

Australian Standard[®]

Value Management



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The following are represented on Committee OB-006:

- Australian Health Industry Inc
 - Australian Institute of Project Management
 - Australian Institute of Quantity Surveyors
 - The Institution of Engineers Australia
 - The Institute of Value Management, Australia
 - The Royal Australian Institute of Architects
 - University of Canberra
-

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OF

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Value Management

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NOTES

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Preface

This Standard was prepared by the Standards Australia Committee OB-006, Value Management to supersede AS/NZS 4183:1994.

The objective of this Standard is to provide guidelines for the application of Value Management to products, processes, services, systems and organizations.

This Standard defines terms, establishes the essential elements of Value Management and clarifies roles and responsibilities, but is not specifically intended to be a handbook or training manual. A Value Management Application Guide is being prepared for this purpose.

Where a Value Management Study is to be carried out in accordance with this Standard, such a Study should be carried out by multi-disciplinary groups with an independent Value Management Study Facilitator. This Standard can however also be applied by individuals in the normal course of their work.

NOTE: This Standard distinguishes between the terms 'Value Management' and 'Value Management Study'.

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Foreword

Value Management is a structured and analytical process in which a prescribed Work Plan is followed to achieve best value and, where appropriate, best value for money in products, processes, services, systems and organizations. The process may be applied to management decision-making at any level of an organization and is equally appropriate for public and private sector applications.

Both public and private sector organizations require value for money to be achieved in delivery of services. By way of example, the Commonwealth Procurement Guidelines state that value for money is the core principle underpinning Australian Government procurement.¹

While Value Management can be applied in project and general management within any organization to achieve best value or best value for money, it is also a powerful process that may be used to develop agreement, understanding and commitment when applied to the resolution or optimisation of particular issues and situations.

Value Management Studies are centred upon a participatory workshop involving a multidisciplinary, representative group of people who work together and follow a prescribed work plan to achieve best value or, where appropriate, best value for money. Five essential elements in Value Management Studies have been identified and addressed in this Standard. These elements comprise:

- a prescribed Work Plan;
- an appropriate mix and commitment of group members;
- management of Value Management Studies;
- senior management commitment and support; and
- effective facilitation.

The Standard also provides a prescribed structure and Work Plan for individuals when using Value Management in day-to-day work.

This Standard recognizes international practice in adopting the Miles² 'Job Plan' approach (but expanded and called the 'Work Plan' in this Standard). The term 'Value Analysis' was used when Miles originally developed the methodology in the design and procurement of existing products and processes. The term 'Value Engineering' then became widely used as the application spread into engineering fields, particularly in the early conceptual and design stages.

¹ Commonwealth Procurement Guidelines are issued by the Minister for Finance and Administration under Regulation 7 of the Financial Management and Accountability Regulations 1997, which includes in Section 4 of Financial Management Guidance No 1 issued January 2005, 'The Principle of Value for Money'.

² Value Analysis concepts were developed during World War II as a result of the forced adoption of alternative materials and methods, often with better value. After that war, General Electric assigned Lawrence D. Miles to develop a methodology that would again produce the same result.

While the terms 'Value Analysis' and 'Value Engineering' are still in use, this Standard uses the term 'Value Management' for the application of the 'Work Plan' at all levels.

This Standard recognizes the technical and cost-reducing focus of traditional Value Analysis and Value Engineering and also recognizes the more collaborative, inclusive focus on establishing core values and commitment to agreed outcomes.

NOTES

1 Scope and definitions

1.1 Scope

This Standard sets requirements for the use of *Value Management* independent of the specific industry or economic sector in which it is applied. The application of *Value Management* will be influenced by the varying needs of an organization, its particular objectives, its products and services and the specific processes and systems employed.

This Standard may be applied at any point in the life of a product, process, service, system or organization but the maximum benefit is usually obtained by applying *Value Management* as early as possible. Often, a number of discrete *Value Management Studies* are carried out at different points in the life cycle.

1.2 Definitions

For the purpose of this Standard, the definitions below apply.

NOTE: Where defined terms appear in the text, they are italicized.

1.2.1 Basic function

See *essential function*.

1.2.2 Entity

That product, process, service, system or organization (or part thereof) to which *Value Management* is applied.

1.2.3 Essential function

What an *entity* must do.

NOTE: This is sometimes referred to as a *basic function* or primary purpose.

1.2.4 Function

What an *entity* does.

1.2.5 Function analysis

A structured process that identifies, describes and analyses *functions*, their interrelationships and, where appropriate, *total costs* or total resources used.