

From Value Management to Value Assurance

Presentation to:

The Hong Kong Institute
of Value Management

October, 2008

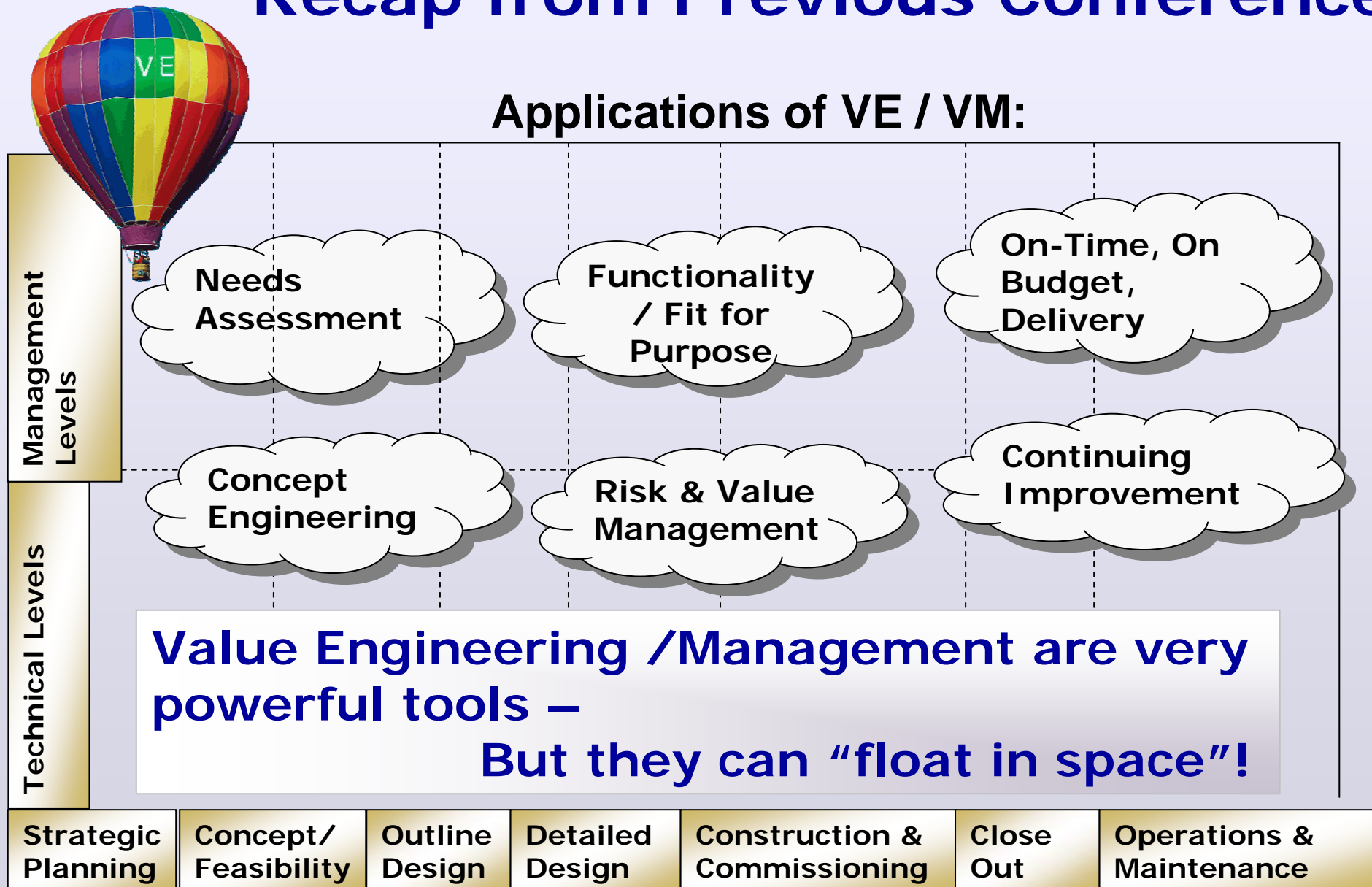


*Team Focus Group
Management Strategies*

**By: Martyn Phillips
The Team Focus Group, Canada**

Recap from Previous Conference

Applications of VE / VM:



Recap from Previous Conference

**We need to
“anchor” the
VE/VM
process(es)
along the project
journey**

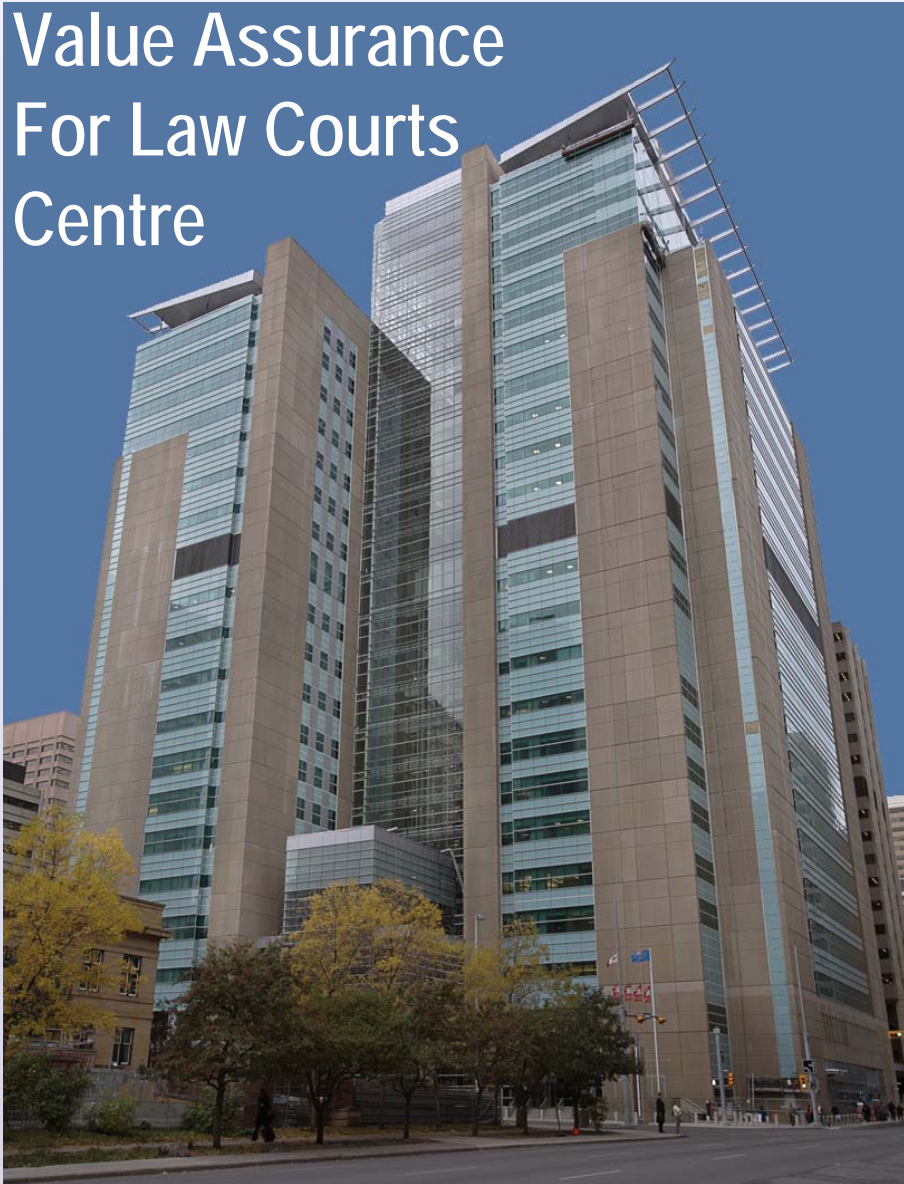


Some Terminology

1940s+	Value Analysis:	Manufacturing
1950s +	Value Engineering:	Manufacturing & Construction (often applied for cost reduction)
1980s +	Value Management:	“Across the Board” Applications (more usual up front; scope definition, etc.)
2000s	Value Assurance	Business Process Improvement, Strategic Direction, Sustainability, Design & Construction, Operational Improvements

