go for it even though it was the more expensive solution.

Ozone was still seen as best 'value for money' overall.

So there we have it. Two Value Management examples that show the importance of stakeholder engagement.

As I reflect on this, I'm aware that this is a factor of project development that is often taken for granted or assumed to have happened — even when it hasn't.

It is easy to draw the conclusion that one-on-one discussions with

stakeholders (say between the Project Manager and different key stakeholders) will produce the desired result, but experience shows they don't.

It is only when those stakeholders are together (actively discussing key information in a facilitated discussion) that learning occurs — prompting critical information to be shared with the project team.

This is the crucial benefit of getting stakeholders into facilitated workshops — building shared knowledge and understanding of one another's requirements and the reasons for them.

I'll write more on this in the next edition of the *Value Times*.

Dr Roy Barton
President, IVMA

Value Management Workshops via Video Conferencing

Introduction

Something that became a necessity with Covid was the cessation of face-to-face workshops. It's now more than two years and there is still no normality to face-to-face workshops, although that is progressively changing.

We continue to work with clients to initiate Value Management (VM) processes via video. But also importantly, we have recognised an opportunity to initiate VM processes with clients using short video sessions.

At the Australian Centre for Value Management we have successfully trialled and validated a series of short workshop sessions that allow the VM methodology to be effectively delivered.

Based on our learning from delivering training courses and the way people learn and interact with new knowledge, we chose to limit the video sessions to no more than 90 minutes.

This duration is based in part on recent research that demonstrates the relationships between short and long-term memory — both of which are crucial to rapidly building shared knowledge and understanding amongst teams.

The other key factor in setting the timing to no more than 90 minutes was to enable senior management, which includes Directors, Chief Executive Officers and members of the Board to participate.

As to the number of participants, we suggest a maximum of 30 or so to enable their images to be collectively seen on screen by the facilitation team. This is constrained by the functionality of the various meeting software systems that do not allow us to (usefully) get more than that number on a single screen.

The video process also restricts to only one person talking at a time, so the usual

dynamics of a face-to-face workshop — that allow questions and comments to flow — are not as fluid on video.

The chat lines that allow participants to progressively submit comments and questions are also not easily managed simultaneously with interactive discussions or presentations of information.

A second person is needed to monitor the chat comments and then to intervene to raise those points when pertinent to the process.

The other important point to consider is that preparations for these sessions need to be more carefully undertaken than with the traditional workshop process. This is especially necessary to achieve tight focus on the purpose of the session and the key outputs required.

Participants are asked to think in advance and prepare both points and questions to raise in the video session itself.

A key principle in our logic is being efficient and effective with stakeholders' time. Help them give their best input and allow for their best thinking and analysis by being purposeful within the sessions.

Clarity of purpose, adequately shared and only pertinent information, promptness in commencing and an appropriate pace through the sessions are important factors to keep the participants alert, interested and actively contributing.

Simultaneously participants can see what information is being captured and they are given the opportunity to endorse the outputs.

The Logic Sequence of the Video Sessions

Opening sessions define the Value Statement and then confirm key Givens and Assumptions. These combine to give any project team the clearest possible initiation to a project.

Participants learn what is being valued and better appreciating the parameters for the project and where the best opportunities exist to create and deliver that value. This approach obviates potentially wasted time on fishing expeditions or on dud options.

We can schedule these very soon after appointment of a project team and readily engage senior managers — because they see the time commitment as highly worthwhile and not at all onerous.

These opening sessions are then followed, usually weeks and months later, by key information presentations and then any necessary functional analysis.

There could be several of these sessions, either performed on the same day or spread over a series of days or even weeks to suit the availability of the participants and the project program.

The creativity session follows: the initial brainstorming of ideas, either focussed on key themes or otherwise generically.

These ideas need to be sorted; to gather like ideas and provide a logical structure for their evaluation. This is carried out off-line and then re-shared with the participants as the input to a follow-on evaluation session.

Development of an action plan may be undertaken in a video session, but is more usually carried out with a smaller core Project Management group rather than having all stakeholder and consultant team representatives involved.

Again, it's important to emphasise that the preparations for each session will involve providing a briefing document to the participants, inclusive of progressive outputs and with simple instructions on what they need to bring into the session.

This helps to ensure efficient and effective engagement is realised.

