Project Management Value Framework
Definition of Framework to measure value creation

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CONTENTS

ABSTRACT

Businesses are subjected to changes at a rapid pace and at the same time customers have become extremely demanding due to reduced time to market, cost pressure and competition. In the current scenario, unlike erstwhile 20th century, the businesses boundaries are being re-drawn very frequently, bringing with it loads of challenges like capability development, up and cross skilling etc… This makes it difficult for a single organization to have all the knowledge, experience and abilities to embark on such a transition alone, emphasizing the need for collaboration with external sources. Project managers, as catalyst for project's success, hold the responsibility to make right decisions keeping in mind the customer, organization, team, profitability and social responsibility on the short and longer term.

Such collaboration can be successful only when different perspectives on values are understood and an ecosystem is designed that addresses both tangible and intangible value to deliver sustainable benefit for all the involved parties and stakeholders. Creating shared value for customer, organization, teams and community requires an integrated value framework. This submission will highlight such a value framework that could be used as a reference to create value or to review existing practices to inspire improvements. Value driven focus will catapult the project management function to the forefront as the driver of value creation across all participants in the project's ecosystem. Project manager of today have one more area to focus...VALUE CREATION.

INTRODUCTION

VALUE can be seen as "Anything that improves business or stakeholder experience". However, is often overlooked amidst myriad other work, most often than not compromising value creation in the value chain. Though the business output or how much customers are willing to pay for our product / service and the volume do convey the value we provide to our customers, this always hides the true value creation potential of the organization and whether they actually stand-up to their capability. Secondly, the epiphany, "Value" need not always be quantitative. Many a times, it is hidden conveniently beyond what is stated as "Value". Quoting Henry Ford's famous adage "If I had asked people what they wanted, they would have said faster horses."Here the customers would want to reach their destination faster. However, what could come out could be an encapsulated version of this value.

The value measurement is another challenge, but once we have identified the "VALUE", it is much easier to delve on how to measure and verify effectiveness. We will start running towards a known target. The KPIs often tracked on productivity, quality and throughput could be an indicator of project performance, but may not create value to the business or stakeholders. We have seen many projects running with envious KPI dashboard with poor customer satisfaction or highly profitable projects having demotivated workforce who would never set their foot on another journey in a similar project. What could have gone wrong here, Value measurement? Alternatively, definition? Could be both?

This paper tries to provide a value creation framework that would help organization to focus value creation and measurement, helping us understand what actions could influence the value and act accordingly – positively influencing actions can be encouraged, negatively influencing factors could be shunned and contradicting influences could be "handled with care".

DETAILS OF THE PAPER

The value creation framework consists of 4 major phases. They are

1. Value source identification
2. Value Measurement
3. Value Realization
4. Value Culture

As we, all know business goals are derived from the business vision. Many organizations derive key performance indicators from business goals and maps these indicators to monitor the performance by setting target and subsequent monitoring. However, the one that is commonly missed is that whether these indicators are measured at all relevant sources of values creation.