**Small shift in thinking
yields major benefits**

Value Assurance For Law Courts Centre



Consolidates operations by replacing (and expanding upon) 7 old courts facilities located around the city. State of the art technology and courts practices

Example: Planning – Design-Construction

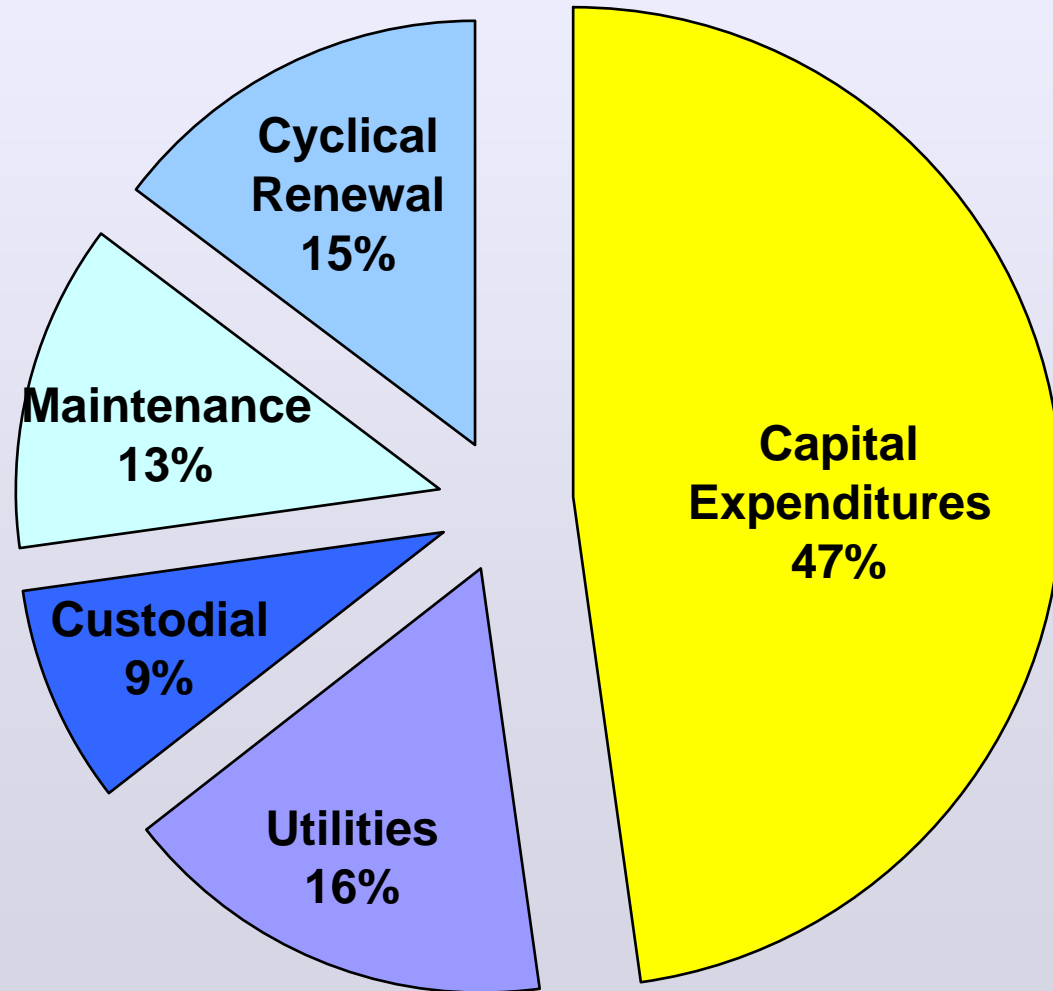
- **Project initiated 2002 (after 20-year period "on the books")**
- **Series of strategic sessions along with risk and value studies**
- **Developed through a P3 (Public-Private Partnership)**
- **Quicker implementation; risk transfer; value for money on life cycle basis; world-class competitors; innovation; integrated approach;**
- **Incorporates 30-year operations and cyclical renewals.**

Managed Outcomes

Total (25-yr) Life Cycle Costs

Elementary School Re-Development

Excludes Program
Operations Costs





Luxury Development On Reclaimed Land



How is Value Measured?

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

Construction Project Example

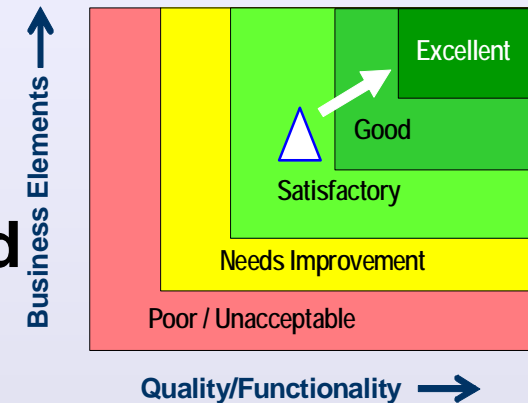
Function Related Attributes:

- Meets Program Intent
- Efficient Layout
- Safety & Convenience
- Ease of Operations & Maintenance
- Community Acceptability
- Environmental Sustainability
- Flexibility for Future

Business Related Attributes:

