The
VALUE
TIMES

INSTITUTE OF VALUE MANAGEMENT AUSTRALIA
Ensuring better value for money

WINTER EDITION 2022

President's Message

It's All About Culture

Hello Everyone,

Welcome to the Winter edition of the IVMA's newsletter, *Value Times*.

Over the years, I've had the privilege of working with some great people from whom I've learned a great deal.

One of those people is George Scott from BHP who has an article in this edition of *Value Times*.

In his article, George writes about working with stakeholders to achieve best value for money and highlights the inherent complexities in doing so.

Right up to the time Covid struck, my colleague Mark Neasbey and I were working with BHP running Value Optimisation courses at BHP centres around Australia and in their North and South American offices.

It was George Scott who initiated these courses and Mark and I worked with George for two or three years in presenting the courses before he moved on to a different role at BHP.

In delivering those courses, we worked as a team of three, where Mark and I would present principles of achieving best value for money on major projects, whilst George would identify specific applications of those principles to BHP situations.

I am deeply indebted to George for introducing me to the quotation attributed to Peter Drucker: "Culture eats strategy for breakfast*".

(*I say "attributed" to Peter Drucker because there is no hard evidence that it was him who originally said it).

Regular readers of *Value Times* might recognise the quotation that I've referred to many times over the years.

It really is a key issue.

It's so easy to fall into the trap of thinking that new programs (or strategies) will resolve problems when all along it's actually the organisation's culture that needs fixing.

For evidence of this, we need to look no further than the relatively recent Royal Commission into Banking and Finance in Australia.

The Royal Commissioner had plenty to say about the 'culture' of the Banking and Finance industry that no programs or strategies, in and of themselves, would fix.

There's a lesson for everyone to learn – not just those in the Banking and Finance industry.

The lesson is; if we want to change things, then organisational culture is the place to start.

"There's a lesson for everyone to learn – not just those in the Banking and Finance industry."

New programs and initiatives are important, but, as Peter Drucker so insightfully observed, "culture eats strategy for breakfast".

We need to work on organisational cultures. This is where the core problems are found and therefore the management area that demands the most attention.

"Easier said than done," I hear you say! I agree entirely.

My experience tells me that getting organisations to work on their culture is a very challenging task. And it makes no difference whether the organisation is a multi-billion dollar enterprise or a small local business. Culture eats strategy for breakfast.

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President's Message

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Cultural change is certainly a long-term activity and requires leaders to set and maintain the example. When it comes to achieving best value for money, this is no exception.

It's really important that everyone in the organisation is *thinking* about best value for money in all of their activities, including decision-making.

One of the core principles of achieving best value for money is to build shared knowledge and understanding amongst stakeholders and Project Team players.

This needs to become part of an organisation-wide culture, not simply an activity carried out by individual Project Team members.

We have seen time and again that major changes to project requirements take place as a direct result of achieving shared understanding of one another's individual requirements.

People can and do change their requirements once the overall situation is properly understood, including knowing what others are asking for and why they need those items.

In my experience, this is an area of Project Management that is significantly neglected. It is simply assumed that such understanding takes place through the course of Project meetings.

"In my experience, this is an area of Project Management that is significantly neglected."

Nothing could be further from the truth.

Most practitioners concentrate on their particular piece of the 'puzzle' and possibly the immediate connections to that piece, but considerations beyond that are rare.

That's someone else's problem.

Yet, as I said, it is through *shared* understanding of the overall situation that opportunities for change arise.

Of course Project Managers are, typically, under extreme time pressure and so it is tempting to *not* spend time on activities that "build shared knowledge and understanding" of one another's requirements.

But this is where there is often most opportunity to improve value for money. This is why I argue that such activities need to become part of an organisation's culture: it's the way we do things — it's habitual — it's in our DNA!

So the key lesson is this: to improve value for money, we must first examine the organisation's 'culture'. Culture eats strategy for breakfast!

Enjoy the newsletter!

Dr Roy Barton
President, IVMA

Four Steps to Managing (perceived) Stakeholder Value

During the past few years, I have been privileged to mentor young Project Managers.

Their level of experience varies widely, as does their foundational knowledge and questions about projects, yet a dominant theme, considering 'stakeholder issues', emerges at the forefront.

