



The basics: Management of Value

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Introduction

Management of Value (MoV™) is intended to help organizations to get the best value from something, whether this is a project or a programme, or a portfolio of work.

MoV is not just about cutting costs, but, rather, concentrates on maximizing return on investment. What MoV does is to focus on the function, what things *do*, not just what they *are*. This allows an organization to explore different ways of achieving objectives, with a view to maximizing benefits in the most cost-effective way possible.

MoV is based on long-established practices, 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 existing Best Management Practice guidance, in order to help organizations to supplement their existing management approach.

1 The MoV approach

1.1 The seven principles

The seven principles underpin the whole approach. If the principles are not being applied, then MoV is not being properly used. This does not mean a bureaucratic overhead on an organization, because the principles are just common sense.

- 1 Align with organization's objectives – this means that a consistent approach is applied across all projects and programmes
- 2 Focus on functions and required outcomes – which means that we need to work out what we are trying to achieve *before* we start thinking about what to deliver
- 3 Balance the variables to maximize value – effective stakeholder engagement will identify differing needs, to allow a balance of benefits to be defined that is acceptable to everyone
- 4 Apply throughout the investment decision – MoV is not just applied at the start of an initiative. Once a project is underway, progress should be continually monitored
- 5 Tailor to suit the subject – a small and simple project is unlikely to require the same level of effort as a complex one
- 6 Learn from experience and improve performance – build on the good experiences and avoid repeating mistakes
- 7 Assign clear roles and responsibilities and build a supportive culture – without commitment and buy-in, MoV is unlikely to be wholly successful.

1.2 The seven processes

The seven processes offer a series of logical steps to guide an organization through ways of collecting and analysing information to identify which delivery option gives the best value for money. In order to do this, there needs to be a clear view of why the project is needed so that the decision makers can review the options available and make a sensible and objective decision on whether to start an initiative and then, throughout the life of the project, whether to continue.

1 Frame the programme or project

This involves gaining an understanding of the objectives and issues that need to be addressed, taking into account the organizational context and external factors. Information gained can be used to support or challenge the need for the project.

2 Gather information relating to the project

Involve as many different stakeholders as possible in order to understand the expectations from the project under study, identify suitable team members, understand stakeholders' needs and other project-related information.

3 Analyse information

The MoV guide gives details of some of the more commonly used techniques, such as the function analysis system technique (FAST) or value trees. Function analysis (see Figure 1) is a key feature of MoV and is based on the following fundamental questions:

- What is the purpose? Until you understand the purpose of something, its value cannot be assessed
- How else could this be achieved? Once you understand the purpose, alternative ways of performing or delivering the function may be identified, which may perform better or be less costly.

4 Process information

The MoV team uses the information to explore alternative proposals to improve value, typically through a series of meetings and workshops. New ideas will arise and often it is found that a function is not actually needed, so can be eliminated from the proposal.

5 Evaluate and select

The MoV team evaluates the merits of the different options by assessing their performance against value drivers, to identify those that add most value. There are three main areas to consider:

- Balancing the needs of different stakeholders
- Balancing the use of (often scarce) resources
- Balancing the benefits expected against the cost of money and resources to deliver.