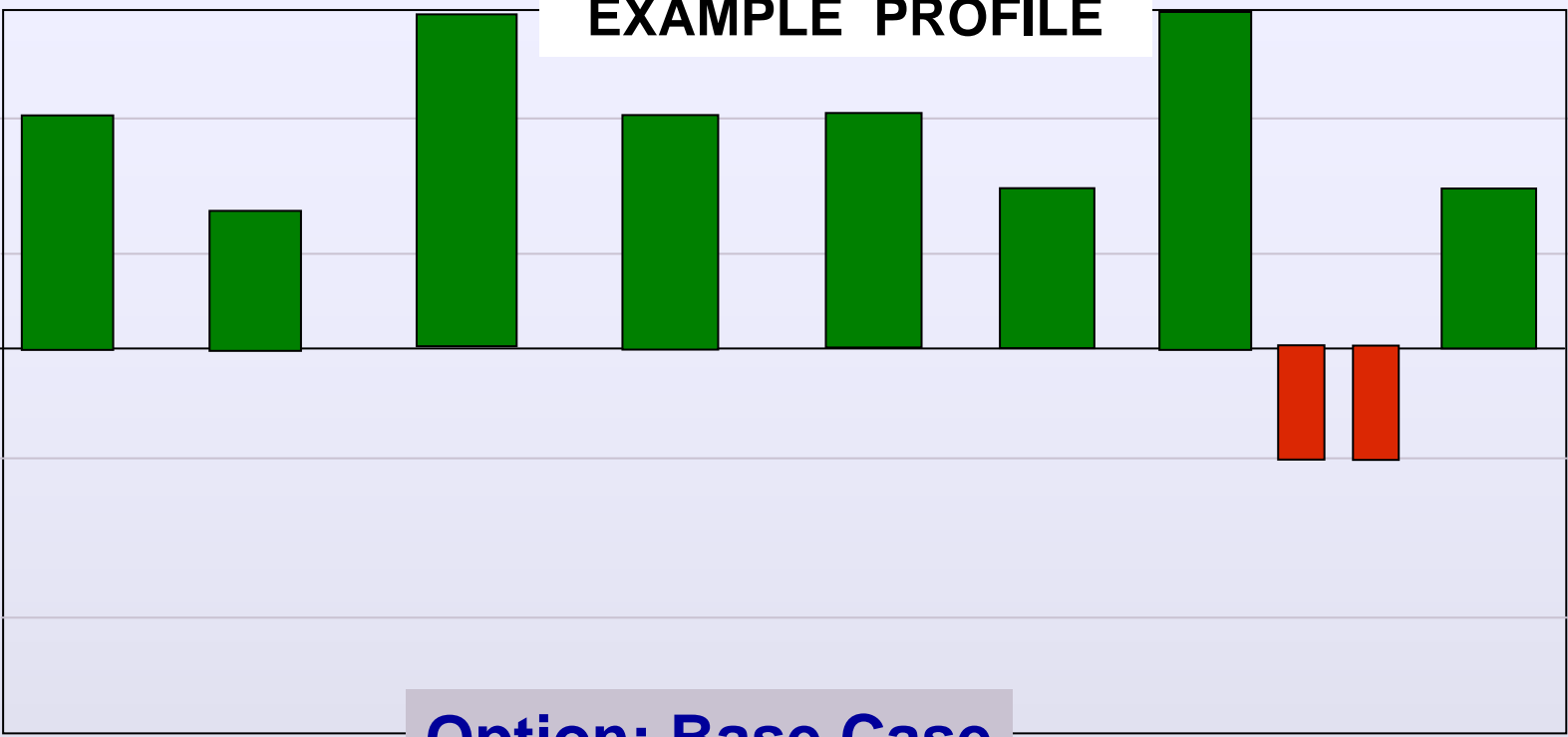
- Capital Expenditure
- Operational Expenditure
- Life Cycle Cost
- Schedule
- Scope
- Risk
- Proven Technology
- Use of Existing Assets
- Constructability

Value Assurance Index



Excellent +5
 Good +3
 Meets Almost All Requirements +1
 0
 Fail Several Requirements -1
 Poor -3
 Totally Unacceptable -5

EXAMPLE PROFILE

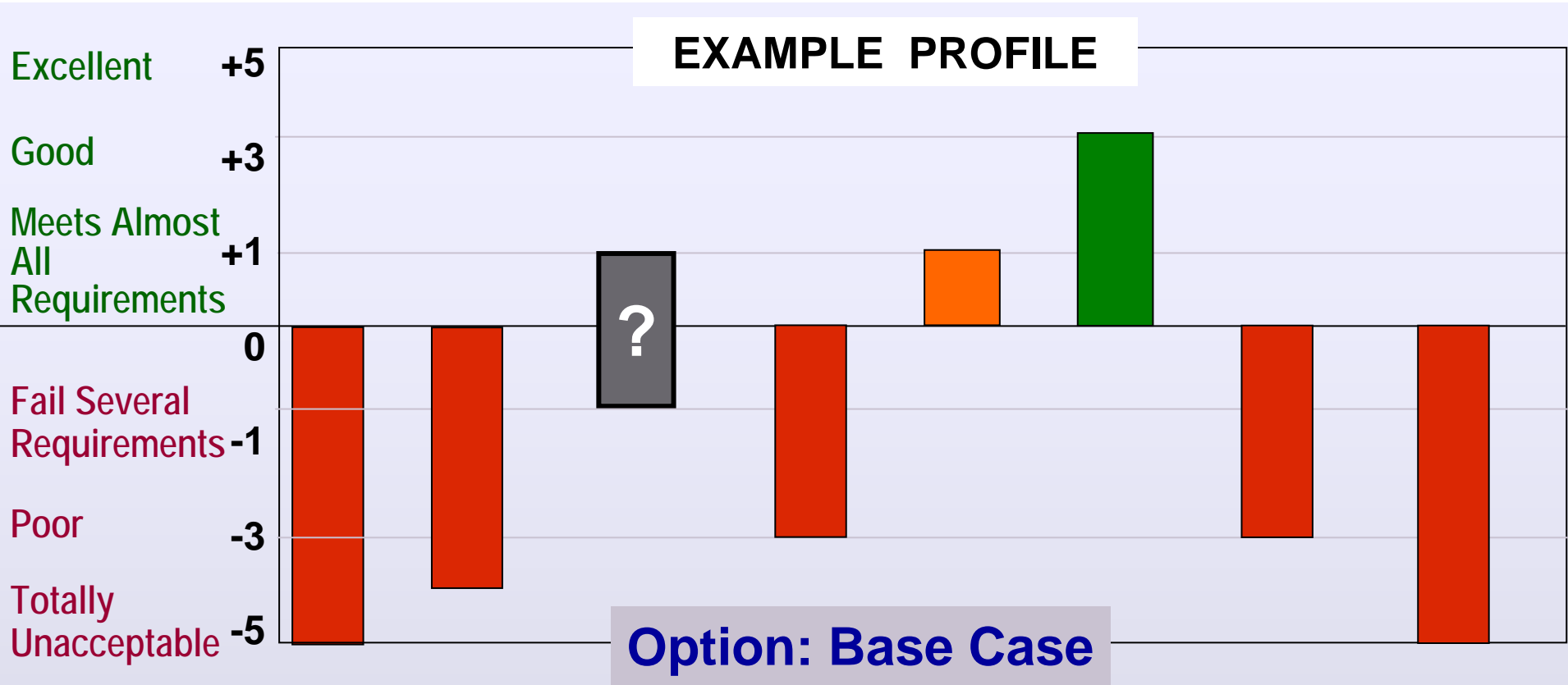


Option: Base Case

Value Profile: Quality / Function-ality

- S1. Meets Learning Program
- S2. Least Disruption to Students
- S3. Pleasant & Healthy Environment
- S4. Efficient & Safe Layout
- S5. Good Use of External Areas
- S6. Safe & Convenient Access
- S7. Ease of Operations & Maintenance
- E1 Community Acceptance
- E2. Equity (- jurisdictional - provincial)
- E3. Reflects Community Commitment