The issue is often contextualised as 'difficulty in aligning stakeholders', or 'competing priorities between stakeholders', or 'stakeholder resistance'.

The solution sought is often along the lines of what procedure will resolve the issue as the typical Stakeholder Management tools e.g., Stakeholder Registers, do not seem to suffice and there must be some better way.

Using typical Project Stakeholder Analysis techniques, the procedures seem to be — identify the stakeholders, prioritise the stakeholders, and add the stakeholders to the register.

… *Tick. Flick. Done.*

The all-consuming idea seems to be that Stakeholder Management is just a 'numbers game' and can be reduced to some-or-other tool devoid of empathetic contact with the stakeholder.

A fundamental flaw here is not recognising the stakeholder as an individual with an individually created or owned view of the 'value' ascribed to the project.

I regularly encounter this situation which has spurred a professional interest in finding a more intentional and deliberate way to manage stakeholders.

The approach is to reframe the stakeholder 'conversation' using a 'Four Step' approach aimed at considering the stakeholder as an individual with a unique 'value' perspective, appreciating that this 'uniqueness' may conflict with the position of other stakeholders, and carefully orchestrating an outcome that satisfies all stakeholders, and in the process addressing stakeholder misalignment and resistance.

The Four Steps, that require much empathetic tact and agility by the Project Manager, are discussed next.

Step 1: Seek to Understand

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.

So, if we can surmise that 'value' is perceived, and differs between individuals, Step 1 is to engage with your stakeholders and determine how they perceive 'value'. This is often through facilitated conversations, either individually or in groups.

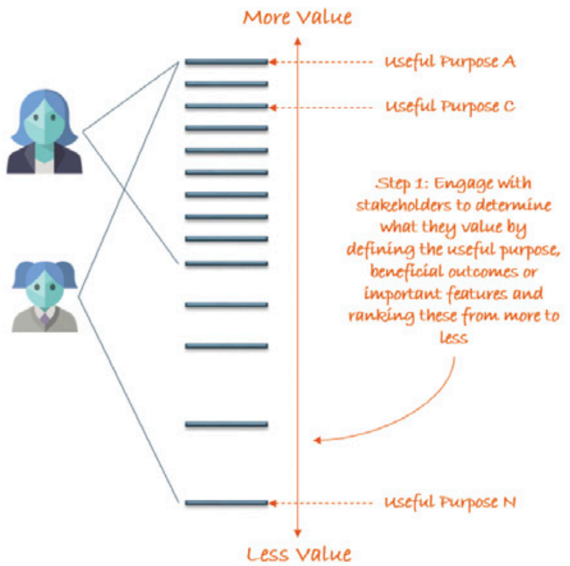
As the Project Manager, you will need to contend with differing opinions, that might change over time, and make trade-offs to determine features and characteristics that provide more 'value' than others.

The intent is to not only understand the 'value' ascribed to something (say a project) by your stakeholder but also to understand the relative importance of each 'value' element.

As shown in the illustration, you need to effectively garner from your stakeholders what they 'value', then triage these from those with more-to-less value, whilst managing differences between stakeholders and what they perceive as being more (or less) valuable.

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 (and in my experience) the best approach is to adopt an empathetic posture being able to develop a collective understanding of what 'value' means amongst those involved.



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Four Steps to Managing (perceived) Stakeholder Value

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In contrast to process this requires two foundational capabilities.

First: an uncanny ability to create an environment in which diverse opinions about 'value' can be honestly expressed, discussed, and understood.

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'.