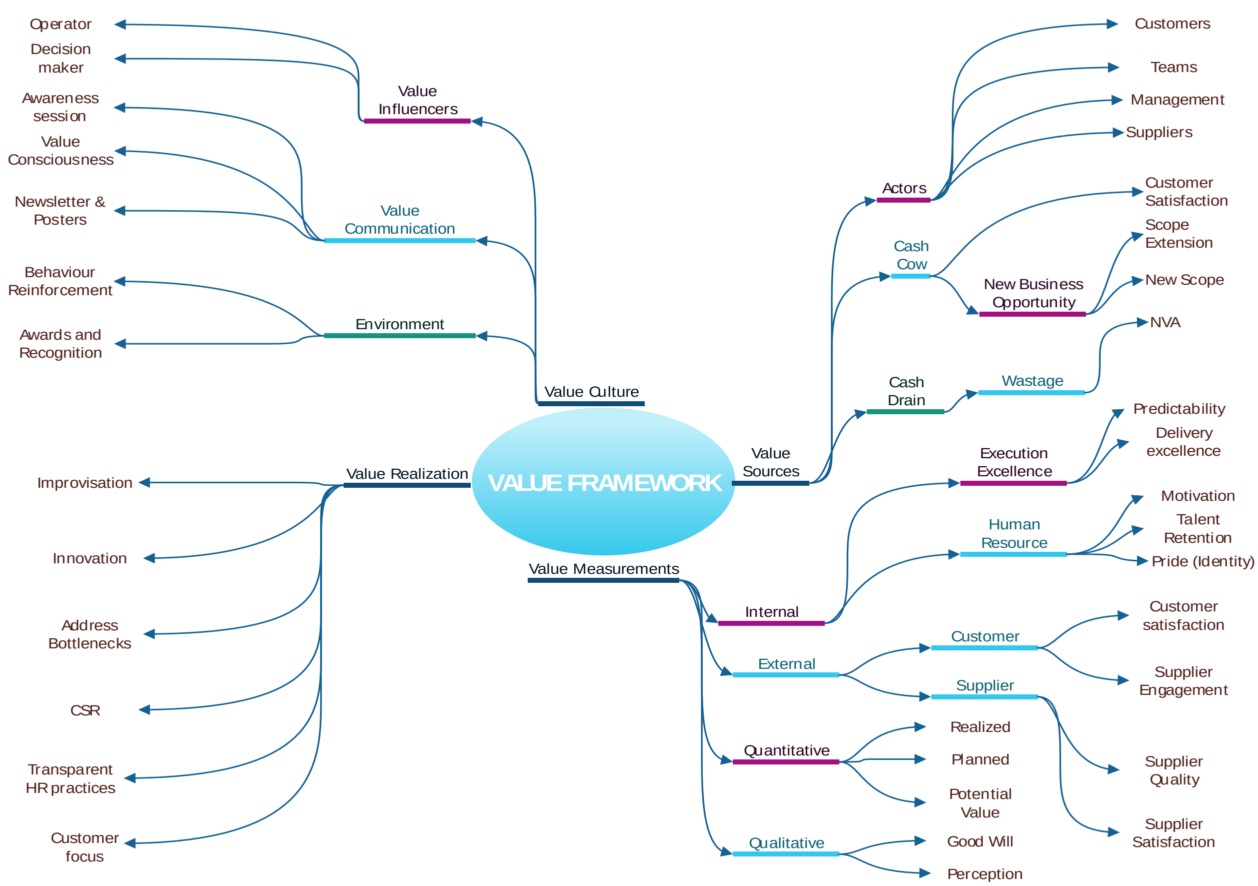


Figure: 1: Value Framework

VALUE SOURCE IDENTIFICATION

Value source identification involves identification different sources from where the value creation or improvement can be measured. The value sources are from the value chain and value support chain. The support chain supports the value creation activities.

VALUE MEASUREMENT

Upon identification of value sources, the next step will be to arrive at a measurement methodology to consistently measurevalue creation or improvement. Any measurement system requires the creation of a "Measurement Ecosystem". This involves the measurement processes, the tools, infrastructure, human resources and the budget to allow the organization to invest in such measurement journey.

The next comes the measurement zones. The zones should be both internal and external.

INTERNAL MEASUREMENT

We see the internal zone consisting of 2 categories

- *Execution Excellence*

  The execution excellence can be achieved through process excellence and an organization having a maturity to predict performances. The business world today operates in such an adhoc environment that predictability has becomes a luxury. This is where the project management expertize comes to the rescue. The project manager should be able to scrutinize the processes in the value chain and has to bring in an amount of predictability. The output of this phase could be a scorecard to measure process excellence and there by an opportunity to measure value in this space

  Human Resources

  Every contributor to a project or product development should take pride in associating himself or herself with the product. How do we achieve this? This can be measured, in addition to attrition rate and employee survey feedback, the amount of employee participation in technical or employee welfare forums and platforms. For example: An employee's active participation in the in-house knowledge management platform can be seen as a enthusiasm quotient. This can be measured by how active he/she is in participating in organization initiatives.

EXTERNAL MEASUREMENT

The external measures include supplier and customer where value preposition can be measured. The willingness of the customer to engage the organization as a partner could be seen from the amount of collaboration that exists between the 2 entities. A measurement of this collaboration could define this value.