Value Profile: Business Terms



Option: Base Case

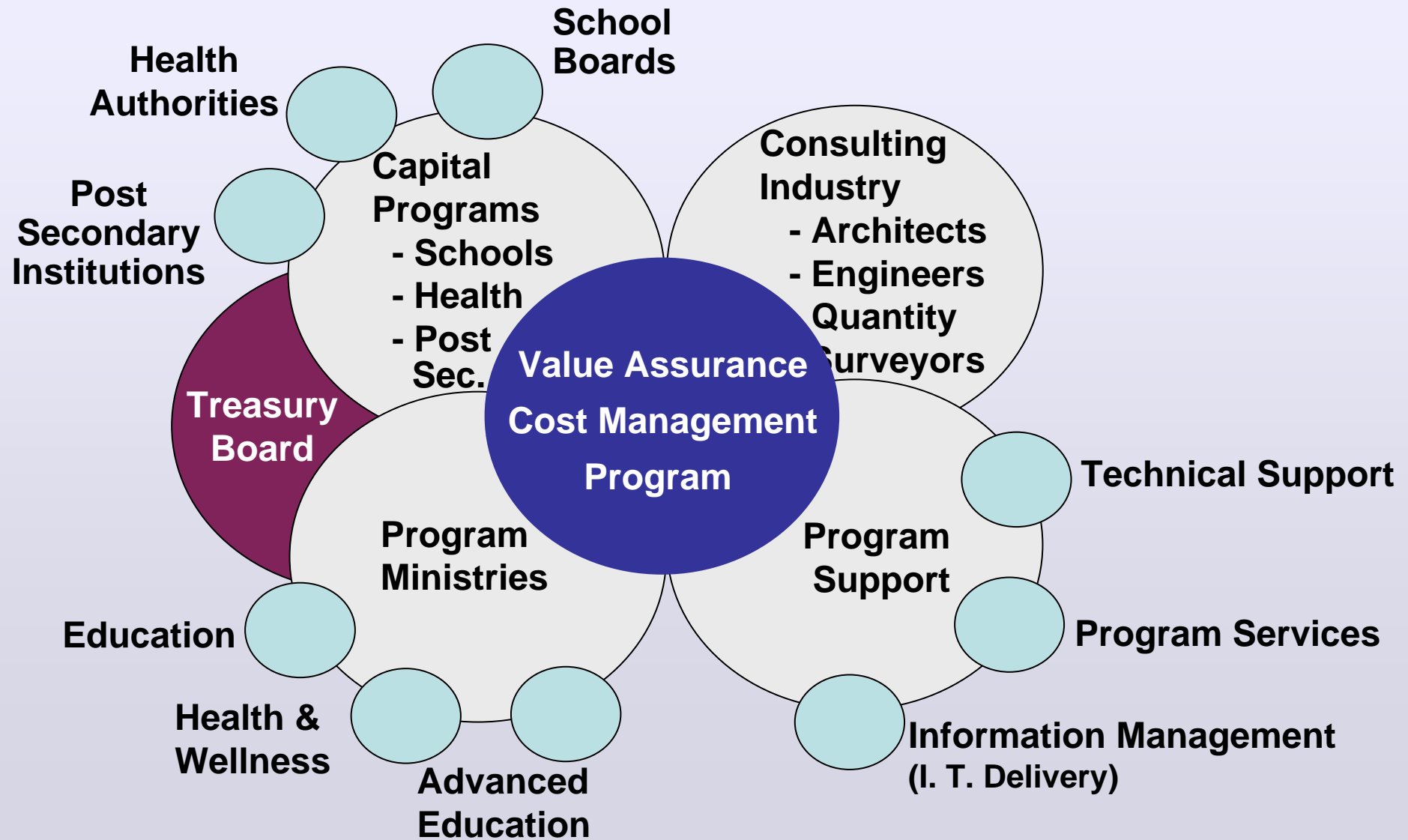
Example

**Value Assurance used to
diagnose an under-
resourced business
process and develop a
solution**

Business Process Improvement - Example

- **Grant Funded Projects (Arms Length)**
 - 64 School Boards
 - 18 Health Authorities
 - 21 Universities and Colleges
- **Government Projects (Direct Control)**
 - 26 Ministries
- **Annual Capital Expenditure > CAN\$3 Billion**
- **MANY projects, MANY stakeholders**

