

# Value management strategy evaluation



During the value management module students have been introduced to different skills, tools, techniques and principles needed to conduct a systematic VM strategy. Students were asked to work in groups to suggest proper tools and techniques to undertake and design a full VM strategy for the Old Cross Community fitness Center project case study.

Therefore, the main purpose of the essay is to critically evaluate and assess group three team's value management strategy. The discussion and evaluation of the VM strategy proposed by the group team will be supported by various literatures and researches.

The essay starts with introduction to the value management concept and background and follows with brief description of the project brief and its key stakeholders. It then discusses the value opportunity point where the VM study can take place in the project. The full VM process including tools, techniques, duration, attendees and output in each phase of VM study will be will explored and discussed in detail.

## **2. Value management definition and background:**

The following paragraphs introduce the concept of the value and the value management.

### **2.1 The concept of value:**

In the context of value management, the value can be expressed as the relationship between satisfaction of need and the resources used to realize this satisfaction (EN 1325-1). SAVE INTERNATIONAL (2007) define value “ as a fair return or equivalent in goods, services, or money for something exchanged”. Value can be viewed in different ways by different parties in

different situations. Greater value can be achieved if the fewer amount of resources are used which resulted in higher satisfaction.

## **2.2 Value management:**

Value Management is a style of management which is used to motivate people and develop skills and innovation to increase overall performance of the organization. “ it is about enhancing value not cutting cost” (OGC, 2007). Value Management is a method for maximizing value for money which is the best combination of whole life cost and quality to meet the client’s requirements and objectives. According to Dallas (2006), the application of VM approaches on average accomplish cost savings opportunities of 5-45%, with improvements in overall performance.

Connaughton and Green (1996) highlighted that using value management will help the client to achieve value for money for their projects by making sure that: (i) project main objectives evidently discussed in details, (ii) the need for the project is clearly verified, (iii) the design is obtained from the decided framework of the project main objectives and goals. Other benefits of value management include a better understanding of the business needs, improved team working, increased innovation in design, and the reduction of unnecessary cost (OGC, 2007).

(VM history in US UK- more outside references-)

## **3. Old Cross Community fitness Center project**

### **3.1 Project summary and brief**

The Chief Executive of Newtown Council highlighted that the old cross district had been classified by a recent medical report as one of the least

healthy area within England. To overcome this problem, a working party was formed consisting of members from three authorities namely the local area health, Leisure and Recreation, and Social Work and they decided to build fitness center which fit the whole community. The main project mission is to improve the health and fitness of the Old Cross district by providing adequate leisure facilities. The proposed fitness center comprise of summing pool, sport hall, general purpose hall, indoor tennis center, dance studio, health suit, staff accommodation and car park. The total cost of the project is estimated to be £14. 3 million, and the available for capital spend which is been granted from the awarding bodies is £ 9. 1million. It is clear that the project encounters some serious funding problems. The money required for the project is more than what is available. Therefore, a systematic value management study will be implemented in order to keep the project back on track. This will help the clients to achieve value for money for their project (OGC, 2007).

### **3. 2 The project main stakeholders**

Stakeholders are those individuals and groups who are involved or have interest in its activities and outcomes. Before staring any project, it is important to clearly identify the client and the stakeholder's requirement (Dallas, 2006). It is essential that the stakeholder represented by senior individuals who have the authority and can make decision on their behalf and who will contribute in aggressively in the workshop (Connaughton and Green, 1996). Male et al. (2007) outlined that Value management as a management style focuses on value system evolution and resolution within

projects and this can be done by bringing the right team of stakeholders together at the right time.

The group agreed that identifying the key stakeholders is very crucial issues for the success of the project. According to Baguley (2005), bringing the key stakeholders together in workshops will make best use of their contribution, increase the benefits of group dynamics and makes sure the most cost efficient use is made of member's time.

The key stakeholders identified by the group are the funding bodies, client representatives including the Chief Executive, Director of leisure and Recreation, Director of Housing and the technical team. However, the group didn't suggest any classification for the mentioned stakeholders. They all can be considers as a primary stakeholders since they have the authority and the power to influence the projects. According to Moodely (2002), the primary stakeholders on any project are those parties that have direct influence, or influenced by, the project. In other hand, examples of some secondary stakeholders which haven't been mentioned by the group may include the local communities, and the local football and tennis club users. Although these parties may not involve directly in the project, they can still exercise a great deal of influence (Moodely, 2002).