Step 2: Seek to Provide Choices

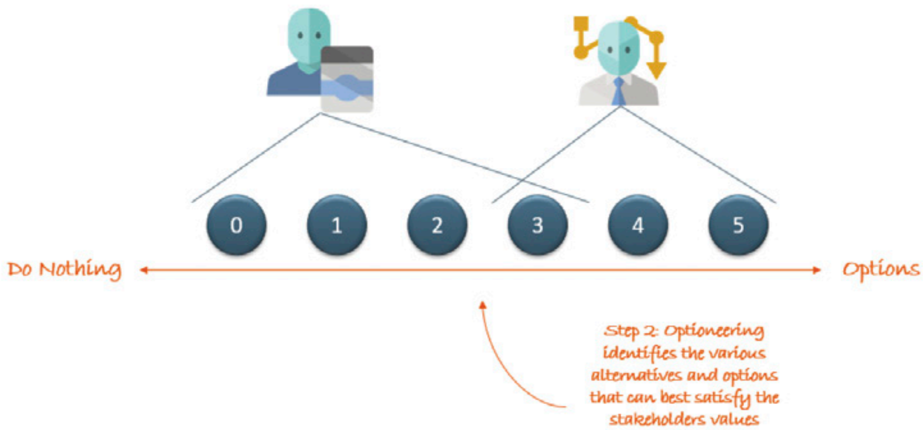
Next, seek to provide choices. Central to this assertion is the idea that it is often impossible to identify the single, go-forward option that will satisfy all your stakeholders' needs 100% of the time.

Rather, you are seeking the option that provides best (optimal) value-for-money. By providing options, instead of trying to predict (or find) the perfect outcome, you are positioning yourself and your stakeholders in such a way that they have choices. There are two key outcomes as a consequence of this optioneering approach:

1. You delay selecting the preferred option until all the relevant information has been collected (refer Step 3) which enables rational, optimal, decision-making
2. You broaden the solution space by providing choice which addresses bias and increases the chance of finding a more innovative answer to the problem.

As with Step 1, there are several procedural ways to generate these options e.g. using Ansoff's matrix, innovation templates, Porter's generic strategies as a framework, a Strategy Canvas, Voice of the Customer (VOC) research, or just asking people for ideas, but essentially the process entails generating ideas and resisting the temptation (at this stage) to judge

"By providing options, instead of trying to predict (or find) the perfect outcome, you are positioning yourself and your stakeholders in such a way that they have choices."



options as either good or bad.

My own organisation has standard processes that identify both the do-minimum option (the option with no intervention or investment), as well as multiple investment alternatives.

Typically, these options are easily derived from workshop conversations focussed on the identified problem and/or opportunity and the benefits associated with solving the problem/grasping the opportunity.

Step 3: Seek to Source Relevant Information

The previous steps now provide a useful construct through which to consider targetted information gathering (when information is a basic requirement for decision-making i.e., there are situations where information gathering is either not required or can be acquired very quickly).

By matching the information required to an option, as well as the 'value' element, it significantly increases effectiveness of the final decision as well as the process of decision-making itself.

Firstly, such an approach results in data-driven decision-making that has several advantages i.e. consistency, improved transparency and awareness throughout the organisation, quick and confident decision-making.

Secondly, from a process perspective the gathering of information is targetted i.e. information is relevant to the specific option within the context of understanding the stakeholder 'value' elements identified in Step 1 (the alternative is time-wasting or gathering non-relevant information).

As with the previous steps, my own organisation has a bespoke process to gather information for decision-making.

As described, it logically follows the activities outlined in the preceding steps and is targetted at firstly identifying what information is required and then outlining a plan to acquire this information in terms of the time or cost of acquisition, or the capabilities required to interpret the information.

This process also considers possible knowledge gaps i.e. cases where information cannot be gathered because it would be too onerous, costly, or time-consuming, and outlines decision-making strategies to mitigate these gaps in the final step.

Step 4 Seek to Identify the Option that Provides Best Value-for-Money

Now that we have defined 'value' as it is perceived by the stakeholders, identified options, as well as gathered relevant information, we can determine the best value-for-money outcome.

Typically, I would use a multi-criteria analysis (or a variation thereof), as illustrated below, which is a decision-making methodology that incorporates several 'value' criteria, in order of preference, to evaluate and select the best option, among many alternatives based on the desired outcome.

As mentioned previously, it is often impossible to identify the single, go-forward option, that will satisfy all your stakeholders' needs 100% of the time.

Therefore, the final outcome is rarely achieved through simple algorithmic maths, and more often than not, it is as a result of astute management of the relevant stakeholders.

