

# Delivering better value through informed decision making and improved performance

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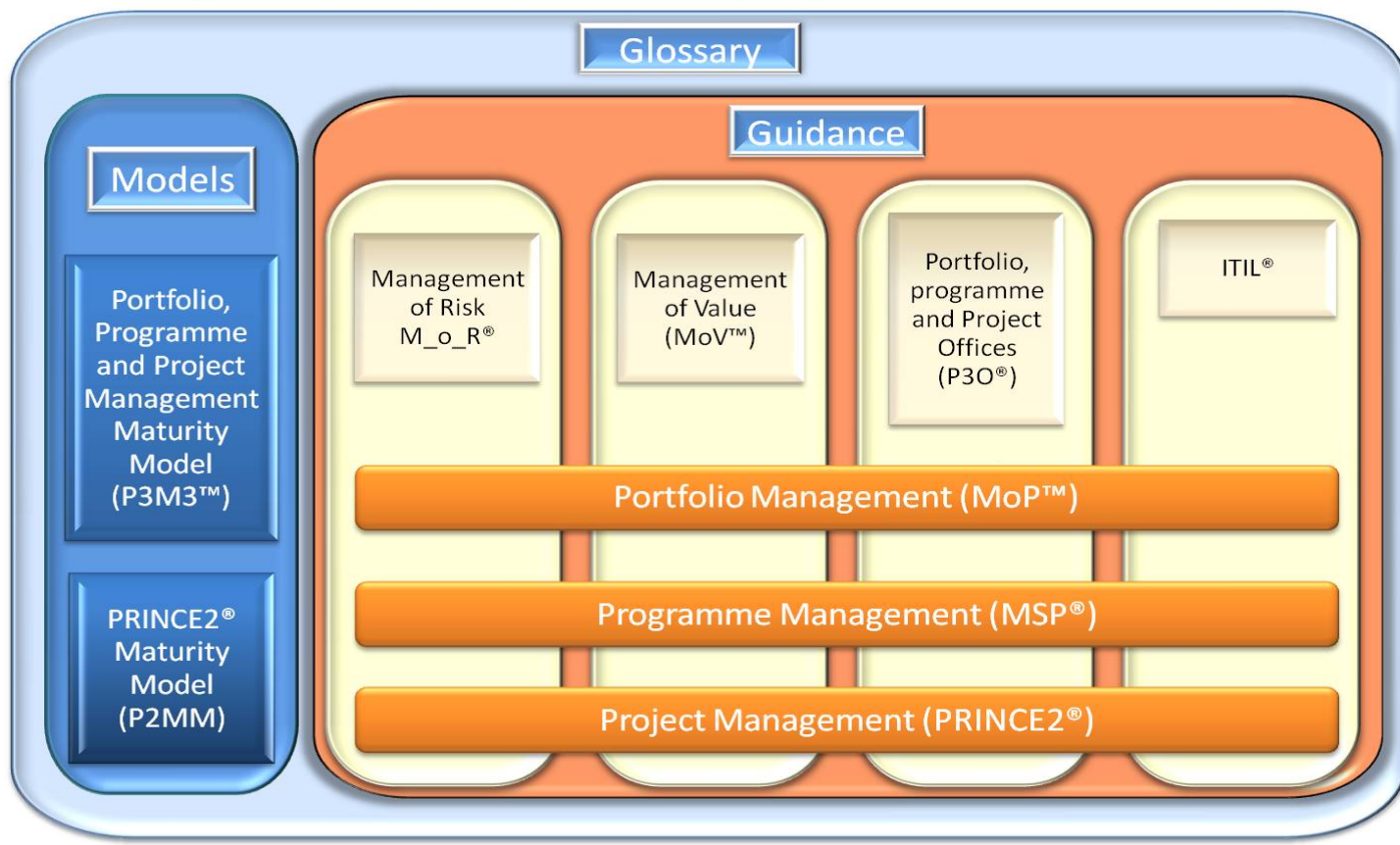
# So how does VM help?