#### **4. Value management intervention points.**

The benchmarking research study done by Male, et al. (1998b) has identified six value opportunity points throughout the project life cycle were value management studies can be useful. These value opportunities can be taken at single or multiple intervention points throughout the project cycle. The six

value management opportunity points are strategic briefing study, project briefing study, Charette, concept design workshop, detail design workshop, and operations workshop (Kelly, Male and Graham, 2004). Figure 1 shows the six value management opportunity points.

There was a large debate between group's members in determining value management intervention points. The group agreed that the client think that they are in the stage between design and construction in the project life cycle. This supported by the Director of leisure and Recreation statement when he mentioned in the interview that they should be one the site getting the project build. Also, the group agreed that the current project brief and concept design is not clear and the client should be taken back to the strategic brief stage to bring them forward. Therefore, the group believed that the project is in the stage between pre-concept and concept design. This indicates that there is a value management gap between where the clients think they are in the project life cycle and where the group thinks they are. To overcome this gap, the group decided to conduct value management study at point (C) – the Charette – to allow review the strategic brief and improve the concept design.

In this particular project and according to the benchmarking research, the appropriate intervention points could be either at point (3) or point (C). According to Male et al. (1998b), the purpose of the concept design workshop is to review the initial plans, specification and cost plan. It is clear that this type of study-at point 3- concentrate mainly in technical aspects of the project without discussing the strategic and project brief. The interview with project Architect highlighted the problem of the lack of the clear project

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brief. Also, the Chief Executive of Newtown Council mentioned that there is shortage of money to fund the project. With these issues in mind, undertaking the VM study at point (3) is not a proper choice where in other hand; point (C) offers some valid solutions since it allows reviewing the strategic brief which will result in a clear project brief, better concept design and full understanding with client value system.

In the Charette workshop all of the phase of strategic brief and project brief are combined into one workshop. Kelly et al. (2004) noted that the Charette study is usually the first study on the project and it is commonly undertaking after the client has taken the decision to build, completed project brief and selected the design team. According to the case study, no such value study had been done before for this project. Therefore, the group made the right decision to undertake the VM study at the point “ C”, the Charette.

## **5. Value management process:**

Value Management may be described as “ a structured, analytical process for developing innovative, holistic solutions to complex problems” (TAM 2004). It makes use of a controlled decision-making process to make sure that the complete scope of the value management study is covered in the greatest likely sequence (Venkataraman and Pinto, 2008). Norton and McElligott (1995); Dallas (2006) highlighted that the systematic procedure adapted during a value management study, include three phases which are the pre-study, workshop, and post-study activates.

The group agreed to use the generic value management process which was adopted by Male et al. (1998a). The group chose this approach for many

reasons. This process and framework is understood by most of the professionals and the client in the construction industry especially in the UK. Also, the authors of this process have adopted it after revision of over than 200 studies conducted with clients, design teams and contractors under range of different procurement route. Consequently, the process uses structured, team-oriented to evaluate and generate solution to the problems. The main components of the generic value management process and the workshop are shown in Figure (2). The generic value management processes consist of three phases which include the orientation and diagnosis phase followed by the work shop and implementation phases. The group proposed that whole VM study will take eight weeks (see section 5. 4 ).

### **5. 1 Orientation and Diagnosis phase**

The Orientation and Diagnosis phase starts by gathering the most important information which allows the value management team to determine the main strategic objectives of the project by identifying the stakeholder's objectives and needs to deliver the project in most effective way Also, in this phase the value management teams prepare them self for the study by preparing and understanding the related information, such as project specifications, cost data, and project constraints (Shen and Liu, 2003). The information that is collected, evaluated, and consolidated in this stage, forms the foundation for all following analysis (TAM 2004).

The agenda for the workshop and the attendance will be determinate at this phase (Younker, 2003). Male and Kelly (2004) describes this phase as very crucial. It is the only opportunity for the value manger to fully understand all aspects of the projects such as the key stakeholders, the participants, and



the value problem. For addition, Orientation meetings allow every one involved in the project to fully understand the issues, barriers and constraints which the project faces as well as allowing those how have to give decision to give and receive information (Kelly and Male, 1993). The desired outcome of this stage is an obvious understanding of the clients needs which have to be addressed, and what the strategic priorities are (SAVE INTERNATIONAL 2007).

The group discussed this phase in details and decided that more information is needed to prepare for the VM study. This information includes project documents, organization structure, client requirements, conduction more interviews. According to Norton and McElligott (1995), the most concern at this stage that all parties which related to the study are well coordinated and there is sufficient information for reviewing during the study. Also, the group agreed that this process will highlight some important issues such as value management challenges and problems as well as identifying of where the project is in its life cycle. It is clear that the group did not assign time to each individual activity in this phase. Also the group didn't mention the name of main stakeholders who should be interviewed and the reason for their choices.

