

# THE CASE FOR VALUE MANAGEMENT IN THE UK PUBLIC SERVICE SECTOR

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Value management is an innovative service, well recognised in the manufacturing and construction sectors. However, its use by the service sector generally and local government in particular is virtually unknown. It is proposed, as a part of ongoing PhD research, that basic service functions are thoroughly explored in a workshop environment by a project team, using innovative tools to add value to meet stakeholder requirements. This study has been conducted at an opportune time in parallel with the enactment of Scottish Best Value legislation (Local Government Act 2003) which stipulates that local government must pay due regard to the economy, efficiency, effectiveness and equal opportunities in the provision of services to achieve Best Value. The research involves the study of all Scottish local authorities to explore how they define and conduct projects. The general benefits associated with using value management in projects as well as the specific benefits to be reaped in local government services from use of such a management tool are analysed and discussed through ten supporting factors. There is an *a priori* case that this will indicate the scope and likely project opportunity points for the application of value management to achieve the requirements of Best Value. A case study and desk study supplement a questionnaire to support the findings at this stage of the research.

Keywords: value management, local government, Best Value, projects

## INTRODUCTION

This paper reports on an ongoing project at Glasgow Caledonian University towards an award of a PhD degree in the area of value management (VM). Kelly and Male (2002) believe that; 'Value management has reached a level of maturity within manufacturing and construction whereby the style and content of the various workshops is reasonably predictable.' Therefore this research explores and makes a case for the introduction of VM to the UK public service sector.

Value Management has an impressive CV. The basic method was derived in the manufacturing industries of the USA in the late 1940's. Its application has spread worldwide through manufacturing and public and private construction projects. Value management can only contribute to that part of the Best Value initiative that is overtly project focused. This has led to the development of a generic project framework; 'The Three Wheels of Best Value,' which involves a combined value and quality approach to public sector service projects. This approach was tested as a Best Value review of a project involving early childhood services.

Ancaroni and Capaldo (2001) cite Navaratnam and Harris (1995); 'There is an increasing demand on public agencies to demonstrate their value to society.' This has prompted the research question; 'can value management techniques deliver Best

Value in a public sector environment?' A viable case has been made for the answering of this question through detailed explanations of the benefits and outcomes for the public service sector in adopting a VM approach to the demonstration of Best Value.

It is anticipated, that if value management is proven to be successful in the public sector (where rules and regulations abound (Maddock, 2002)) then there is an *a priori* case that the same principles may be relevant to private sector services such as banking, financial services, telecommunications and IT.

## THE RESEARCH BACKGROUND

Ten specific elements of research ranging from analysis of literature and government legislation to desk studies and action research on VM in the public service sector have impacted and influenced the direction of this research study and are briefly summarised below and explained in more detail throughout the course of the paper.

1. **Government Best Value Legislation** has presented an opportunity for the application of VM by highlighting similar principles and objectives to the achievement of maximum value for the customer. Rising consumer expectations and the requirement for continuous improvement in local government requires change leading to the instigation of projects. VM is a project focussed service.
2. **The Versatile Applications of VM** used to introduce innovative methods to a range of projects in different sectors and its ability to be tailored to suit specific project requirements is conducive to its use in public sector projects in pursuit of continuous improvement to achieve the aims of Best Value.
3. **Literature** supports the argument that VM is reaching its potential in manufacturing and construction and the Best Value legislation presents an opportunity for addressing gaps in knowledge of VM within the public sector.
4. **The Three Wheels of Best Value** is a quality and value framework which addresses service issues and the requirements of a Best Value regime.
5. **Value Management Case Studies** of predominantly construction-related projects has exposed many generic issues applicable to other sectors.
6. **Government Application of Value Management** across the globe and in the UK is reviewed to support the case for public sector application of VM.
7. **Exploration of Public Service Functions** through a desk study illustrates the use of a VM function-orientated methodology to determine the purpose of the project.
8. **The Benefits of VM Specific to the Public Service Sector** is reviewed in the context of aids to local government in, for example, the compiling of performance plans and developing KPI's.
9. **A VM Approach in Service Provision** was tested in an action research study in which the benefits to all involved were generalised to other public services.
10. **Post Workshop Interviews on use of VM** for a construction-related project reinforced a value approach to a project. A selection of comments has been presented supporting the success of such an approach.

In addition to these ten items further work in support involves a survey questionnaire on projects in local government and a proposal for a service sector value opportunity model explained in the following sections of the paper.

## **GOVERNMENT BEST VALUE LEGISLATION**

The limited application of VM to public service projects presents an opportunity for further exploration at an opportune time in parallel with the implementation of the Scottish Best Value legislation. Value management and Best Value have similar objectives; to promote continuous improvement and achieve the maximum value for the customer or client (DETR, 2000). Bone and Law (2000) state that Best Value policy is; 'a broadly-based value management policy.' Bone and Robertson (2003) highlight that VM has used the term 'Best Value' since its inception.

