

Business benefits of implementing MoV[®]

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1 Why do we need Management of Value?

There has always been pressure for organizations – whether in the public or private sectors – to demonstrate best value for money. Maximizing value does not happen by accident, and having a process to maximize return on investment must be of benefit to any organization. In the current economic climate, there is, more than ever, a clearly identified need to demonstrate the best possible return on investment, to maximize value, without compromising on the quality of essential services. Management of Value (MoV®) can be a useful tool to help an organization to remain competitive and improve profitability during the lean times, as well as in times of plenty.

MoV is based on long-established practices from across many industry sectors. The methods described in the MoV guide are not new. The MoV guide has been developed with a view to aligning these practices with the existing Best Management Practice programme and project management guidance, in order to help organizations, supplement their existing management approach.

Most organizations appreciate the need to apply effective risk management procedures. Value management is in some ways the other side of the risk management coin. Risk management may identify opportunities to enhance value; value management reviews the identified opportunities and offers ways to achieve the enhanced value. In fact it could be argued that by not applying value management, an organization is increasing its risk exposure by limiting its chance of getting the best possible return on investment.

2 What is value?

The definition of value is ‘the benefits delivered in proportion to the resources put into acquiring them’.¹

However, the perceived value of the benefits can be quite subjective. Different stakeholders will have different priorities when it comes to assessing the value of the benefits. Often these views will be in direct contradiction to each other. An organization needs a process to manage and balance these differing views in order to come up with the optimum balance of stakeholder needs in relation to the cost of delivery.

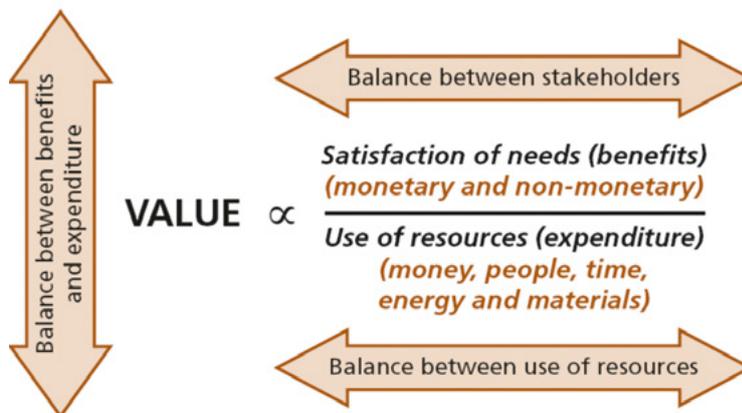


Figure 1 Balancing the variables to maximize value

3 What does MoV offer?

MoV focuses on function – what things *do* rather than what things *are*. This opens the way to exploring what options are available to achieve the objective by other means, which may be less costly to deliver or more efficient to operate.

The MoV approach offers a series of logical steps or processes, supported by the MoV principles. These processes are applied at all stages throughout the project from start-up to successful outcome. (Note: the term ‘project’ is used throughout to indicate any change initiative, whether this is a single project, a

¹ Definition from the glossary of the MoV guide.

programme or a portfolio of changes.) The processes are tailored according to the size and complexity of the project and the MoV activities will change through the life of the project. So some processes will be used at many stages during the project's life, others only at specific points in the project lifecycle.

By adopting the principles and applying the approach – tailored to suit the complexity of the project – an organization should be able to maximize return on investment.

The MoV guide also includes some of the techniques that you can use to help make the comparison of functions as objective as possible. These are supported by helpful diagrams and worked examples.

4 How can MoV help me?

Whatever an organization's business, its continuing success is based on providing the best value service to customers. Anything that helps to manage and improve value should be adopted. A few of the more obvious benefits of implementing MoV are listed below.

4.1 INCREASED STAKEHOLDER COMMITMENT

MoV identifies a series of logical steps to guide you through ways of collecting and analysing information to identify which delivery option gives the best value for money. In order to do this, you need to have a clear idea of why the project is needed, and this usually means a robust business case so that the decision makers can review the options available and make a sensible and objective decision on whether to proceed or not.

In order to identify and prioritize the functions that a project has to deliver, as wide a variety of stakeholders as possible should be involved at the earliest stage of the project definition. The term stakeholder is used here in its broadest sense to include anyone who has an interest in, or may be affected by, the project. By involving these stakeholders you will get as many ideas as possible as to why the function is needed and how it could be done better.

MoV evaluates the merits of the different options by assessing their performance against value drivers, to identify those that add most value. By using an appropriate technique such as function analysis system technique (FAST) or value trees, you can rate the relative importance of each function. Then, by allocating costs to the delivery of each function, you come up with a score for each function, which allows you to prioritize and concentrate on best value.