In the following paragraphs critical analysis will be conducted to the four main activities of the orientation and diagnosis phases which are the interview, site tour, document analysis and duration.

### **5. 1. 1 Gathering information and document analysis:**

The group underlined that more information is need in this phase before conducting the VM study. This will help the value manger and VM team to have better understanding about issues around the project (Ellis et al., 2005). Shen and Chung (2000) noted that lack of information is the most often encountered difficulty in VM studies.

According to Norton and McElligott (1995) typical information such as the project brief, drawings and specifications should be gathered from the design team and the client. Some other extra documents stated by Male et al. (1998a) include client's business case issues and previous reports including VM workshop reports. It essential that value manger should make good relations with the source of information to ensure their support in various stages of volume management study. Once this information is gathered, it can be circulated to value management team to review them before conducting the next stage of the study.

### **5. 1. 2 The interview**

Male et al. (1998a) highlighted that by conduction interviews with main stakeholder, the facilitator or the value manger will be able to take general idea about the strategic and technical issues which surrounded the project. Understating these issues will help the facilitator to identify the mismatches and as well as selecting of appropriate tools and techniques to be used during the workshop. Building commitment to the VM study is other benefit of conducting interviews with key stakeholders and top management (Woller,

2005). It is very important that interviewees must be sure what all what they say and their discussions stay confidential (Male and Kelly, 2004).

Male et al. (1998a) recommended the facilitator to use the check list techniques when conducting interview with key stakeholders. The checklist addresses some key issues surrounding the project. This may include issues around project environment community, organization, project duration, people skills, and stakeholder analysis and project constraints.

The group emphasised that more interviews should be conducted. This is due to two reasons: unclear brief and different stakeholder's interests and agenda. The group did mention the people that should be interviewed by the facilitator. Apart from the people already interview in the case study, some of the key stakeholders should be interviewed to understand their needs and requirements. These key stakeholders may include representative of: (i) NHS Drug and Addiction Committee, (ii) Local Area Health authority, (iii) Local Football clubs, (iv) Fitness Specialist, (v) Police Community Constable. After conduction these interviews, the value manger will be able to understand the value system of the client and well be more prepared for the work shop phase.

### **5. 1. 3 Site visit**

The group did consider that site visit is important for the VM study. However, in this project, the site visit seems to be very important. According to Norton and McElligott (1995) , site visits at earlier stage of the study can help the value management team to understand some aspects of the project such access, topography and site density more easily, hence it help them in

understanding the physical context of the project. If the site visit can not be done for any reason, the site photographs should be provided.

#### **5. 1. 4 Other techniques**

More helpful techniques such as questionnaire could be conducted in this phase. However, in this project, the time is very critical issue. There is a possibility that the awarding bodies could withdrawal the money for the project if the construction got late. Therefore, the value manger could stick to previous techniques in order to save time.

#### **5. 1. 5 Who should attend the workshop**

The group decided that eleven members should attend the work shop. These participants include representatives of the key funding bodies, a member of Newtown Council- the Chief Executive, architect, cost consultant, and mechanical and electrical engineer. Multidisciplinary composition of can be considered as one of the most important prerequisite for the VM team structure (Kelly and Male 1993; Dell’Isola, 1997)

The team number looks acceptable since Male et al. (1998a) stated that the number of participants is generally between five to fifteen. If the number is more than that, it is advisable to divide the team to smaller sub team. For addition, the quality and the structure of the VM team and are very important for the success of the value management study a (Baguley, 2005).

One of the key reasons why the group has chosen these people is that these people can have great impact of the success of the project. According to Shen and Liu (2003), team members should include all applicable disciplines

and key stakeholders in order to cover the project issues under the study. Therefore, Representatives from each funding bodies play important role in funding the project and thus their attendance are very curial. The power of the chief executive to take decisions will influence the effectiveness of the workshop. With reference to Woller (2005), top management support is one of element of success of the VA study. For addition, architect, cost consultant, mechanical and electrical engineer have valuable technical background of the project which is not available to other team members. They can help in sparking new useful proposals by using their experience and knowledge in reviewing the brief, the concept design, specifications and other aspects of the project.

Some of the stakeholders were excluded from the work shop attendance. The reason for this is that the value management team becomes relatively difficult to control (Norton and McElligott , 1995). For example, inviting Dr Jamie Macdonald to participate in the workshop event will have limited benefit. However, he can be interviewed in the pre- study phase. In other hand, Keith Bonnet should be invited to participate in the workshop since. He supported the project by managing a funding package and by introducing new ideas. Thus, he will helpful in the brainstorming session and creativity phase during the actual workshop. According to Shen and Liu (2003), it is better to have VM members who are open-minded and who have a positive attitude toward new ideas with strong desire to be innovative.