The Best Value literature, in particular the Scottish Local Government Act 2003 imposes a duty on local government to ensure measurable continuous improvement in the performance of the organisation's functions and in securing Best Value through an appropriate balance between cost and quality and having regard to economy, efficiency, effectiveness, and equal opportunities. However the Act is not prescriptive and Wisniewski and Stewart (2001) discovered that councils would appreciate guidance on what is expected from a Best Value service. Hughes and McLaughlin (2001) state; 'there is an increasing variety of means by which effective services can be provided and a variety of tools to use in assessing them' and that 'any decision making tool provides support to the process'. Value management enhances decision making and could be used as a tool to meet the requirements of the Act.

## **THE VERSATILE APPLICATIONS OF VM**

Bone and Robertson (2003) describe VM as; 'A multi-faceted discipline that can be applied to any aspect of public service where improved performance is needed or desired.' The varied VM applications across the construction process exemplify the versatility of VM. Maximum value across the life cycle of the built facility is assured through the use of life cycle costing techniques, sustainability analysis, and appropriate procurement selection. VM is used to improve particular aspects of the project such as; scoping business development, briefing, operations and communications, partnering relationships and the development of bid proposals. These are substantiated examples that are not specific to construction.

Part of the PhD research explores the commonality of project issues (such as problems, process etc.) using grounded theory technique to ascertain whether similar issues occur at similar project stages and whether these are generic in nature. If the derived theory has many generic project issues, in the sense that they are applicable across a broad spectrum of projects regardless of industry sector, then this would support the case that the VM methodology is relevant to any type of project in any industry. Research to date has highlighted that issues are predominantly generic in nature (Hunter and Kelly, 2003a) and therefore VM may be implemented to enhance the value of projects irrespective of sector.

## **LITERATURE**

There is little knowledge of VM in the public sector. Some councils have used it successfully for a variety of projects but do not use it consistently (Gwynne, 2003). Garfitt and Sutcliffe (2003) state that whenever VM is applied in the public sector it delivers results as well as addresses one of the key aspects of Best Value, which is

‘challenge.’ VM is all about challenging why and how functions are performed to ensure that the desired functions are achieved. They support Gwynne (2003) in highlighting that; ‘no public service has a fully-fledged value management programme.’ It is stated that despite good practice in some local authorities, this does not follow throughout the authority or transfer to another, making it difficult to illustrate the benefits of VM. Maddock (2002) states that; ‘much public innovation occurs “under a rock,”’ illustrated by the finding that 40% of councils worked separately in their own departments preventing council co-ordination.

In presenting a case for the use of VM to support Best Value, Graham and Sulaiman (2000) note that the Value Management Standard (BS EN 12973:2000); ‘is directly relevant to the Best Value and Value for Money Initiatives pursued by UK Government,’ and highlight that VM will support Best Value reviews and the development of programmes to achieve continuous improvement. This includes the development of procedures, target setting, the construction of performance indicators and the development of an action plan. Bone and Robertson (2003) state that a Best Value VM workshop at strategic, technical, operational and organisational phases may be cross-cutting and may be adapted according to the service under consideration thereby supporting Best Value and ensuring transparency by ensuring an action plan is implemented as an output of the review.

Continuous improvement in local authority services is a key component of Best Value. The Employers Organisation state that; ‘the use of effective high performance people management techniques is essential to continuous improvement of local services.’ Corrigan and Joyce (1997) cite Bohret (1993) who suggests that public managers need new, creative tools of public management to ensure public participation. Graham and Sulaiman (2000) state that the tools & techniques specified in government literature to support Best Value in the public sector are commonly used in VM studies. Hughes and McLaughlin (2001) stress the importance of being able to justify why various service options had been chosen through ‘a clear set of recommendations...based on clear analysis of evidence collected.’ The overt and recorded decision processes of VM provide an auditable report (BRE, 2000).

## THE THREE WHEELS OF BEST VALUE

Illustrated in Figure 1 ‘The Three Wheels of Best Value,’ was constructed from a logical review of tools and techniques for measurement currently used in local government with the addition of a VM approach which allows the project task team to evaluate all the possible options of service procurement ensuring that the best value option is chosen (Hunter and Kelly, 2002).

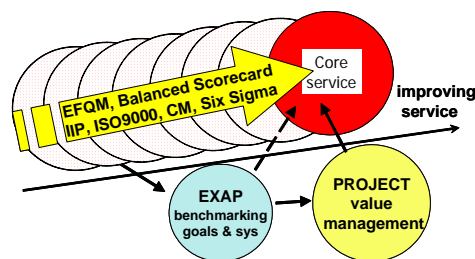


Figure 1 – The Three Wheels of Best Value

The framework illustrates a three-stage process that adopts a variety of methods to assess service effectiveness. Quality schemes are used in wheel one to assess the authority’s score in achieving its objectives. In the event of a failure in service quality wheel two uses primarily benchmarking to monitor the service effectiveness in comparison to others. If there is a ‘quick fix’ following benchmarking then action is taken and quality monitoring resumes. If a project is necessary to resolve the problem a wheel three VM study is held with the output of robust KPI’s that are fed back into the authority’s core business in wheel one. The framework goes beyond traditional performance indicator approaches by providing an audit trail for review and a clear analysis of the methods used to obtain value for money in service provision

## VALUE MANAGEMENT CASE STUDIES

A local authority service has to demonstrate that it is pursuing continuous improvement and in so doing is achieving Best Value. To remain successful an organisation cannot remain static, therefore, to improve the authority will have to make changes and to do that an improvement project will be instigated. Value management is a project focused service used at specific intervention points or value opportunities within the project life cycle. Because value management relates to projects it is expected that similar project issues relating to variables; time, cost and quality will arise in service sector projects in the same way as they do in construction and manufacturing projects.