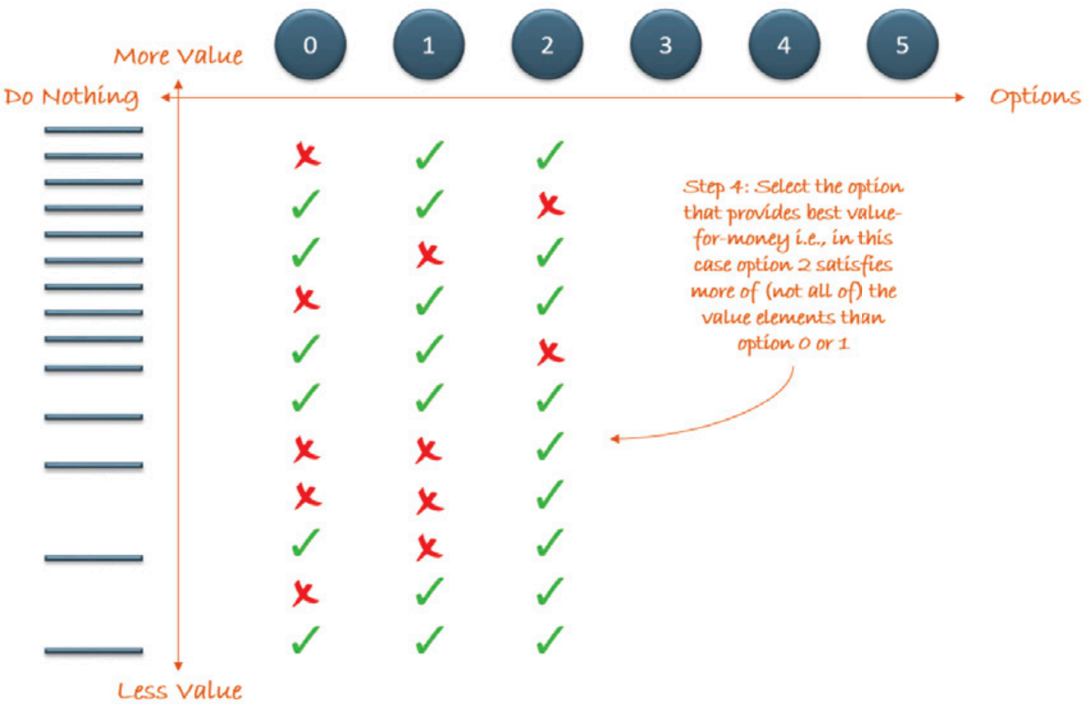
Astuteness includes the ability to cultivate the expression of diverse opinions, the ability to make trade-offs between stakeholder interests and manage conflict, and the ability to act as the catalyst allowing the stakeholder group to converge on an agreed collective understanding of the sources of 'value' as well as the optimal, go-forward option.

So, what should we conclude?

Well, procedurally, managing stakeholder misalignment and resistance through a 'value' lens can be as easy as following Steps 1-2-3-4.

However, success lies in the Project Manager *wisely* applying the Four Step process using his or her own Value Management skills.

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



Project Management Body of Knowledge – Seventh Edition

In The *Value Times Summer Edition* (2020) the article *Improving 'Value for Money' management by refining Industry Standards* discussed the situation of the 'value for money' (VFM) concept in industry.

An IVMA working group review had identified two main opportunities to enhance VFM Management in Standards and Guides.

In response to the review, the IVMA submitted comments to The Project Management Institute (PMI) on the exposure draft for The Standard for Project Management Seventh Edition on recommendations for understanding the meaning of VFM and for achieving VFM.

> *"However, the term money is mentioned only once, and the term value for money is not recognised."*

The IVMA submission to PMI in response to the exposure draft is summarised in the *Value Times Winter Edition* (2020).

PMI released the Global Standard A Guide to the *Project Management Body of Knowledge PMBOK Guide Seventh Edition* and *The Standard for Project Management* in 2021 (Standard).

The purpose of this article is to briefly review the Seventh Edition Standard on how it addresses 'value' and to consider the outcome in relation to our submission on the VFM concept.

Seventh Edition Standard And 'Value'

The Standard identifies that the term 'value' is mentioned on 164 pages of the 370-page document.

The number of matches on these page's ranges from one to 10. The term 'value' is used in different contexts.

However, the term money is mentioned only once, and the term value for money is not recognised. The nearest reference is "Cost-benefit Analysis" which is defined as a financial analysis method used to determine the benefits provided by a project against its costs.