- Taking the focus away from cost reduction
- Best Management Practice and Management of Value (MoV™)
- Tools to inform decisions based on maximising value
- Illustrations of their use in practice
- Applications at Portfolio, Programme, Project and Operational levels
- Qualifications to underpin delivery competence

# UK Cabinet Office

## Best Management Practice portfolio

### Best Management Practice Intellectual Property



# Outline of Management of Value (MoV™)



A Guide



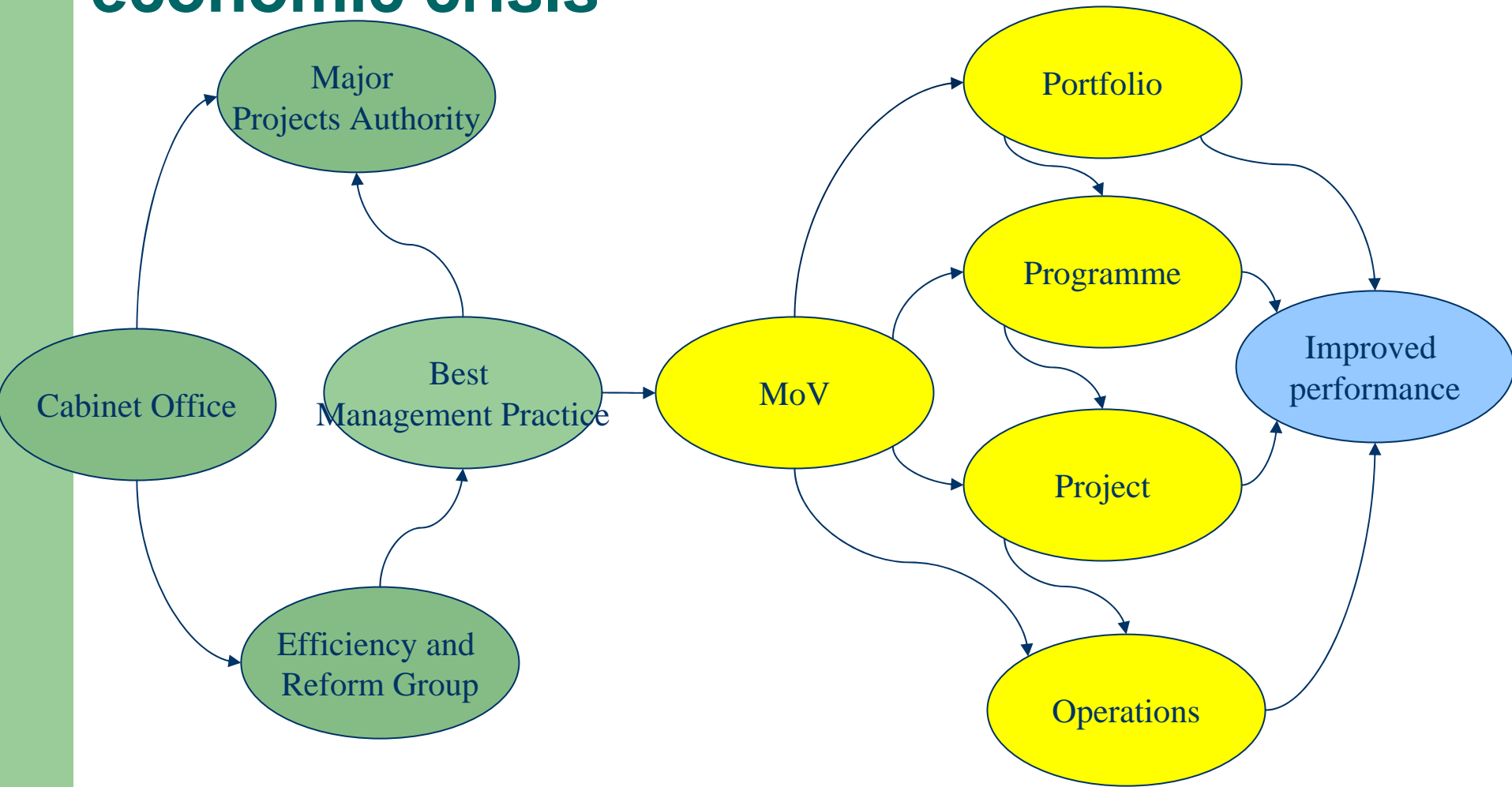
An Executive Guide



A Qualification



# Best Practice in response to economic crisis



FOCUS: Spend reduction, growth, performance  
PERSPECTIVE: Global economic crisis

