

Value Management: The Resurrection of Old Technology

By Rod McGregor FIVM

A recent meeting with a long lost power industry colleague who was in the process of instigating a major groundwater management study within the Latrobe Valley led to a discussion of the versatility and effectiveness of Value Management to provide the base methodology for such an investigation.

We discussed how many of the concepts of VM have been absorbed into modern management and are unwittingly practised in a number of professions every day. Concepts such as a function analysis form the backbone of software development, the guts of strategic planning and the essence of effective counseling.

We talked about the stunning success of Value Management during the heady 1970's and 80's when we were able to apply the process to its full extent under the stewardship and support of George Bates the Chief General Manager of the now privatised Victorian State Electricity Commission. George was one of the strongest and most effective leaders ever seen in the state, perhaps with the exception of Sir John Monash.

George was not one to mince words and if he felt that a team has not applied itself well enough to the task at hand he was not averse to sending them back to have another go. In rare cases George was known to sack the team and appoint another to take over.

George was a strong believer in the process but VM did not really reach maturity until it was moved out of the engineering realm and used in general application – something that didn't get underway until the late 1980's. Eric Adam facilitated a number of the early studies.

I well remember having to prepare two papers for the September 1991 Institute Of Value Management Australia Conference, held at Clunies Ross House in Melbourne 13 September 1991, one was for me to deliver and the other to provide a basis for George Bates, our keynote speaker.

Although now a little dated, I take the risk of including part of George's presentation:

“Let me also make it clear that we are doing the job of corporate reform very successfully - we have been doing it for more than two years now. And I am in no doubt that we could not have achieved what we have so far, without the support provided by Value Management.

VM is an important part of our life in the SEC. What started out as an ad-hoc process way back in the late 1960s is today one of the most important tools in our SEC kit for improving the way we do things and to challenge the status quo!

As I said, we started using VM in the late 60s as a problem-solving methodology. It took a few years, however, before we really hit our straps in using the process.

In the early 80s we were engaged in a new power station project - Loy Yang A - in the Latrobe Valley. It was one of the biggest projects in Australia at the time. It's no secret that the project was having some construction problems, which included some engineering management issues and of course, cost over-runs.

We decided to use Value Management as a process to allow us to critically review all areas of the power station project without degrading performance. The end result -- and it's a much longer story than this! -- was that we got the project well and truly under control so that it came in on time and under budget. That really sold us on Value Management. I mean, with the Loy Yang project we are talking about a project costing thousands of millions of dollars. And we did it.

Since then we have maintained a strong commitment to VM. Today we have a permanent Value Management team who are full-time on VM which works in closely with our Quality Management team. Each provides back-up to the other.

The VM group services the whole of the SEC. It also contracts out its services to the public and private sector. That is proof of the expertise that we have -- and it also shows that we have some business sense in making a quid!

Our team has expanded out of areas of just engineering projects to encompass a wide range of activities.

However not all studies are about money! Within the SEC, we have used the VM process on issues as diverse as our bill payments system ... we have used it in developing new organisational structures, staff appointment processes, energy management, even the way we run our library and operate the canteen.

VM teams change culture. Over a period of time their work emphasises cost awareness, customer requirements and the need for really hard data to make decisions.

We have found the Value Management process to be an excellent device for reducing the cycle times of response to customer inquiries by analysing the delivery process and simplifying it. How important is this -- to meet customer needs in the most timely and effective way?

Externally, we have won plaudits -- and saved our clients money -- with VM consulting work on such projects as the re-cladding of the Melbourne Country Court building, re-locating the Ballarat Water Board's headquarters, and solving a long-standing wrangle over a sewerage scheme for a housing project in Albury-Wodonga.

The list goes on and on. The bottom line is that we have an excellent tool with which to work in these changing corporate business times."

(George Bates: Value Management - A Client's Perspective" 13 October 1991).

George has left us with the legacy of his Vision for Value Management. George introduced Eric Adam to us and many of the IVMA's present members cut their VM teeth under George's scrutiny – Peter Filby, Bob Andrews, Leon Gardner, Peter Davidson and Wayne Regan included. Others will remember the enthusiasm of Jack Gregory and David Gaff. Dave successfully introduced VM into the Electricity Commission and Water Authorities in Queensland.

I reminisce about the above because in looking back it is clear that without great and strong champions there is a danger that one of the most powerful and successful management tools of its time will no longer exist.

VM has played its role in making us aware of time and cost –perhaps to its own detriment. More and more today we are experiencing situations where customer pressures are forcing organisations to reduce costs.

At Couran Cove I reported on a survey of industries in telecommunications and car manufacturing that are under pressure to achieve regular “cost downs.” How are these being achieved? I found no sustainable process – just a bunch of designers, a white board and 1-2 hours to come up with a solution. VM was regarded as being ‘old’ technology!

In other industries our facilitators are constantly facing demands from people who are seeking quick fixes for their problems. In two days or less they are placing demands on facilitators to perform miracles when most of the key decisions driving costs are already locked down and unable to be changed.

This is barren land for Value Management.

I remember when on a major resource project in a time of difficulty, a USA based co - facilitator mused: “The success of a Process Value Analysis study (VM to us) was directly proportional to the time available for its completion.”

What can we do to turn the tide of demands for cut down studies and one day reviews? My view is that this is the role of all of us – working through the IVMA need to address.

Singularly each of us can have little impact but through the IVMA we potentially can have a stronger voice and to work to influence those that matter so that all of us can gain the opportunities necessary to demonstrate the power of VM.

In short, we need to identify the future champions for VM.

The way forward is yet to be determined – we need horsepower and leadership. We also need to ensure that any revision of our VM Standard prevents the use of one day reviews masquerading as VM studies.

Anyone who wishes to help particularly with good contacts and or good ideas: Please feel free to contact myself on 03 9690 4550, email me at rod@valuedge.com.au.

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