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Two Case Examples

1 – The Research Facility

A new research facility for an important range of products was proposed but it had a number of critical issues:

- Specialised equipment of significant scale needed to be developed and imported
- Operations were to be spread across four locations
- There was a fixed timeline for 'development' to make use of approved grant funds
- The cost plan was well in-excess of original expectations
- A team had already undertaken internal reviews to trim costs
- There was pressure from an Executive wanting to test 'value for money' for the proposed project.

We facilitated five, 90-minute sessions over four weeks:

- The first session clarified the Value Statement and the main Givens and Assumptions.
- The second session expanded and confirmed the principal options, including possible alternative locations.
- The third session tested and clarified the functional performance requirements and captured some additional ideas for consideration.
- The fourth session clarified the key risks and captured evaluation comments.
- The final session was able to confirm the preferred option and the issues that required direction by the Executive.

The video sessions achieved consistent involvement by both senior executives and key researchers. Of particular value to the process was that senior executives encouraged challenging and frank

discussions which enabled participants to define a robust business rationale.

2 – The Future University Campus

A university wished to develop a business case for a new campus. The University's President and Board of Management wanted to realise a shared vision for the new campus by specifically engaging key internal stakeholders and alumni.

They wanted to hear their perspectives on a range of matters including:

- What a new campus must do
- What courses should be provided in the future
- How would the courses best be delivered
- What facilities would be needed to support these courses
- What students needed and expected to have in a new campus
- How a new campus would engage its alumni
- How the university would engage the community and industry partners as well as alumni to participate in life-long learning.

The Board agreed to a program of 22, 90-minute sessions, that were conducted from December 2021 to April 2022.

The sessions began with the Board and Executive defining a Value Statement and the key Givens and Assumptions.

Then followed the various schools, learning centres and administrative units – to clarify and understand the Value Statement, Givens and Assumptions. The participants then made presentations on their future directions and requirements and incorporated ideas they wanted to have considered.

The final sessions were for the Board and Executive to affirm the vision and provide

direction on 30 key ideas and themes that had emerged through the workshop sessions.

These ideas and themes were highly pertinent to the project team's evaluation of potential site options and evolution of a design solution and associated business case to be submitted to government in late 2022.

More than 300 people participated in the video sessions program; each session typically involving 25 to 30 participants. All of the leadership team plus the internal project team and its associated steering committee participated.

The roughly 600 ideas that were generated are being progressed through the Steering Committee. Many ideas that are design matters will be considered once the design team has been engaged.

Only three of the sessions went beyond the 90 minutes allocated, and these by no more than the 5 to 10 minutes that were needed to address specific questions involving the stakeholders, the senior executive and Board members who were participating.

This comprehensive body of information, that is now available to the project and consultancy team, provides an excellent basis for the evaluation of potential sites and the development of design solutions.

Importantly this extensive, structured consultation process ensures that 'value for money' is built into the project from inception.

Also, as expected, there were many ideas that were more about 'advancing the future' rather than providing a new campus: initiatives that the university can implement now, prior to having the new campus.

Mark Neasbey
Chair Education Committee
IVMA

How to get to full employment: Ross Garnaut's address to the jobs summit

As our president, Dr Roy Barton, likes to remind us — 'culture eats strategy for breakfast'. This edited extract from the address by economist Professor Ross Garnaut at the Federal Government's recent Jobs Summit highlights critical cultural shifts needed in Australia to prepare us for a rapidly changing future environment.

I grew up in a Menzies world of Full Employment. Workers could leave jobs that didn't suit them and quickly find others — often moving from lower to higher productivity activities.

Employers put large efforts into training and retaining workers. Labour income was secure and could support a loan to buy a house. Labour was scarce and valuable and not to be wasted on unproductive tasks.

Businesses that could not afford rising wages closed and released their workers into more productive employment. Steadily rising real wages encouraged economisation on labour, which lifted productivity.

The 1945 full-employment white paper discussed risks of inflation, yet the average unemployment rate went lower — to below 2% for two decades — without the high or accelerating inflation the authors had in mind.

Employment keeps people employable

As observed recently in *The Conversation*, low unemployment creates opportunities for people who long unemployment has made unattractive. Employment makes them employable.

Full employment encourages women who had spent long periods out of the labour force, the infirm and old, the poorly educated, and those with little established engagement with the wage economy.