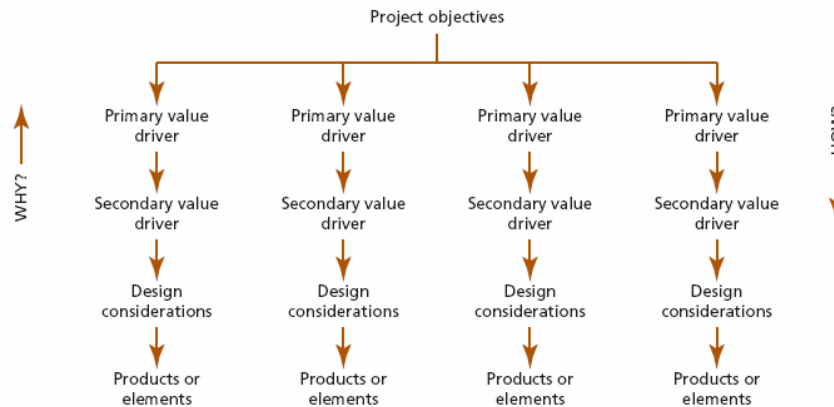
# Tools to inform decisions based on value

- **Value tree** shows relationship between and hierarchy of Value Drivers
- **Value Profile** ranks value drivers to inform brief, option selection and focusing effort where it does most good
- **Value Index** indicates how well a solution satisfies each value driver or the objectives as a whole
- **Value ratio** measures value for money



# Use of Value Tree

## - UK Supreme Court



With acknowledgements to

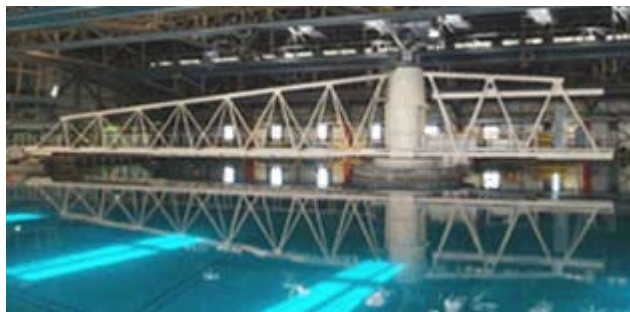
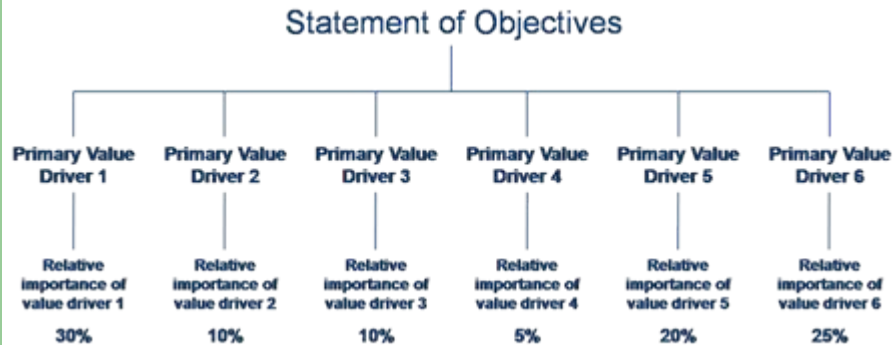


- **The challenge:**
  - Mission Critical UK Government Programme comprising relocation of existing courts, re-training key personnel and refurbishment of listed building adjacent to Parliament
  - Need to satisfy powerful stakeholders including the most senior judiciary
  - **Failure to pass through mandatory Government Gateway review**
- **The process:**
  - Launch event for Middlesex Guildhall conversion project, followed by focused studies to resolve specific issues
- **The outcome:**
  - **Value Tree developed to clarify brief and provide objective basis for decision making**
  - Expected benefits defined and clarified and enhanced
  - Basis of business case reinforced
  - Critical issues resolved
  - **Successful passage through next Gateway reviews**
  - Project successfully completed on time and budget
- **What the Client said:**
  - A breath for much needed fresh air...



# Use of Value Profile

- Achieving consistency over programme of 50 projects for MoD



With acknowledgements to

## The challenge

- Organisation consolidating activities over 50 sites
- **Need to harmonise standards and working methods across business**

## The process

- Established a programme level value profile
- This allowed the teams to align each project's value profile with that at programme level from the outset

## The outcome

- All five consolidated operational centres were consistent, despite pressures from individual operators for different standards.