The fact that the different stakeholders have been involved from the start will help to generate a sense of ownership of the project. Stakeholders who have this sense of ownership are more likely to remain involved throughout the project, which should increase the chances of a successful outcome.

4.2 MORE EFFECTIVE USE OF RESOURCES

In many organizations, resources are often scarce and MoV can help to make more effective use of these resources. This in turn should help to deliver best value for money to the organization and its customers.

Focusing on the functions that add the most value will not only help to prioritize delivery, but may also identify more cost-effective ways of delivery. Good stakeholder engagement during the planning stage can often identify alternative ways of achieving the same objectives. It is easy to develop preconceived ideas of how a function should be delivered, often without realizing that this is happening.

As MoV becomes embedded, an organization should be able to make greater use of internal resources, by building on and improving their capabilities, and this in turn will lessen the use of and reliance on external resources. This will then give greater control of developments, allowing the organization to be more responsive to changes in requirements. All of these factors should contribute to a reduction in costs.

4.3 BETTER CONTROL OVER DELIVERY

Applying MoV will help to improve efficiency in the delivery of services and eliminate wasteful practices. And when it is necessary to make cost reductions, MoV helps to identify the best way to achieve this with the least possible impact on essential quality. This will require some investment at the beginning of

a project, but effort spent in developing proposals to add value, the evaluation of options and the selection of the most appropriate solution must be cost effective. Much effort can be wasted in following a less than optimum approach. As a rule, the earlier in a project that MoV can be implemented, the greater the potential value to be added.

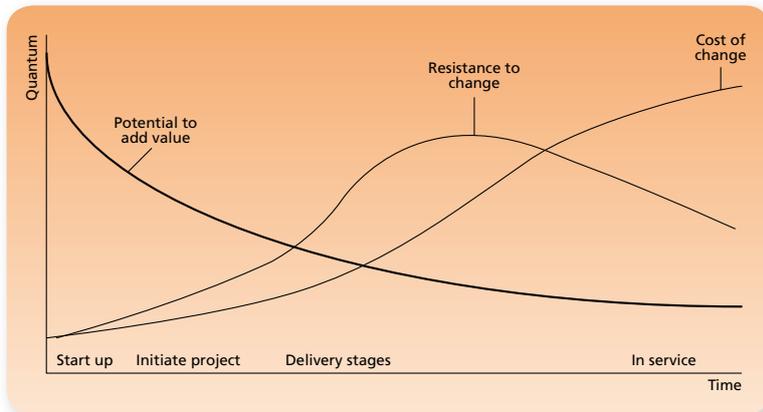


Figure 2 Opportunity for adding value

Once a project is underway, progress should be continually monitored, using some sort of earned value analysis to track costs against progress. Ideally the measures to track progress in the project will also be used to track progress towards achieving value, so there should not be additional effort for the delivery teams. Corrective action can be taken where necessary, and the approach to the use of MoV within an organization can be refined as lessons are learned.

4.4 PROJECTS THAT DO NOT ADD VALUE ARE CANCELLED OR NOT STARTED

The same objective methods that are used to identify those functions that add the most value can also be used to identify projects and services that add the least value. Too often there is a tendency to throw money and resources at a project that appears to be failing. This is rarely cost-effective.

The techniques included in the MoV guide can give an objective view of which functions are required, and which add the most value. When this is balanced against the cost of delivery, it may be that some projects, or part of a project, may prove not to be worth the investment. There are two aspects to this – firstly the cost to deliver against the benefit gained and, secondly, whether the project being considered is actually needed in the first place.

This may result in an initiative that, at first sight, looked worth consideration proving to add little value when more detailed analysis is done. The result of the MoV analysis provides supporting and objective justification for not starting projects of little value and for stopping projects that may have already been started.

4.5 GREATER RESPONSIVENESS TO A CHANGING ENVIRONMENT

No organization is immune from the effects of the environment in which they are operating. Both private and public sector organizations need to be responsive to changes in legislation, competitive pressures, etc. The external factors shape an organization's strategy. This will dictate programme and project plans. It will also dictate the organization's value profile. An organization's value profile is 'a representation of the relative importance of the primary value drivers to the client body and end users'.

An organization that has a flexible and value-conscious workforce will be able to react more quickly to a changing environment. When MoV is being applied consistently across an organization, a common understanding of the organization's value profile should ensure that this is reflected in the programme and project value profiles. In other words, it reflects those functions that are the most important to stakeholders.

4.6 IMPROVEMENTS IN RETURN ON INVESTMENT

As MoV becomes embedded in an organization, a more value-conscious culture will develop. Using MoV will become the norm and the benefits will continue to grow.