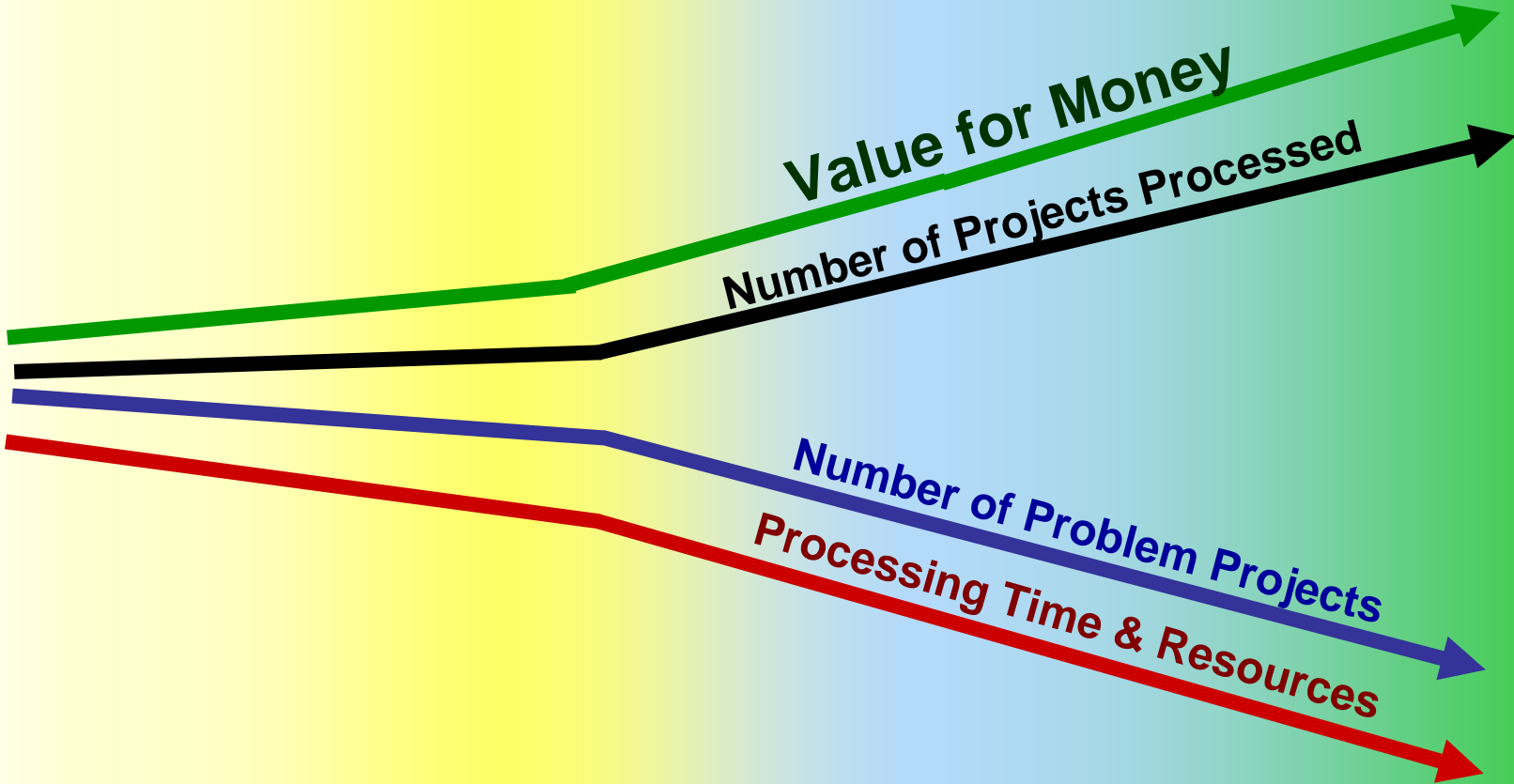
Stakeholder Interfaces



Program & Project Management Issues



Overall Objectives



Task Focus

Individual Perspective

Project Focus

Group Perspective

Program Focus

Divisional Perspective

Integrated Focus

Cross Govt. Coordination

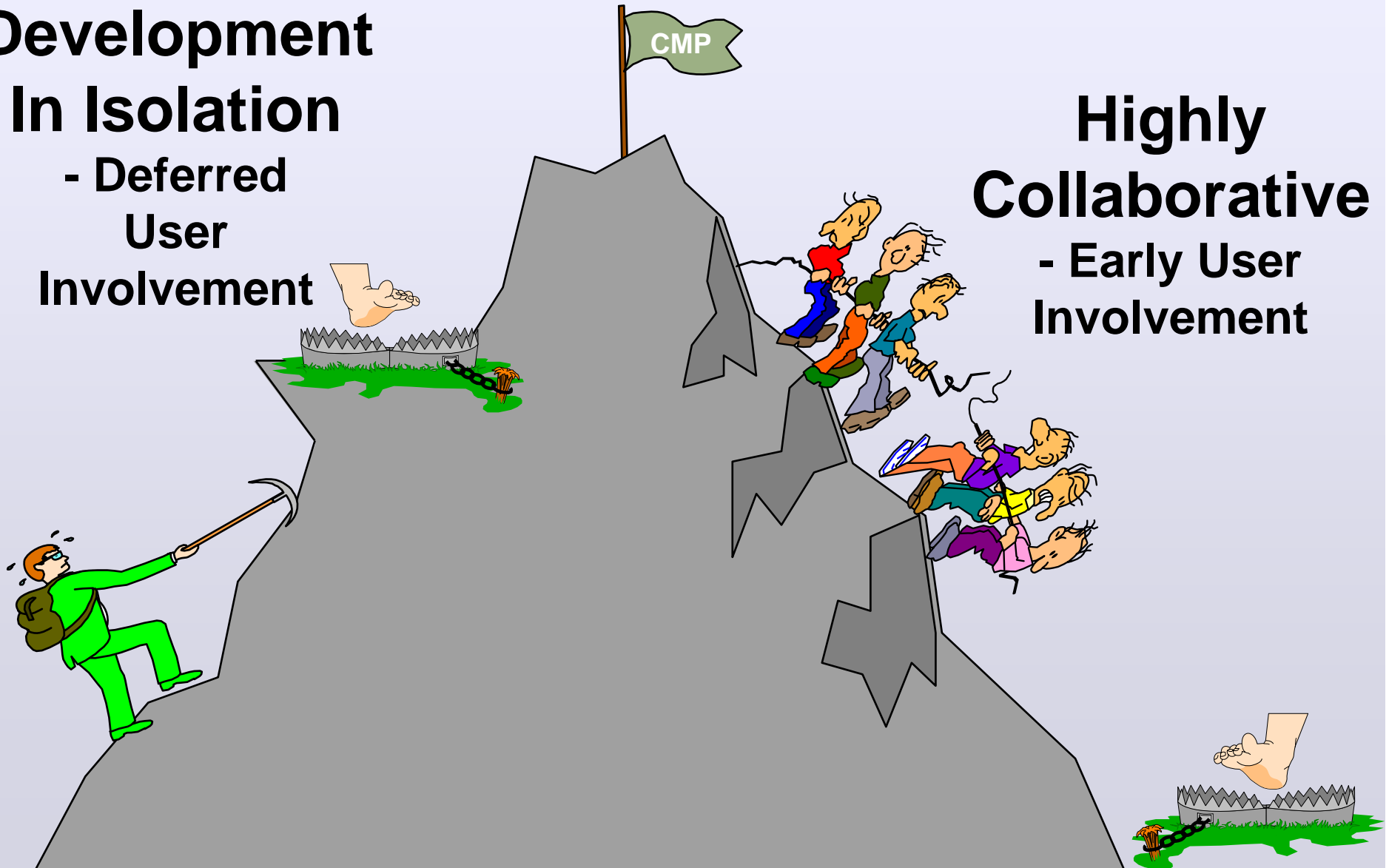