# Use of Value Index

## -VE on extensive gas processing project

Value driver	Relative importance weight %	Metric	Performance (scale of 1 to 10)	Weighted Value Score (= weight x performance)
Primary Value Driver 1	30	Capacity	8	240
Primary Value Driver 2	10	Time	5	50
Primary Value Driver 3	10	Access	4	40
Primary Value Driver 4	5	Consents	7	35
Primary Value Driver 5	20	Quality	6	120
Primary Value Driver 6	25	Opex	5	125
<b>Total Value Index</b>				<b>610</b>



- **The challenge:**
  - Value Engineering study at FEED stage into large gas processing project involving offshore extraction and processing facilities, subsea and overland pipelines and final processing unit
  - **Need to select where to concentrate Value Engineering effort**
- **The process**
  - Developed Value Profile
  - Assessed expected performance of current designs
  - **Developed Value Index**
- **The outcome:**
  - **Focussed attention of elements that offered most opportunities for adding value and reducing cost**
  - Completed workshop within scheduled five day period

With acknowledgements to

# Use of Value Ratio

## Make or buy option selection study

Value driver	Relative importance weight %	Metric	Performance (scale of 1 to 10)	Weighted Value Score	Cost of delivery (£m)	VM ratio (= value score or index/ cost)
Primary Value Driver 1	30	Capacity	8	240	133	1.80
Primary Value Driver 2	10	Time	5	50	60	0.83
Primary Value Driver 3	10	Access	4	40	30	1.33
Primary Value Driver 4	5	Consent	7	35	20	1.80
Primary Value Driver 5	20	Quality	6	120	24	5.00
Primary Value Driver 6	25	Opex	5	125	13	9.62
<b>Totals</b>				<b>610</b>	<b>280</b>	<b>2.18</b>
				<b>Value Index</b>	<b>Cost</b>	<b>Value for Money Ratio</b>

- **The challenge:**
  - Specialist aero space parts being manufactured in life expired facilities
  - **Need to choose between building new facility and outsourcing all or part of production**
  - Initial review revealed significant risks and opportunities to all three options
  - VM study commissioned to assess three options and to inform Board decision
- **The outcome:**
  - **Metrics agreed for intangible issues including tacit knowledge of skilled specialists**
  - Risks and opportunities quantified on whole life cost basis
  - **Added value for each of three options quantified and compared**
  - Recommendations made to Board
- **What the client said**
  - I can confirm that the analysis has been useful in aiding the team to provide guidance to the steering group..... your input has been invaluable

# Applications at Business (Portfolio) level



# Cambridge University Hospitals

- Developing strategy for attaining ten year vision



- **The challenge:**
  - Board have a clear vision of where they want to be in ten years time
  - **Need to assess whether plans are realistic and viable**
  - Master-plan foresees significant increases in power requirements
  - **Need catalyst to kick off realisation of plan**
  
- **The outcome:**
  - **Clarity of definition of programme requirements.** These include the provision of a new, sustainable energy centre
  - **Plan to procure energy centre through a third party (ESCO) at no cost to hospital**
  - This and other measures will provide necessary infrastructure to attract world class research and development organisations to develop 90 acre site.
  - **Clear plan and basis for business case developed in outline**, including success factors, stakeholder analysis, key risks, value profile, key milestones and next steps.

With acknowledgements to

# Dubai Exhibition City

– Establishing a programme development strategy



- **The challenge:**
  - To explore how the Dubai World Trade Centre could provide significant expansion by relocating its operations to a new location adjacent to the new Airport.
  - Provide the necessary infrastructure and related facilities for the site to attract major international clients in a **self sustaining development**
  - Establish how the proposed programme of projects would be delivered successfully.
- **The process:**
  - Extensive consultations with key stakeholders over a period of several weeks rather than workshops
- **The outcome:**
  - Recommendations to re-structure management
  - A ten point development strategy

With acknowledgements to

**Davis Langdon**   
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# Applications at Programme level



# Bahamar Leisure complex

## - Programme definition study



- **The challenge:**
  - Launch Event for development of major new leisure facility at Cable Beach, Bahamas
  - Clear vision of expected outcome and outline Master Plan
  - **Lack of clarity on requirements to implement plan**
- **The process:**
  - Week long preparation, workshops and break out sessions
- **The outcome:**
  - **Detailed Value profile developed to confirm vision**
  - Client body management structure and decision making processes resolved
  - Critical appointments identified
  - End to end Master Schedule developed
  - Significant procurement issues for developing facilities of this size and complexity in Bahamas identified
  - **Business case and cost requirements developed in outline**
- Davis Langdon subsequently appointed as project directors and planners