The term value *delivery* is given significant prominence and is mentioned on 40 pages.

The **Standard Section 2 A System for Value Delivery** highlights the importance given to *value* in the Seventh Edition Standard.

The information in this section provides a context for Value Delivery, Governance, Project Functions, the Project Environment, and Product Management in the following sub-sections:

- **Section 2.1 Creating Value** — how projects operate within a system to produce 'value' for organisations and their stakeholders
- **Section 2.2 Organisational Governance Systems** — how governance supports a system for 'value' delivery
- **Section 2.3 Functions Associated with Projects** — identifies the functions that support projects
- **Section 2.4 The Project Environment** — identifies internal and external factors that influence projects and the delivery of 'value'
- **Section 2.5 Product Management Considerations** — identifies the ways 'portfolios', 'programs', 'project', and 'products' relate.

For the purposes of this article, **Section 2.1 Creating Value** will be considered.

Creating Value

In relation to **Creating Value** the Standard uses the term organisation when referring to government agencies, enterprises, contractual arrangements, joint ventures, and other arrangements. Organisations create 'value' for stakeholders. The Standard identifies ways that projects produce value that can include, but are not limited to:

- Creating a new product, service, or result that meets the needs of customers or end-users
- Creating positive Social or Environmental contributions

- Improving efficiency, productivity, effectiveness or responsiveness
- Enabling the changes needed to facilitate organisational transition to its desired future state
- Sustaining benefits that were enabled by previous programs, projects, or business operations.

The Standard references the various components such as portfolios, programs, projects, products, and operations can be used individually to create 'value'.

Working together, these components comprise a system for delivering 'value'.

The Standard indicates the components in a Value Delivery system that create deliverables that are used to produce outcomes.

An outcome is the result or consequence of process or a project.

Focussing on outcomes, choices and decisions emphasises the long-range performance of the project. The outcomes create benefits, that are gains realised by the organisation.

Benefits, in turn, create 'value', which is something of worth, importance, or usefulness.

The Standard's discussion of a Value Delivery system is similar to the IVMA's recognition of the Value Statement that records:

Useful purpose:	Purposes fulfilled, and functions performed by the entity.
Beneficial outcomes:	Advantages gained or enhanced wellbeing from the entity.
Important features:	Other entity characteristics that are seen to be of particular importance.

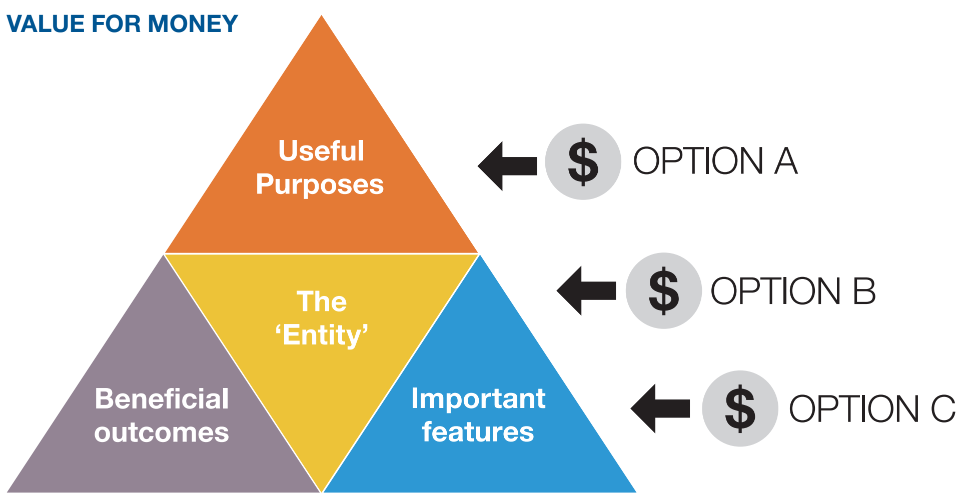
However, the Standard does not recognise the VFM concept shown by the value triangle below.

This review of the Seventh Edition Standard highlights that creating 'value' is well considered but the VFM concept has not been recognised.

" Focussing on outcomes, choices and decisions emphasises the long-range performance of the project."