It is hard work for employers. Many employers prefer unemployment, with easy recruitment at lower wages. Yet full employment has advantages for employers.

Full employment brings larger and more stable demand for the products of businesses selling into Australia. And for employers who identify as Australians, it brings enjoyment of a more cohesive and successful society.

We can take unemployment lower

How low can unemployment go without accelerating inflation? During the decade leading up to COVID, our authorities acted as if the lower limit was 5% or more.

In my book *'Reset: Restoring Australia After the Pandemic Recession'*, I said it was possible Australian unemployment could fall to 3.5% without generating accelerating inflation — the pre-pandemic rate in the United States.

The absolute lowest unemployment can fall without accelerating inflation might be lower, or higher. There is no need to guess. We will know when it has fallen to the point that labour market pressures cause inflation to accelerate.

Why aren't real wages rising? There is no conundrum. It is because we do not yet have full employment. The Reserve Bank abandoned its pursuit of full employment before we knew how low the unemployment rate could go without becoming the source of accelerating inflation.

A wage-price spiral is unlikely

Will we see larger nominal wage increases if global energy and other prices continue to rise strongly? Probably. Would that tell us we have achieved full employment? Probably not. If wages rise more rapidly, but more slowly than average prices, they are not a source of accelerating inflation.

The spectre of a virulent wage-price spiral comes from our memories, and not current conditions.

If immigration increases whenever labour becomes scarce, real wages will not rise however much productivity increases.

Yet immigration can help. It is much more likely to raise, rather than lower, average real wages the more if it is focused on people with genuinely scarce and valuable skills that are bottlenecks to valuable Australian production, and which cannot be provided by training Australians.

Immigration can hurt, and help

Which immigrants are scarce and valuable? In *'Reset'*, I suggested a test: admitting skilled migrants only when they earn wages higher than the Australian average.

Ignoring the links between migration and wages can have unwelcome consequences.

Around the time our prime minister was in Fiji talking about recruiting nurses,

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Western Australia's premier was trying to recruit nurses in Ireland.

The premier sought a meeting with the Irish minister for health – unsuccessfully, because the minister was in Perth recruiting nurses.

Low wages made Australia a promising recruiting ground. Australian nurses would be great for Ireland. But replacing Australians with Fijian nurses may not be best for Australia or Fiji.

The mix of employment matters

It matters how we get the jobs that take us to full employment. Increased employment comes from both domestic and trade-exposed industries.

Employment in domestic industries is expanded by higher government expenditure, lower taxes and lower interest rates. Employment in exporting or import-competing industries is driven by competitiveness — by currency exchange rates, and Australian productivity and wages relative to overseas.

Too much domestic demand and too little export growth can lead to full employment with unsustainable levels of debt. Strong growth in export industries depends on access to international markets for goods and services, as well as on competitiveness.

Australia's advantages in a zero-carbon world

Here we face barriers from the breakdown of the global trading system and our relationship with our biggest trading partner, China, and the coming climate change-induced decline of coal and gas.

“Increased employment comes from both domestic and trade exposed industries.”

Fortunately, we have advantages:

- the best combinations of solar and wind resources in the developed world, which with good policy and management can give us the lowest energy costs in the post-carbon world
- an abundance of the critical minerals required globally to build the machines and infrastructure of the zero-carbon world
- the largest endowments per person of land suitable and available for sustainable production of biomass as a zero-carbon industrial input and for sequestering carbon in plants and soils
- human skills and infrastructure from the established mining, minerals processing, forestry and agricultural industries, which have a high value in zero emissions industries and processes.

Australian industry gets little competitive advantage from Australia being richly endowed with gas and coal. With the exception of Western Australian gas, these resources are made available to domestic industry at close to international prices.

Our low-cost renewable energy is different. Transport costs mean Australia's renewable

electricity and green hydrogen will be at least twice as expensive in the countries that import them as in Australia. It will make sense to use Australian electricity and hydrogen to process resources here.

Productivity growth needn't always come from improvements in individual industries and firms. It can come from stronger specialisation in activities in which Australia has a natural advantage: putting a higher proportion of our labour and capital into activities where we have exceptional strengths.

A long period of steady expansion of the zero-carbon industries will see costs falling and Australia's comparative advantage strengthening. The restructuring of the economy to focus more strongly on these can be the source of sustained productivity, wages and employment growth.

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