Consultation Options

Development In Isolation

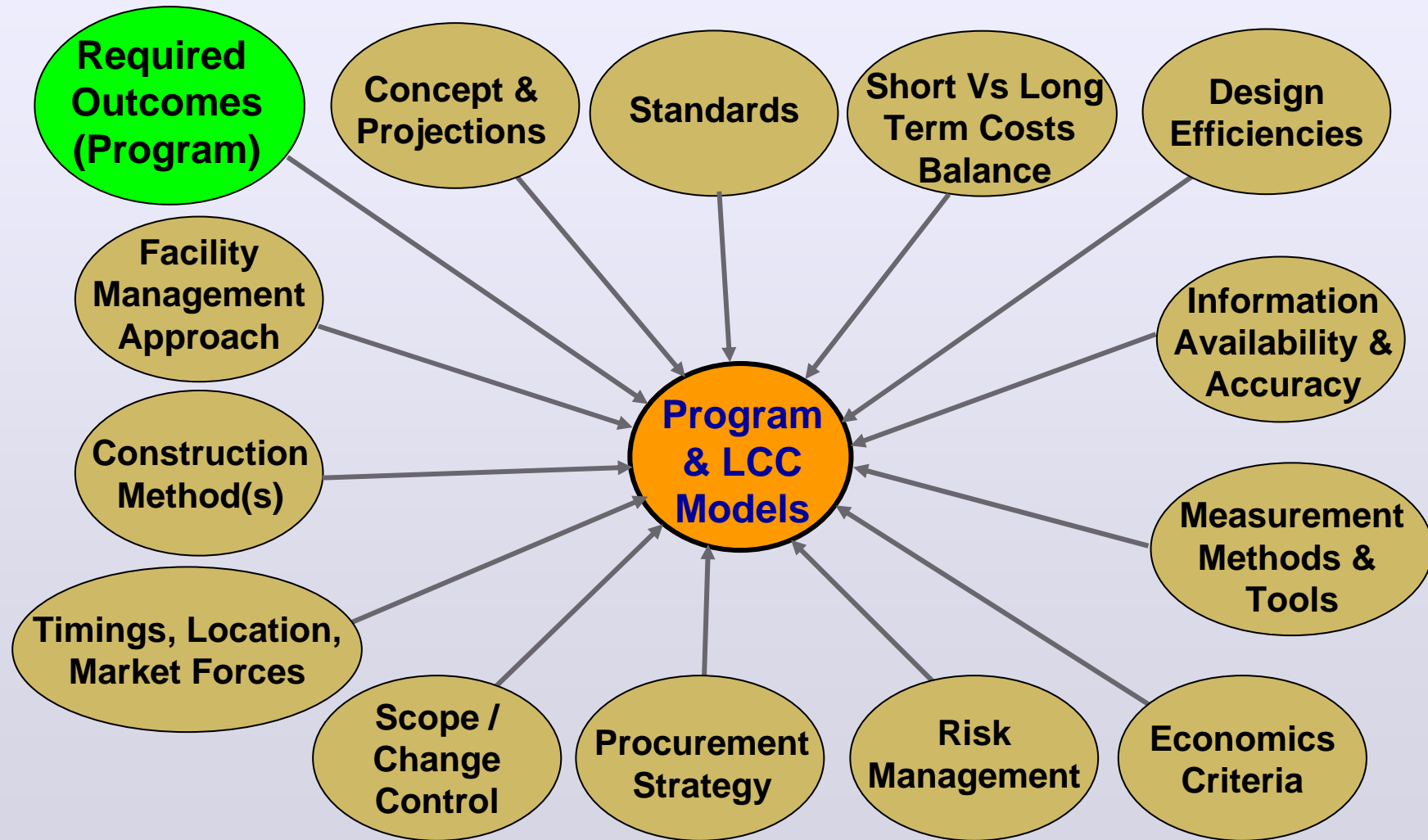
- Deferred
User
Involvement

Highly Collaborative

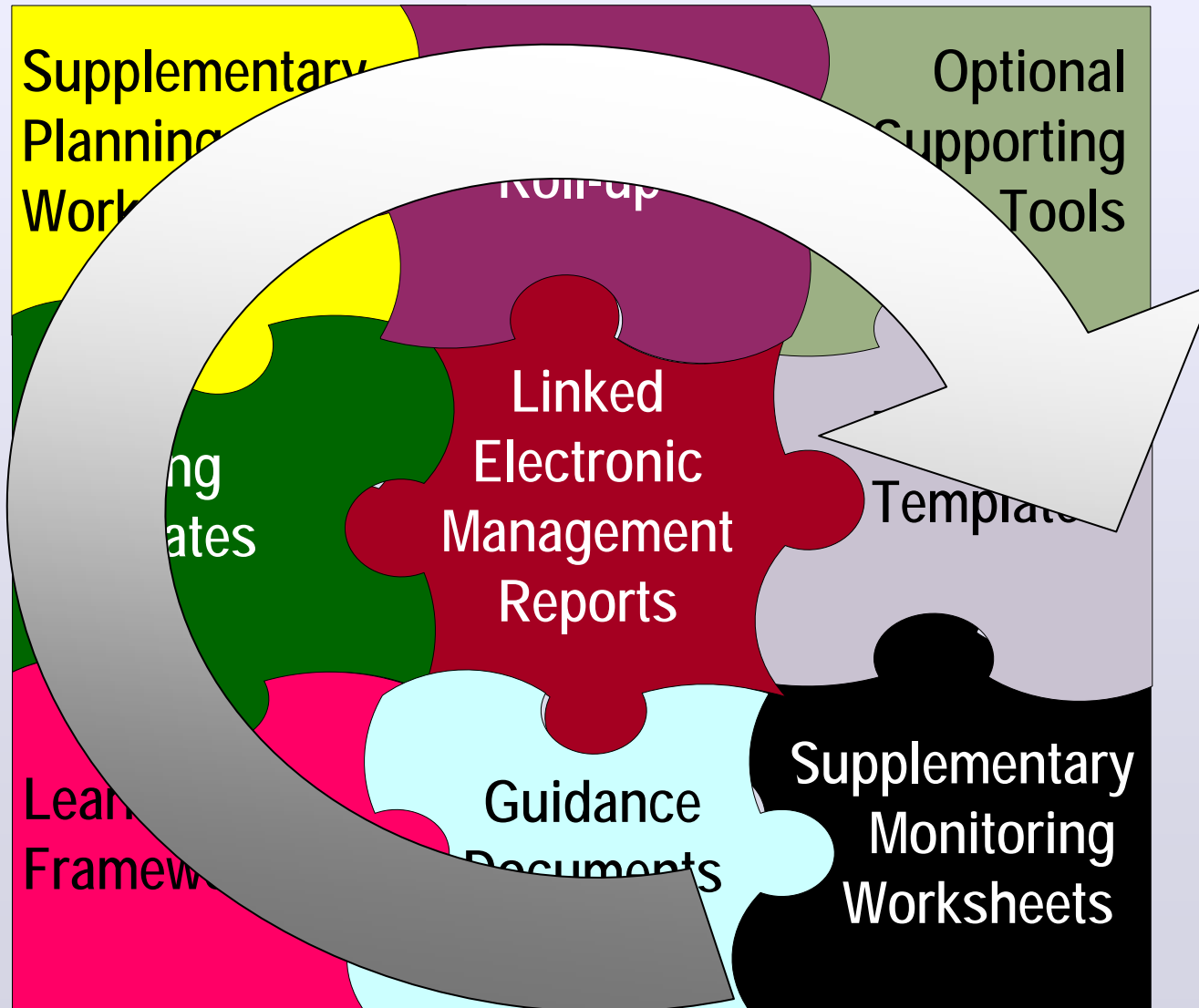
- Early User
Involvement



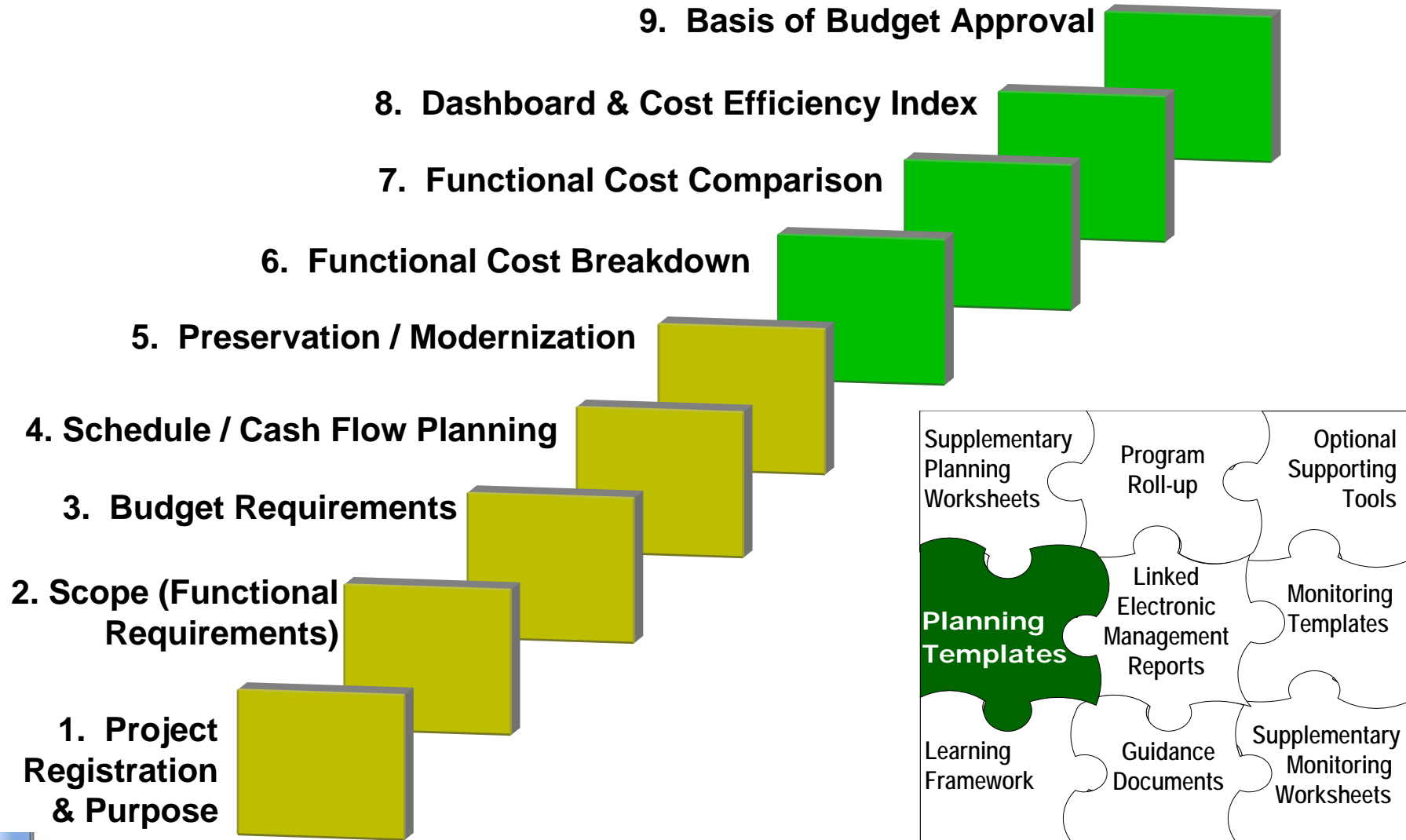
Cost Dependencies



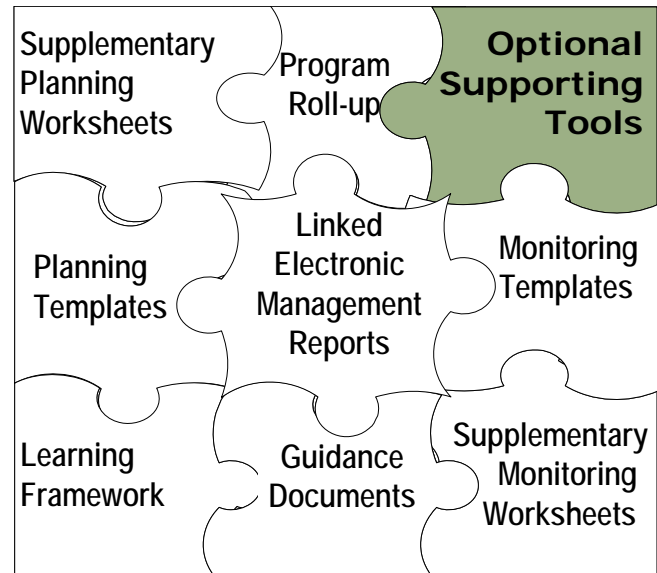