Nevertheless, the VFM concept and process is an important Method (i.e. a means for achieving an outcome, output, result or project deliverable) in the context of Models, Methods and Artefacts in Chapter 4 of the Standard.

Michael Ord
Director, IVMA



Value for Money Webinar

On 27 April 2022 the University of Melbourne and the Institute of Value Management Australia co-hosted a webinar **Achieving Best Value For Money** from Projects in which more than 30 people participated.

Four presenters introduced the subject and participants had the opportunity of asking questions at the conclusion of presentations.

The presenters were:

Ajibade A. Aibinu, Associate Professor, The University of Melbourne

Mark Neasbey, Director, The Australian Centre for Value Management

Lee Morton, Senior Principal Communications and Engagement Consultant, Stantech

Hemanta Doloi, Associate Professor, The University of Melbourne

Ajibade Aibinu welcomed participants to the webinar and emphasised the importance of capturing and incorporating community inputs on projects and programs at inception.

Mark Neasbey provided practical examples from the extensive application of Value Management on the Pacific Highway, Sydney to Brisbane Upgrading Project undertaken from 1996 to 2020. The community was involved in Value Management studies in the initial phase of the project, that included involvement in route selection and key components for each discrete section of this extensive program.

The use of the 'Value Triangle' (see the previous article) was found to be an excellent starting point for each of the many studies undertaken as it allowed participants to agree the 'Useful Purpose', 'Important Features' and 'Beneficial Outcomes' that the project needed to achieve.

The application of this 'value improving' technique was fully supported by a best value-for-money culture that was prevalent at the time in the federal and state governments.

As a consequence the completed highway project has received strong approval from the community.

"But to achieve this, effective consultation (with the community the investment is intended to serve) is critical."

Lee Morton pointed out that community issues can present a major risk to a project, including financial risk, if the community is not consulted appropriately and its issues are not addressed.

The Westgate Tunnel Project in Melbourne was justified on a 2016 Business Case, with a planned completion in 2023 at a capital cost of $5.4 billion.

Major changes to the project were required after public consultation including an Environmental Effects Statement and Environmental Performance Standards.

Key issues to be addressed were noise during construction and during the operation of the roadway.

The current expectation is that the project will be completed in 2025 at a total capital cost of $10 billion.

Hemanta Doloi advised that, according to the World Bank, investing in more resilient infrastructure in low- and middle-income countries could save USD42 trillion.

This is not just about roads or bridges or power generation but includes the people, the households and the communities for whom this quality infrastructure would be a lifeline to better health, better education and better livelihoods.

But to achieve this, effective consultation (with the community the investment is intended to serve) is critical.

The use of a "Social Value Model" is important to gather this information to ensure that projects do not unwittingly create a "social value gap".

Q & A Session

In the Q&A session the following issues were highlighted should a Government or Planning Authority fail to adequately consult with, and act on, the results of community consultation:

- The long-term cost of leaving poorly performing infrastructure in place
- Loss of trust and reputation in the Authority itself by the community (society and business)
- Inefficient and inadequate operation and performance of the completed project or program
- Lack of an organisational culture which values community input can result in sub-optimal performance of the completed project
- Failure to consult at the Strategic Planning stage of infrastructure can lead to a project or program business case that simply does not meet community needs
- If the community does not have an input into the project or program business case and the project is subject to cost and time overruns, what then is the 'value' of it to the community?

John Bushell
Chair Publications & Events Committee,
IVMA

Nominations for Director of IVMA

Under the Constitution of the IVMA, the Institute may have up to 8 Member Directors. This year we are looking for nominations from up to 5 eligible members to join the Board of the Institute.

A copy of the IVMA Constitution is available on the IVMA website: ivma.org.au > who we are > governance > *click the link* to the Constitution.

Please make any enquiries and lodge valid nominations for the position of Member Director with the Secretary, Alan Butler: **E** abutler1950@gmail.com **M** 0411 464 260

Nominations for the position of Member Director may be lodged no earlier than close-of-business 5 August 2022 and before close-of-business 9 September 2022.

The details of Nominees for the vacant Member Director positions together with any supporting resumes supplied will be issued to all Members together with the formal Notice of the 2022 Annual General Meeting.

This is your Institute, so please consider becoming a member of its governing body