#### **5. 1. 6 Total duration of the Orientation and Diagnosis phases**

The total duration of these phase decided by the group range from 15 days to 20 days and with two weeks separating this phase from the workshop

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phase. Bolton (2005) highlighted that a period of two weeks should separate the pre-work shop requirement and the actual workshop. The group did mention the duration for each activity such as information gathering, document analysis, interviews and other activities. This phase could be divided in two sub stages: information gathering stage and evaluation stage. The first stage will take 10-15 days and will include the interview with the key stakeholder, document analysis and the site visit. The next stage is the evaluation stage which will take from 5 to 10 days. The facilitator will identify and confirm the workshop attendees and prepare the full agenda for the actual workshop phase in this phase (Cook, 2005).

## **5. 2 Workshop phases**

The workshop phase is considered as the most important phase in the value management process. This phase should be properly planned and executed otherwise it will be expensive and time consuming. It emphasises the need to accomplish a time commitment from the VM team for the full workshop process. The Workshop process benefit from the chance to discover the overlapping areas of knowledge between the various disciplines (TAM 2004), as shown in the Figure 3.

To enhance the success of the workshop, an isolated environment should be provided for the participants (Male et al. 1998a). The workshop can be held in off-site meeting room, and if not possible a conference room at hotel can be a suitable solution (Norton and McElligott, 1995).

Throughout this phase the agenda which was already prepared in the orientation and diagnosis phases would be discussed in details by the VM

team. The group discussed these agenda and proposed two days workshop which will be conducted in a hotel. According to Hunter and Kelly (2007), in UK, it is normal to have one day workshop. Lenzer (2001) highlighted that there is an increasing pressure to conduct a workshop with shorter duration. Therefore, the two days proposed by the group seems to be reasonable. In other hand, However, it would be better if the group give accurate time for each single activity during constructing the agenda for the workshop. The agenda proposed by the team, he role of the facilitator, and the workshop process will be discussed in the next sections. Table (1) shows the duration of activities for the two days workshop proposed by the group.

## **Day one**

from: 9. 00am – 12 pm

Activities

Introduction on roles and responsibilities

Issue Analysis

T/C/Q

Client value matrix

Project driver

Strategic timeline

LUNCH

1 pm to 4 pm

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Strategic function

Needs and wants

VM and VE separated two teams for brainstorm:

Team1: Functional space analysis and User flow analysis and

Team2: Element component function

Close and dinner

## **Day two**

From: 9 am -12 am

Information review 2nd and 3rd sort

LUNCH

1 pm to 5 pm

Review development plan

Prepare action plan

Report sign off

Table1: two days workshop activities proposed by the group.

### **5. 2. 1 Workshop facilitator**

According to Kaufman (2000), the main role of facilitator is to educate the team on the guiding principles, tools, techniques and methods of value



management before and throughout the process of facilitating the project team. The facilitator involved before the project starts to determine the disciplines required on the team and the team size. For addition, skilled and experience facilitator is important for the successful of the workshop. The facilitator should have some skills which include setting the workshop agenda, mangling the workshop process, and producing the VM report (Baguley, 2005).

The group decided that one facilitator would be used for the value management study. However, it will be more beneficial for the client if dual facilitators are used to. According to Dallas (2006), two facilitators are recommended option since they can help each other during the study and they can work for longer days, thus the clients can be sure that they will get value for money. Nunamaker et al. (1997), highlighted that many things can go wrong with teamwork, therefore, the group decision-making process may suffer from many difficulties and become unproductive. Thus, with dual facilitators this problem can be eliminated.

The climate of the VM study and the workshop will not be collaborative. Many funding bodies and other stakeholder have different agenda and interests. With this issue in mind, the gap in funding the project is strong reason to assume adversarial climate of the workshop. More money is needed to cover this gap. This make the VM study much difficult since and a major surgery is needed to keep the project in truck. For those reasons, it is very important that a representative from each funding bodies attend the workshop phase. Consequently, two facilitators are needed to mange the VM study especially when the workshop becomes more intense due to large

attendees especially during discussion of the function analysis which is the core of the workshop (Dallas, 2006).

### **5. 2. 2 The workshop agenda and process**

As stated before, the group decides that the total duration of the workshop is two days which are shown in details in table (1). According to Male et al. (1998a), the Charette type workshop may take from two to three days to fill the mind of the team with knowledge and then go through the process to generate solutions. Therefore, with two days schedule, some activities should be given more time and some techniques should be introduced or canceled. Table (2) and Table (3) show in details the author's proposed schedule for the first and second day of the workshop.