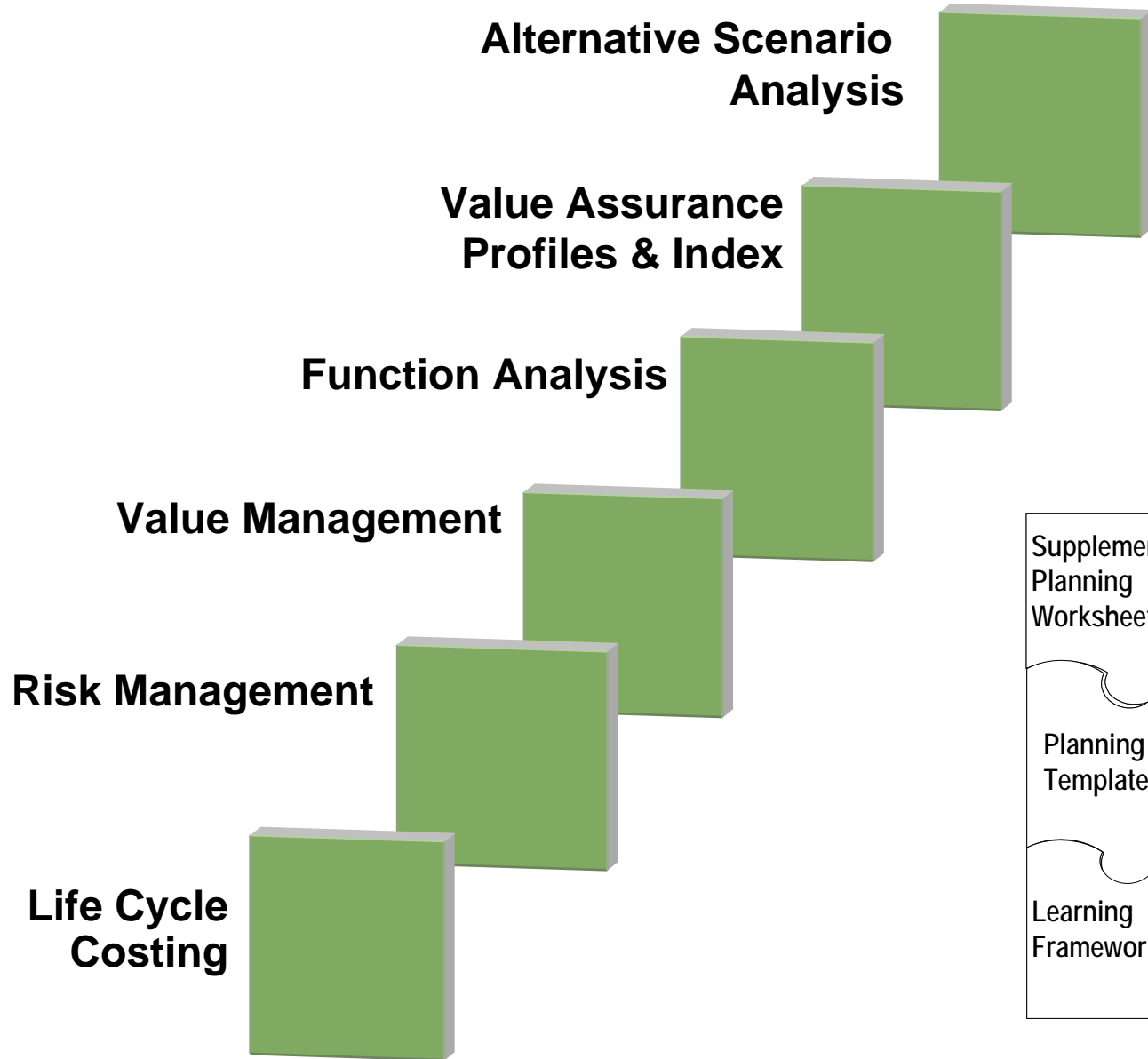
Interactive Cost Management Program



Planning Templates



Supporting Tools



Management's Success Criteria

- ☑ **Delivery of quality facilities:**
 - ❖ **meet program needs**
 - ❖ **on time**
 - ❖ **within budget**
 - ❖ **within defined scope**