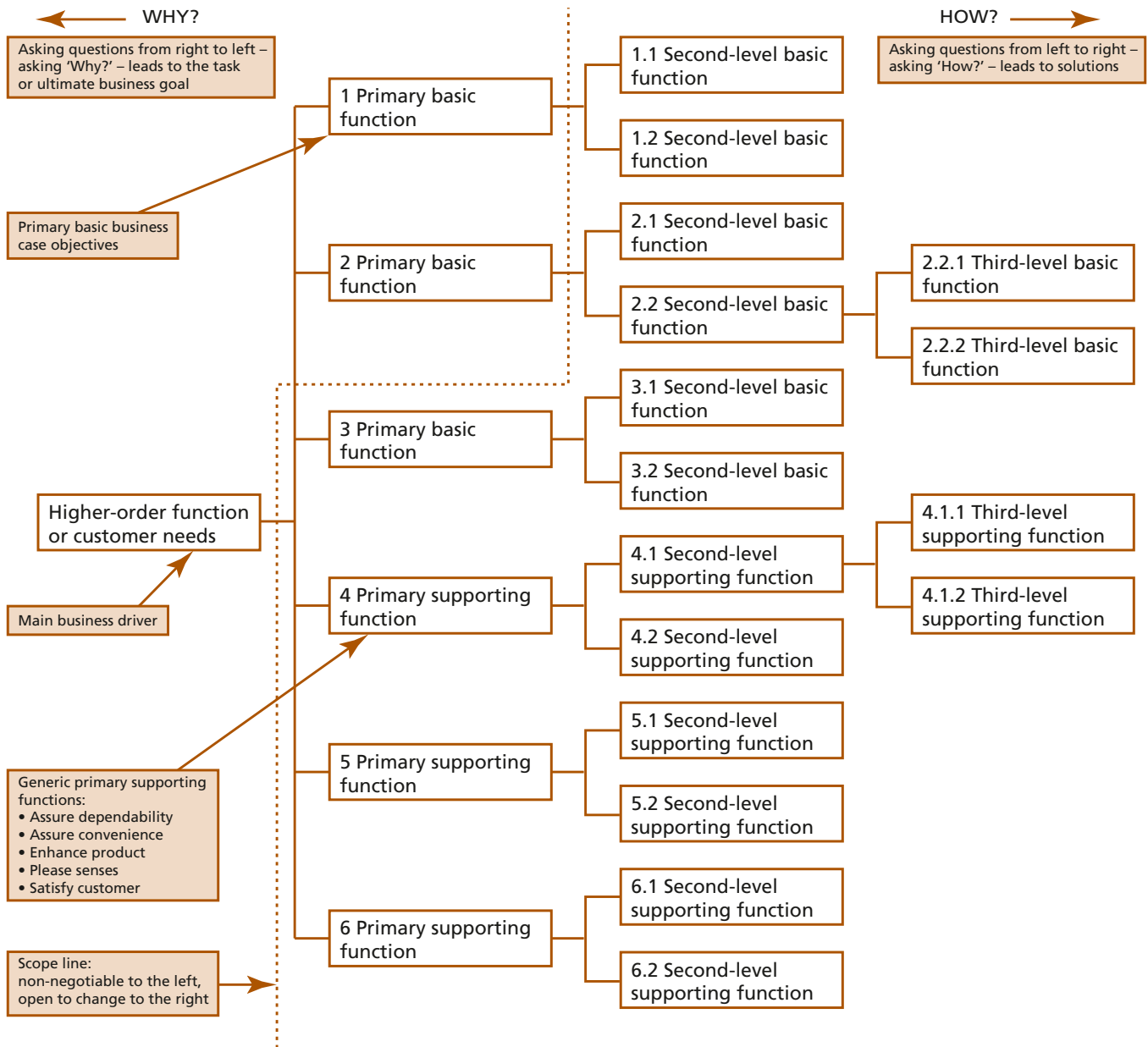


Figure 1 A customer FAST diagram

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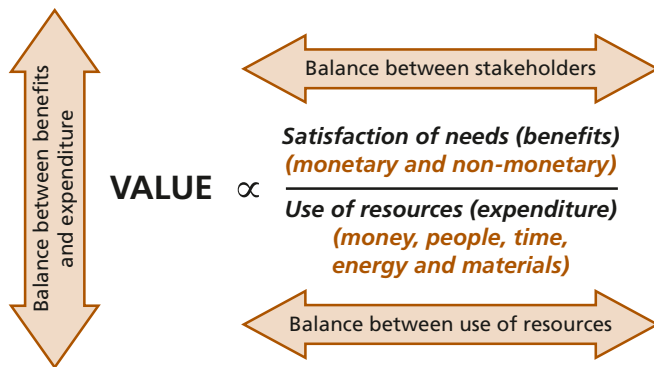


Figure 2 Balancing the variables to maximize value

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Value is the ratio of satisfaction of needs over use of resources (see Figure 2).

6 Develop value improving processes

The MoV team develops the selected ideas into value-improving proposals for decision and implementation.

7 Implement and share outputs

A plan for implementing the selected option is developed and implemented. A benefits management process should be implemented to track achievement of expected benefits. Ideally, the measures used to assess adding value will be the same as those already used by the project to track progress and assessment of benefits. Where necessary, corrective action can be taken and the approach to the use of MoV within an organization can be refined.

2 Embedding and reviewing MoV

MoV needs to be embedded into an organization and this requires a degree of effort and commitment from senior managers. Staff members will need training in MoV techniques. There may be barriers that need to be broken down before full implementation can be achieved, especially in organizations where projects have been delivered successfully using a more traditional approach. In these cases, MoV can be perceived as an additional overhead. Many organizations choose to follow a project-by-project approach. This can help to overcome opposition by proving the effectiveness of MoV in real-world situations.

Whether an organization chooses a step-by-step approach, or a 'big bang' approach to implementation, benefits should soon be seen, including more effective use of resources and the development of a value-conscious culture.

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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