



Who values value?



Projects and programs are undertaken to enable an organisation to achieve part of its strategy, usually by creating new or better ways of working. The fundamental reason any organisation chooses to undergo this type of change in its operations is to realise or create ‘value’ for some or all of its stakeholders.

Project managers are key people in this overall value chain; they create the ‘outputs’ that enable the organisation to change. If the project’s deliverables are used, the intended outcomes should be achieved and benefits realised¹. Finally, if the benefits support the organisations strategy, value is created.

But what is value and how can this be assessed and measured?

If a charity initiates a fund raising project to upgrade its mobile soup kitchen, after the project is successfully completed, the charity will be able to deliver more meals to more homeless people at an increased weekly operating cost for the ‘soup and coffee’. The cost of operations has increased (there is a negative cash flow); and the value proposition of more disadvantaged people getting a hot meal in the evening is nearly impossible to quantify in financial terms. Value has been created but it is not measurable in terms of ‘financial returns’!

In almost every situation, the concept of benefits should be expanded to include both financial benefits and other stakeholder requirements. A useful definition of value is the ratio between:

- *the satisfaction of needs* (benefits, expectations and requirements) which may be tangible or intangible; and
- *the use of resources* (money, people, time, energy and materials) which will normally be definable in terms of cost.

$$V \text{ (value)} \propto B \text{ (benefits)} / \$ \text{ (cost)}$$

However, the units of measure are often unrelated, so the equation is shown as a proportionality rather than equality – it’s difficult to directly align the cost of the mobile kitchen and its supplies against ‘full stomachs’ and potentially the increased status of the charity.....

Managing Value

Managing the overall concept of value creation to maximise ‘value’ for the organisation’s stakeholders requires a coordinated approach by the whole organisation, the key elements are:

- Developing an organisational approach to strategy that is ‘value oriented’.

¹ For more on the *value chain* see:

http://www.mosaicprojects.com.au/WhitePapers/WP1023_Benefits_and_Value.pdf





- Portfolio management selecting the ‘most valuable’ projects and programs for the organisation to undertake. Even in commercial businesses, this requires ways of assessing ‘total value’ not just financial returns.
- Project managers need to keep in mind maximising both *benefits realisation* and *value creation* when making project decisions.
- The organisation’s change management needs to be effective and aligned² to ensure the intended benefits are actually realised.
- Finally the organisations governance systems need to require management to report on the final outcomes in terms of the total value realised from the original decision to invest in a project or program.

This framework is relatively easy to describe, the difficult issue is creating a ‘language’ that describes value from the perspective of the organisation and its stakeholders. For the charity, value may be defined as *servicing more meals cost-effectively*, or as *reaching more people in need* or as being *seen to be the leading ‘soup-kitchen’ in the area* (ie, achieving elevated prestige) – different concepts of what is ‘valuable’ can shift the focus of both the project and the way the project’s deliverables are used.

One language that may help define the full scope of ‘value’ is Dr. Edward de Bono’s ‘Six Value Medals³’; each of the medals represents a different concept of ‘value’.



The function of each medal is discussed in *What is the value of value?*⁴

In commercial situations the challenge is deciding what value is attached to options such as:

- A mining project spending additional resources on environmental protection in excess of the minimum required by law to achieve a better outcome?
- A project expending resources on enhancing its stakeholder engagement effort?
- A project manager spending budget on clerical support to help implement project management processes more effectively?

The answer will always be based in the specific context of the organisation, its ethics and culture – *valuing the value of value*⁴ is not straightforward! What matters is making sure the understanding of

² For more on **organisational change** see:

http://www.mosaicprojects.com.au/Mag_Articles/SA1037_Change_transformation_stakeholders.pdf

³ Dr. Edward de Bono’s ‘Six Value Medals’ are discussed at

<http://debonothinkingsystems.com/tools/valuemedals.htm>

⁴ For more on using the **Six Value Medals** see **What is the value of value:**

http://www.mosaicprojects.com.au/Mag_Articles/SA1017_Valuing_the_value_of_value.pdf



value is consistent and agreed by the organisation's governors, its key stakeholders, and incorporated in the way the organisation works.

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