With acknowledgements to

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# Selecting projects that add most value

Deletion of unnecessary projects, improvement of retained projects



## The challenge

- Airline seeking exclusive use of new airport terminal
- Could afford \$1bn upgrades to improve operational efficiencies
- Estimated cost of upgrades \$2bn

## VM programme

- extensive programme to reconcile the difference.
- The team developed business cases for all the identified projects
- Then undertook a series of studies to justify their viability or otherwise

## The outcome

- Determined which projects were really needed taking account of both monetary and non monetary benefits.
- Identified projects that could be removed from the scope that were not viable
- Halved the cost of the upgrade programme from \$2bn to \$1bn whilst retaining the essential benefits arising from it.
- Balanced the overall benefits realised with the use of resources by optimising the value for money ratio.

With acknowledgements to

# Applications at Project level



# Jurong Hospital, Singapore

## – Funding gateway approval study



- **The challenge:**
  - New community and general hospital
  - New concept to increase general hospital capacity by transferring patients to community hospital for recovery and rehabilitation
  - Buildings separated by new six lane highway!
  - **Need to demonstrate Value for Money as well as robust controls over cost, change, programme and risk**
- **The process:**
  - Detailed preparation and meetings, followed by two day workshop involving all key stakeholders
- **The outcome:**
  - **Detailed Value Profile developed as basis for decisions**
  - Additional expansion capacity added to minimise future disruption
  - Issues around access and improving (air conditioned) connectivity resolved
  - Change control and Cost management processes demonstrated and agreed
  - Master programme and milestone dates agreed
  - Key risks and mitigation actions identified and agreed
- **What the client said:**
  - **This will give us a better hospital and provides the case to pass the upcoming gateway review**

With acknowledgements to

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# Bahrain international airport

## -Brief clarification



- **The challenge:**
  - **Planned series of studies to clarify brief and deliver value for money**
- **The process:**
  - Over ten days of consultations and three workshops with all major stakeholders over a four month period
- **The outcome:**
  - **Detailed value profile developed providing the team with a greatly enhanced understanding of the project requirements**
  - Clear protocols for how the team would work together
  - **Strategies for overcoming the major constraints of expanding facilities within a fully functioning airport without disrupting business as usual**
- **What the Client said:**  
 On behalf of the Team I would like to thank you for a job well done.  
 We are happy with Davis Langdon in this value management contract and look forward to more opportunities with you soon

With acknowledgements to

**Davis Langdon**   
 An AECOM Company

# Applications at Operational level



# Surrey County and Islington Councils

– Improving services to vulnerable people



- **The Challenge:**
  - To find smarter ways in which to deliver complicated services to children, adults, refugees and asylum seekers.
- **The process:**
  - **Consultations and 36 workshops involving over 200 managers over several months.**
- **The outcome:**
  - Detailed function analysis and process mapping to analyse methods and clarify service objectives
  - Generation of numerous innovative ways in which to deliver services
  - **Many recommendations implemented resulting in greatly improved user satisfaction and reduced authority costs**
- **What the Client said:**