The supplier's value contribution could be measured by the quality of the sub-contracted work delivered and the satisfaction of the supplier in dealing with the organization. This measurement though not done by many, would through us insights on the supplier expectations.

Should the value measurement be only quantitative or should also qualitative? It should be both.

QUANTITATIVE AND QUALITATIVE MEASUREMENTS

Quantitative measurements are numerical measurement, which sometime could be difficult to define, but once defined, the measurement becomes a routine. For Exam, The effort saved due to automation in one year compared with the time taken to complete similar set of tasks the previous year. This can be defined in monetary terms to measure value delivered.

Quantitative measurements are to be made in the following Categories

- *Potential :* The maximum value that could be derived from an action
- *Planned*: What is value planned to be generated. The planned value sometime need not always match to the potential.
- *Realized:* This is the actual value measured and realized.

*Value Realized Vs Potential = VR(po) = (Realized Value / Potential Value) * 100*

*Value Realized Vs Planned =VR(pl)= (Realized Value / Planned Value) * 100*

The qualitative measurements are difficult to define, but can be done so through different techniques. Eg: Text Mining.

VALUE REALIZATION

What are the areas from where "Value" can be realized? There could be many areas in an organization set-up based on products or service they deliver and market segment they are targeting for their product and service.

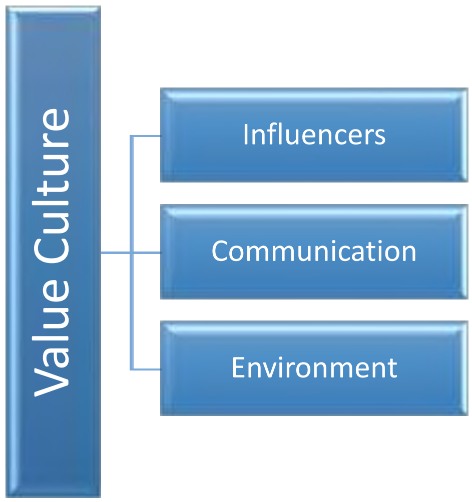
Figure 2: Value Realization

1. *Improvisation*: Any improvisation should be measured based on value derived. Improvisation always results in incremental value creation
2. *Innovation:* Innovation creates new value creation opportunity.
3. *Bottlenecks:* Removing impediments also creates value (sometimes an incremental and sometimes breakthrough). Value can also be defined "Removal of Impediments". For Example: Call Taxi industry: This industry frequently removed impediments and adopted new technologies to derive value for their customers.
4. *CSR:* These creates a Value in terms of Good will. The organization is seen as a responsible organization and this value attracts great talents. Good people make great organizations.
5. *Customer Focus:* Customer satisfaction derives the most important value for any organization.
6. *Transparent HR Practices* generates value in terms of happy employees and again helps in bringing great minds to the organization.

VALUE CULTURE

A mandated practice only lasts as much it is explicitly mandated, but creating a culture makes the employees imbibe them and follow them without trigger or penalties.

The value culture signifies that the creating a culture where the value awareness and value measurements



Influencers: These are the participants in the value chain. The importance of their contribution for value creation needs to be communicated to them and should be trained and made aware that they contribute directly to the business through this contribution to value creation. The influencers could be operators and decision makers.

Communication: This becomes extremely important for the entire organization to participate in value creation. Every employee should see a value in what he/she is responsible for and should understand where their contribution is used for value creation or improvisation.

The communication should make employees value conscious. The operator and the decision makers of the activity should identify any impact or potential impact on value creation.

Environment: Create a fostering environment where value focused actions are recognized and rewarded appropriately. Behaviour reinforcement is strongly advocated where positive reinforcement for value creation behaviour and negative reinforcement for value detrimental behaviour.

CONCLUSION

This papers intends to provide a measurement framework that the organisation can use to identify and measure value creation and improvement. Value creation doesn't happen in isolation, but should be planned as carefully and strategically rolled-out initiative where the value creation awareness and a culture of value focused action should be created. Once this is done, we have the value sources identification, value measurement and the value realization. The value framework can then be derived that can be used to quantify and improve value creation and there by the business through improved customer, employee and other stakeholders experience.

CONCLUSION

<Should summarize and conclude the paper>

REFERENCES

Sample:
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