It will become easier to apply the techniques. Members of delivery teams will automatically start to consider the function and options for delivery when presented with a new requirement from a customer.

MoV need not be confined to change initiatives. Many organizations find considerable benefit in reviewing normal operational functions using the MoV techniques to help identify better ways of meeting customer needs. This may result in one or more projects being commissioned to revise these delivery practices.

5 How can I implement MoV into my organization?

Implementing MoV into an organization will take careful planning. Each organization will need to decide which approach is suitable for them. The MoV guide includes a chapter on embedding MoV into an organization, and this will be a useful basis for many organizations.

It is important to stress that embedding MoV is not going to happen unless there is senior management commitment and adequate governance in place to support it. Trying to implement *any* new practices into an organization without these two prerequisites is likely to fail. If there is insufficient senior management commitment, or the organization's governance is incomplete or imperfectly applied, this needs to be addressed.

MoV should not need additional people, but some individuals will be given additional responsibilities within a project. For example, a programme manager may also be the senior MoV practitioner or the MoV study leader, as well as carrying out the normal programme management role.

Initially some training will be needed. Training should pay back as soon as MoV starts to be applied to real-world projects. Training for the senior MoV practitioner or the MoV study leader roles would ideally be provided by an accredited body but, following this, much of the 'awareness' level of training – for those who need to know and understand – can be done internally.

This will take some time. It may be appropriate for an organization to implement MoV on a project-by-project basis, bringing in external resources for training and possible consultancy on an as-needed basis.

Whichever approach is chosen (top-down, big bang, project-by-project roll out), a good understanding of MoV is necessary for it to become firmly embedded. If this is not done, there is a serious risk of 'backsliding', and a return to the original status quo. The use of a maturity model will help to assess how well MoV is embedded into an organization. All organizations should aim for Level 5 (to use the levels defined in the Best Management Practice Portfolio, Project and Programme Management Maturity Model (P3M3)), which means that MoV is embedded in the organization's culture, underpins all decision making within projects, and there is evidence of continuous improvement.

6 Common barriers to implementing MoV

6.1 'WE ARE ALREADY DOING OKAY WITHOUT IT'

Where an organization's projects are already delivering according to an agreed business case, it can be difficult for managers to see how adding what they see as an additional overhead is likely to help. There is no easy way to deal with this. However, once people can see the benefits of MoV, then they are likely to be willing to try this on their own future projects. Good communication and training can help, and using a step-by-step approach to embedding MoV can be useful, as the effectiveness of MoV can be demonstrated in real-world situations that are relevant to the individuals.

6.2 'I HAVEN'T GOT THE TIME OR THE MONEY TO SPARE FOR THIS'

This can be a powerful argument where managers and staff are already trying to juggle the conflicting requirements of maintaining normal business service levels, at the same time as implementing changes in accordance with the organization's stated strategic objectives. It is easy for people to feel overwhelmed by the thought of yet more work. Especially if they do not immediately perceive any benefit.

It is true that there is time and effort involved in embedding MoV into a project, so it is important that everyone understands that the investment of this time does deliver value for money. Sadly, most organizations have some experience of projects that did not deliver as hoped. The more common reasons for this include:

- Business case was not sufficiently robust
- Poor understanding of the required outcome
- Poor planning, leading to inefficient use of resources
- Poor performance when delivered, so that the desired benefits are not achieved.

Any of these leads to failure to provide value for money.

MoV, when correctly applied, can address these and other reasons for failure. Once managers and delivery teams understand this, the value of expending the relatively small amount of effort to embed MoV into their project becomes apparent.

6.3 'THERE IS NO BENEFIT FOR ME'

All organizations that operate an incentive scheme do so with the objective of increasing performance. Different organizations have different incentive schemes, and historically some of these have fallen foul of the unintended consequences. Short-term incentives can lead to taking too many risks. An incentive to lower costs can lead to lower performance, rather than providing good value.

Careful consideration is needed to identify an appropriate incentive scheme, which encourages value for money and increased customer satisfaction, rather than the single aspect of lower cost or shorter time to deliver. In some cases this may mean a change to the culture of the organization.

About the author

Polly Murphy is an accredited trainer in PRINCE2®, Managing Successful Programmes (MSP®), Management of Value (MoV®) and Management of Portfolios (MoP®), and lead trainer at Maven Training.

She has considerable industry experience in both public and private sector organizations, including major airlines, and software development and consultancy organizations. This has given her a real-world appreciation of the value of the Best Management Practice Guidance, and she welcomes the addition of Management of Value.

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