**Managers like it because it is staff friendly, and innovative.**

**Staff like it because it is participative and encourages effective communications.**

With acknowledgements to Clive Bone,  
Bone & Robertson



# Canadian food manufacturer

– Streamlining processes to deliver a better facility

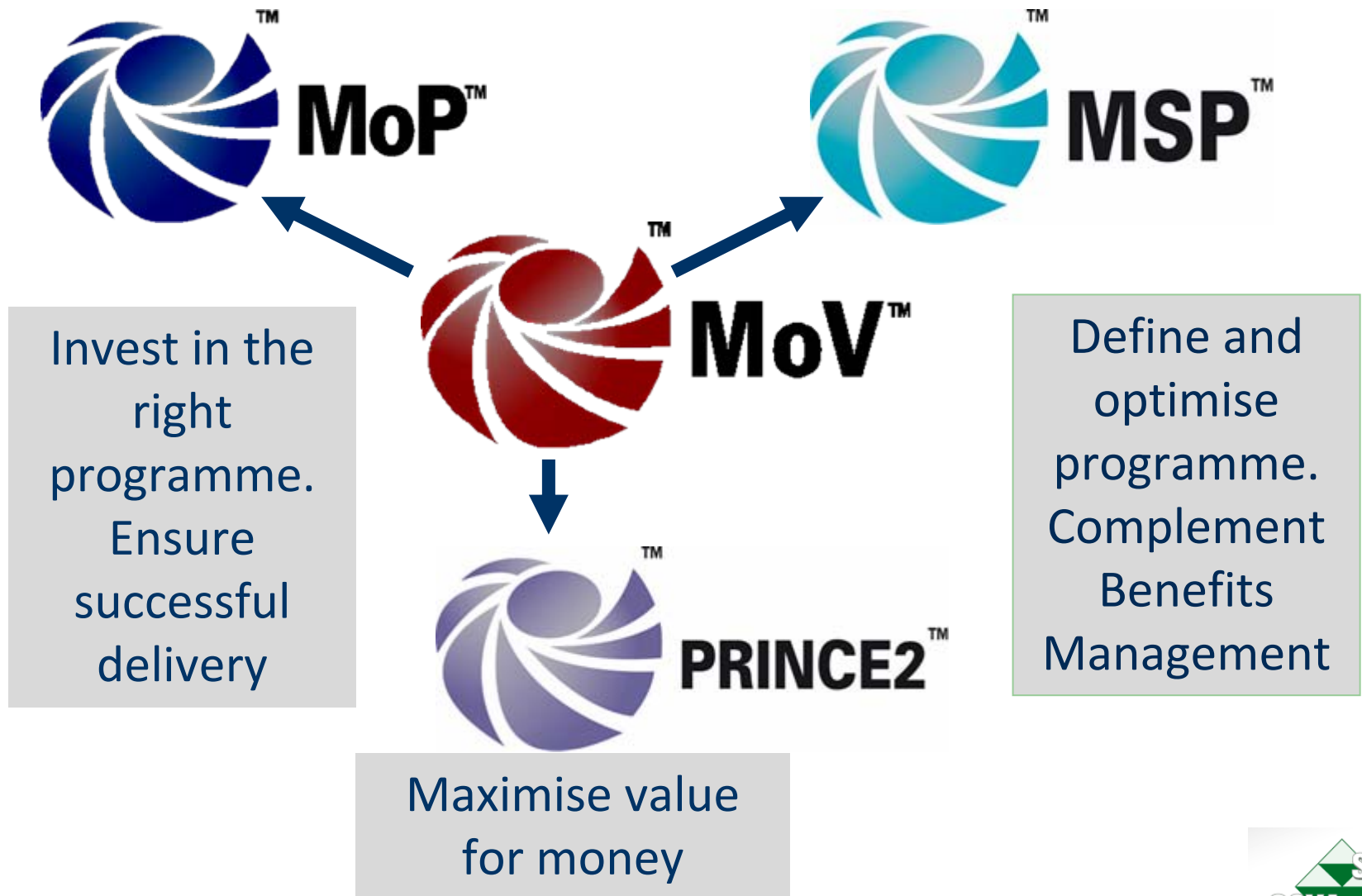


- **The Challenge:**
  - **To develop a new manufacturing facility within tight timetable and reduced budget**
- **The process:**
  - **Week long workshop with managers and staff**
- **The outcome:**
  - **Function analysis identified the need for processes that had not been included in budget**
  - **Development of innovative methods to receive deliveries, process raw materials and package for despatch**
  - **30% reduction in estimated implementation costs, allowing inclusion of state of the art laboratory (not previously within scope)**

With acknowledgements to



# Contributions to other Best Practice methods



# International qualifications

- Best Management Practice, MoV, APMG
  - Foundation and Practitioner
- European, Value for Europe, EGB
  - Adopted by UK Institute of Value Management (IVM)
  - Foundation, Intermediate (QVA) and Practitioner (PVM) (knowledge and delivery skills)
- Society of American Value Engineers (SAVE)
  - Foundation (AVS), Intermediate (VMP) and Practitioner (CVS)
- Institute of Value Management, Australia, IVMA
  - Practitioner (Member of IVMA)



# Conclusions

- Value Management brings significant improvements in commitment, understanding and performance
- Very topical response to current demand to reduce spending, focus resources and improve value for money
- Integral to Cabinet Office Best Management Practice
- Effective at Portfolio (business), Programme, Project and Operational levels
- Range of qualifications to underpin quality of delivery

# Questions and discussion and thank you



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