

We live in a time of change – comments on our recent 'roadshow'

The Value Management environment is no different and, if we look critically at the world in which we operate, we see that:

1. The 1990s world that mandated the use of Value Management as a condition precedent to funding approvals for programs of services and/or capital works has changed. Many agencies now strongly encourage the use of Value Management but do not mandate its use.
2. Many agencies, and the people who lead them, do not understand what Value Management is nor do they understand its power and integrity.
3. Many of those who previously led organisations, who understood the power of Value Management and who championed its use have resigned or retired from their organisations.
4. Because Value Management Studies in many cases were mandated and, as a consequence of people not understanding the power of Value Management, senior officers within many delivery organisations have developed a 'tick the box' approach to Value Management Studies.
5. In requiring delivery agencies to carry out Value Management Studies, many of the central funding agencies themselves have developed a 'tick the box' approach on the receipt of a document portrayed as a Value Management Study without knowing whether the Study had been carried out in accordance with the Australian Standard on Value Management.
6. Most delivery and funding agencies are not expert in the Standard's requirements for delivery of Value Management services. Many are unaware that an Australian Standard exists for Value Management.
7. Most agencies, when they commission a Value Management Study, do not require it to be carried out in accordance with the current Australian Value Management Standard.
8. The 1994 Australian and New Zealand Standard for Value Management was updated (and substantially so) in 2007. The resulting Australian Standard contains various 'hooks' that can be used by an agency to ensure that it does in fact receive a Study compliant with the requirements of the Standard.
9. The 2007 Standard also widened the approach specified by the previous Standard that had almost solely focused on the use of a facilitated Value Management Study (and its associated workshop). The 2007 Standard recognises additional circumstances under which Value Management may be delivered by a Value Analyst in the course of his/her day-to-day work.
10. Consequent on the changes in the markets in which Value Management people operate and of the changed Australian Standard, your Institute has been focusing on necessary changes for:
 - the body of VM knowledge necessary to practise Value Management and the implications for education and training;
 - credentials for personal membership (including both membership grades and categories of Registration for specialist Value Management practitioners).

And all of this in the year of the 'global financial crisis'!

As a consequence of this environment and the clear understanding that Value Management as a decision-making tool needed to be revitalised, your Institute determined several months ago to embark upon a roadshow:

- to meet with policy-makers around Australia to understand clearly the policies in place relating to Value Management, policies relating to the obtaining of best Value for Money and any associated techniques;
- to understand clearly the state of practice of Value Management, the pursuit of Value for Money and any associated techniques;
- to offer to agencies the Institute's assistance where appropriate;
- to seek from agencies assistance to the Institute where appropriate; and
- to meet with IVMA members.

Accordingly, we¹ sought opportunities to interact with policy makers² rather than agencies required to implement policies and undertake Value Management Studies³.

The position that has been revealed and the lessons learned have been enlightening.

In an environment where many agencies are seeking to reinvent themselves and in some cases reinvigorate the pursuit of best Value for Money within their agencies, it is apparent that:

1. Some agencies do not understand the concept of Value for Money⁴.
2. Even where there is an understanding of the concept of Value for Money, there is very little awareness of how to assess/measure it⁵.
3. Value for Money (and not Value Management) is the current mantra within government.
4. There was a much greater receptiveness to your Institute talking in terms of enhancing Value for Money than through any discussion about Value Management.

¹ Your President and Secretary/Treasurer.

² We were looking for those that professed to own the intellectual concepts of Value, Value for Money and Value Management where appropriate, and who set the policies.

The people we have had discussions with included:

- Treasury
- Infrastructure
- Auditors General
- Defence
- Government Chief Procurement Officer
- Interagency Committees
- Public Works Committee

³ We were not looking for those who had to implement or comply with policies set by others.

⁴ A simple example of oranges aimed at the lay person was a useful invention-on-the-run while we were away and which introduced the concepts of:

- value;
- cost;
- services demand; and
- capital rationing

It was subsequently documented late one night and is available from our Secretary if you would like a copy. His email address is on the previous page.

⁵ If a recommendation is made that a particular tender offers 'best value for money' against another tender(s) received, there should be a way to measure 'value for money'. Unless there is understanding of 'value for money' and how to determine it, it is not possible to say categorically that one tender is better than another. This is particularly so, if the tender does not have the lowest cost!

5. The success factors for a successful Value Management Study are not understood by most agencies⁶.
6. Some key individuals in particular agencies had not heard the term Value Management, did not understand its power or integrity, and did not know that their organisation already had policies in place for the use of Value Management.

There is much work to be done!

The nature of this work is varying and extensive and includes:

1. going back to fundamentals, with the use of simple stories that lay people can understand to show what Value and Value for Money mean;
2. portraying Value Management not as an end in itself but as the rigorous way to obtain Value outcomes and best Value for Money;
3. demonstrating the power, simplicity, effectiveness and integrity of Value Management;
4. helping inform key decision-makers in Government about how to secure Value, best Value for Money and the use of Value Management⁷;
5. informing key decision-makers in Government about the Institute and its Registration of specialist Value Management practitioners⁸;
6. evaluating and putting forward proposals to Institute members for:
 - upgraded education and training requirements to reflect the expanded coverage of the 2007 Standard and of an increased emphasis on Value for Money, and
 - upgraded requirements for personal membership, including both membership grades and categories of Registration for specialist Value Management practitioners – (previously only Value Management Study Facilitators, but now also Value Analysts); and
7. upgrading, as a matter of urgency, both the content and presentation of the Institute's website to provide up-to-date information and to allow for inclusion of a wider scope of material and services, some of which might be for member-only access.

Some of this work is already being undertaken by the Institute's Committees and other work will be done by selected invitees with recognised skills and experience in particular areas.

It is intended that all material be progressively:

1. peer-reviewed as and when it is produced;
2. circulated for to members for comment⁹ and feedback; and
3. presented formally to members at the 2010 IVMA conference for review and acceptance.

The 2010 IVMA conference will also include an Extraordinary General Meeting to allow consideration and hopefully approval of formal changes to the Institute's Rules of Association to accommodate matters such as new categories of Registration for Specialist Value Management Practitioners, possible changes to membership grade requirements and any other rule changes necessary to accommodate the way in which the Institute is managed.

The Conference is proposed for May next year at Homebush in Sydney. Specific dates are under consideration and we will advise next week of the dates for you to put in your 2010 diary.

⁶ These will be documented for review and circulated.

⁷ The Institute has already been asked to present to one State and one Commonwealth agency on the concepts and strength of Value Management.

⁸ One agency has already offered to provide a hyperlink from its website to the Institute's to assist government agencies readily access the Institute's listing of Registered Specialist Practitioners.

⁹ Material will be issued progressively through The Value Times as and when it becomes available.

I encourage you to give feedback to the Institute's current initiatives and look forward to hearing from you.

Regards

Brian Farmer
IVMA President
0419 299 751
brian.farmer@capitalinsight.com.au