- ☑ **Streamlined approval process**

- ☑ **Flexibility for changing conditions**

- ☑ **Best value for money over project life cycle**

Example of Required Attributes - Cost Management Process

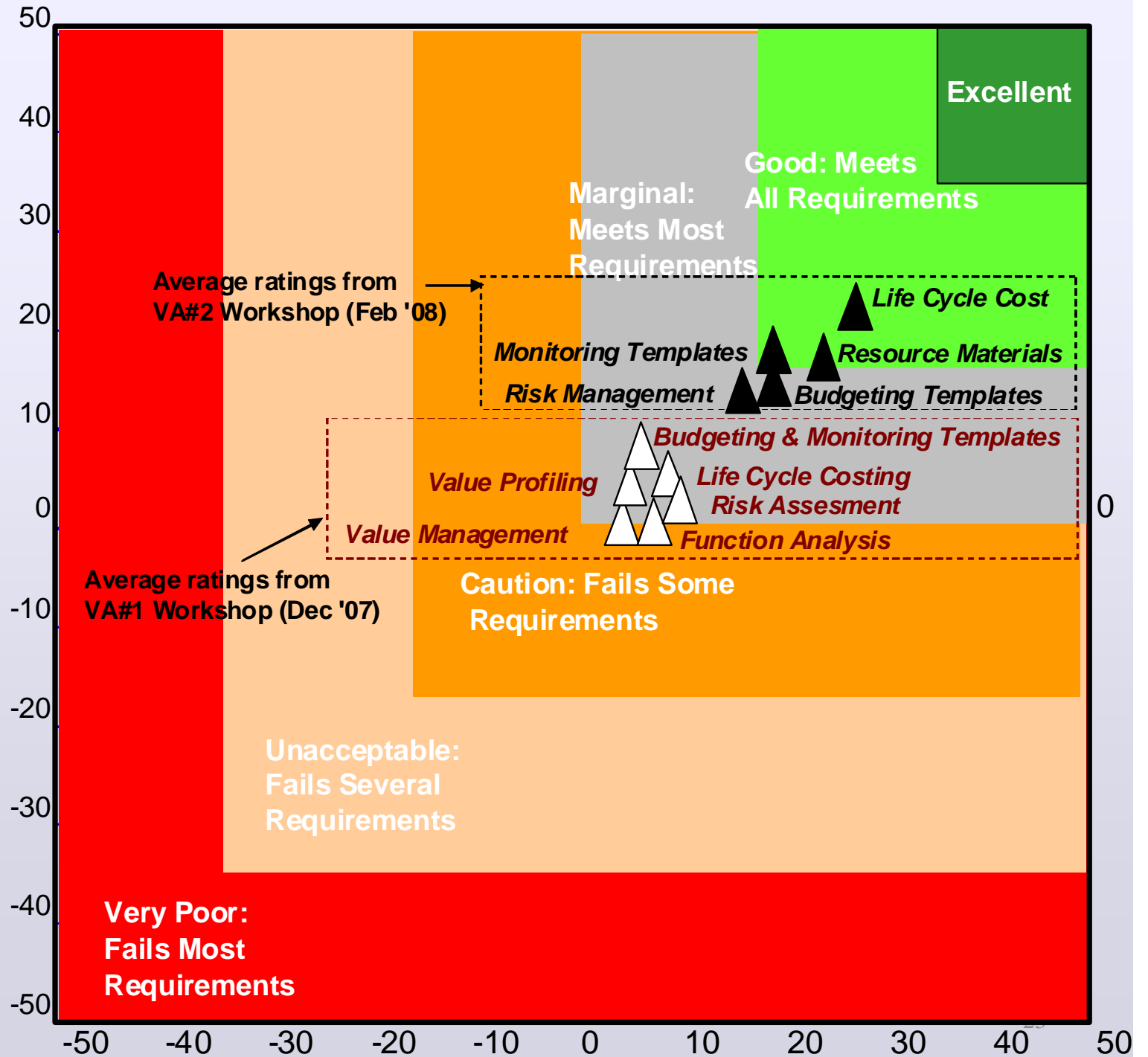
Function Related:

- Usefulness / relevance
- Appeal / intuitive
- Simplicity of use
- Reliability / robustness
- Quality of information
- Flexibility for change and "scalability"
- Innovation / state of practice
- Auditability
- On-line collaboration
- Incorporation of "lessons learned"

Cost Related:

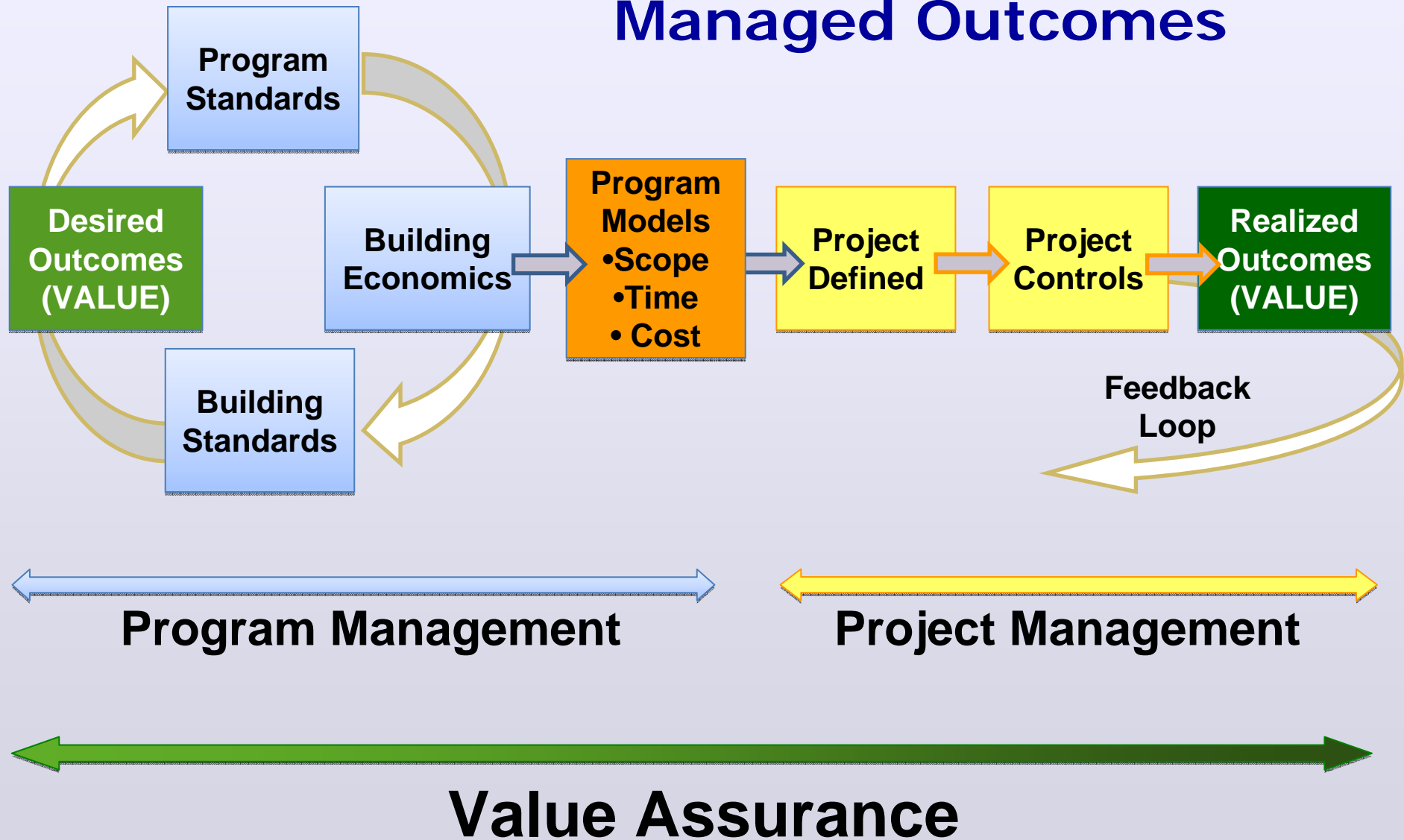
- Standards of comparison / benchmarking
- Increased productivity / throughput
- Streamlining of human resources
- Supports accountability and transparency
- Links to other systems
- Data links / capacity
- Multifaceted / level of application
- Ease of updating / maintenance
- IT development requirements
- Learning management

Performance Index



Overall VA Approach

Managed Outcomes



Demonstrates
Accountability

Provides
Transparency

Streamlines
Approvals
Process

Ensures
Consistency
of Approach

Ensures Reliable
Reporting

Ensures Quality
Program Outcomes

Leverages Resources



Provides Options for
Best Value for Money

Facilitates Program
Scenario Analyses

Builds & Sustains
Consensus

Eases
Communication

Enables
Decision-Making

Provides Flexibility
To Deal with
Changing
Circumstances

Speeds & Increases
Throughputs⁵