The group divided the workshop process into four main stages. The first day of the workshop will include the first two phases which are information and creativity (back to basic) stages. The other two phases which are evaluation and development and action planning stages will be included in the second day. This framework is used by many researchers (Clancy and Dennis, 2004 ; Kelly et al., 2004).

However, the techniques and tools adopted by the group during the above phases should be changed or re-shifted to allow sufficient time for some activities. For example, in the first day, it would be better to discuss the project drivers as a part of issue analysis then starting TCQ analysis since the project drivers technique precedes TCQ analysis (Male et al. 1998a) Also, it would be better to extend the time for the first day up to 18: 00 to give sufficient time to discuss and construct the strategic function diagram and

associated activities. In the second day, the group proposed to take the full morning period to evaluate the new proposals and ideas. It would be better if the VM team started developing the ideas after the tea break.

### **First day of the workshop as proposed by the author**

At the first day of the workshop, the facilitator begins with introducing the agenda to the VM team. This will be followed by discussing issues analysis, identifying the client value system, then closing with applying function analysis. Below is the schedule for the first day of the workshop proposed by the author followed by discussion of the main agenda.

#### 5. 2. 2. 1 The information gathering stage.

The group suggested to use some of the following activities in this stage during the morning session. However, the author has re-shifted some major activities.

- Presentations and team building.

Being the initial stage of the workshop, participants of the workshop introduce themselves and their knowledge and responsibilities to the VM team. According to Norton and McElligott (1995), it is a good idea if the representatives of the client give a brief introduction to the main objective of the VM study and show their commitment to the whole process. The facilitator then will introduce the agenda and the main principles for all members of the VM study to bring them to the same level of knowledge of the key project issues (Baguley, 2005).

- Issues analysis and priorities.

At this activity the facilitator will ask the VM members about all the issues which have great impact on the project. These issues will then ranked and prioritize by the VM team according to their degree of impact. According to Kelly et al. (2004) issues that can be addressed in this stage are those issues related to: funding, politics, project location, project parameters and constrains, community, time, and environment impact.

- (iii) Client value system.

The group emphasised that client value system should be clearly identified and understood by VM members. The clients should give clear view about their value system. The client's value system consists of a number of interrelating parts which are derived from the client strategic management process. It is important that the representatives of the client speak at this activity where other members keep silent and listen (Kelley, et al., 2004)

- Time/Cost/ Quality analysis

By forcing the client to consider the three issues of time, cost and quality in the VM study, project priorities can be established. This simple visual technique can lead to many different opinions. Once the triangle of Time/Cost/Quality constructed, procurement strategies and option can be reviewed (Male et al., 1998a).

At this stage and before going for lunch, all critical issued and critical success factors should have been identified. Also client value system should be clearly determined and agreed with client representatives and VM members are conscious of its implication and consequences (Male and Kelly, 2004).

## 5. 2. 2. 2 Back to basic stage (creativity and generating ideas)

Function analysis is the methodical process of identifying functions and their related costs, and based on established criteria for the product or service, the need of those functions are evaluated. It can be considered as the core process of the VM study (Spaulding, 2005). When applying function analysis, the value management team will ask the question of why it is that the item exists rather than what it is than being reviewed (Norton and McElligott, 1995; Connaughton and Green 1996).

As group mentioned, three techniques of function analysis will be applied. The first one is Function Analysis System Technique (FAST) which will be used directly after the lunch. For the other two techniques the VM team will be divided into two separate teams. The first team will apply the space analysis and second team will apply the element component analysis.

- FAST (Function Analysis System Technique)

The group decided to establish the project FAST diagram since it is the core of the VM process. The duration of this activity is one hour. FAST is defined as a system which display functions in a rational sequence, prioritise them and test the dependency (Kaufman, 2003), Constructing the project FAST diagram begins with randomly brainstorming functions to generates ideas. This then followed by prioritizing the important functions. Once the dependency between function are established, project FAST diagram can be constructed (Male et al., 2004). Consensus is the main out put of the multi-disciplined team involved in a FAST exercise.

To perform the next activities, the VM team will be divided into two teams. The first facilitator will be responsible for the functional space analysis activity. The attendees in this workshop include the key funding bodies and the Chief Executive. The second team will perform the element component analysis and will be facilitated by the second facilitator. The attendees of this activity include beside the facilitator the architect, cost consultant, and mechanical and electrical engineer

- The functional space analysis

In this stage the VM team investigate that all space within the project or the building should perform a function, otherwise the space will be a waste of money and has no value. It is essential