A generic project model builds on the Value Management Framework developed by Male *et al.* (1998) for use in any industry sector (Figure 2). Hunter and Kelly (2003a) report on the development of a ‘Three-Stage Project Model,’ and on commonality of project issues from VM workshop reports (Hunter and Kelly: 2003b). The model incorporates a number of detailed sub-stages within each of the three primary stages of a project making it easier to pinpoint exactly the project stage. The developed model is used as a ‘sorting tool’ to categorise case studies, in the form of VM workshop reports. The research has accessed approximately one hundred case studies of which fifty contained an issues analysis in the VM report produced for the project. Grounded theory methodology is used to generate a theory of project issues.

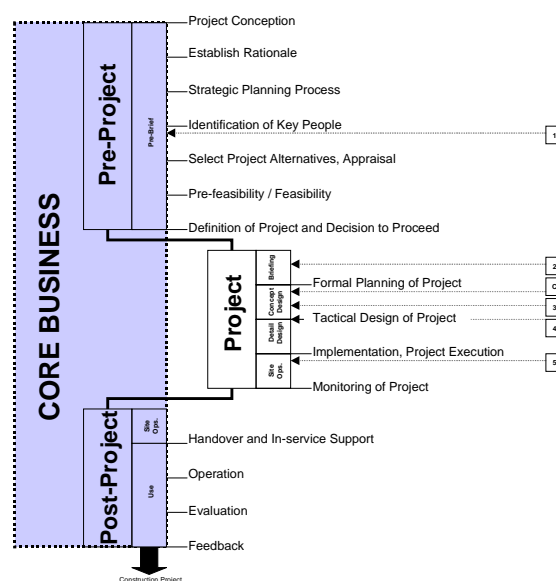


Figure 2 – The Three-Stage Project Model

A critical appraisal of the 'Three-Stage' model and an ongoing review of data from complete VM workshops supports the development of a service project model which indicates the service value opportunities and may be used as a guide in local government projects throughout Best Value Review programmes.

## GOVERNMENT APPLICATION OF VM

A literature review on the application of value management in the public service sector highlighted that VM is not a common application. Bone (1993) describes a 'missing element' in the public sector that might be filled by VM. Barton and Pretorius (2003) outline the importance of integrating stakeholder values into the value management of public sector projects in Hong Kong to allow for successful participation. Value in local authorities is a complex area, exemplified by Walsh (1991) who states that; 'it is not one of meeting service specifications, but of dealing with the shifting value structure of society.' Public sector projects involve different stakeholder groups all with different values that have to be captured to allow for effective decision making. Barton and Pretorius outline that there will be multiple perceptions on what is 'useful, beneficial and important' when considering public sector projects. This is illustrated in Figure 3 which shows the stakeholder groups for a typical public sector hospital project. It is suggested that capturing stakeholder values and using these to inform the decision making process is a difficult but necessary challenge that VM is capable of meeting to ensure project success.

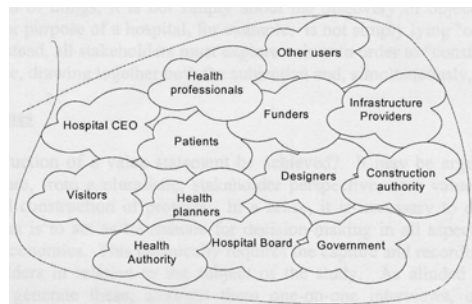


Figure 3 – Plurality of Stakeholders (Barton and Pretorius, 2003)

## EXPLORATION OF PUBLIC SERVICE FUNCTIONS

Maddock (2002) describes an example of a project failing to meet the needs of the customers. Local people were consulted on what they wanted in their neighbourhood and elected for cleaner streets but instead got something completely different. This kind of government failure causes frustration and confusion on the reasons they were consulted in the first instance. The VM methodology ensures projects deliver what the customer wants by using various tools and techniques to bring out the project objectives. In particular, a tool called the Clients Value System makes explicit the relative importance of the clients' values so that the project team can understand and deliver the projects objectives. Typical strategic needs, which are the necessary functions of a public service to ensure it is successful, and the strategic wants, classed as the nice to haves are illustrated in Table 1.

Table 1 – Strategic Needs and Wants of a Public Service

<b>Strategic Needs</b>	<b>STRATEGIC WANTS</b>
▪ Satisfy service needs	▪ Fill a service gap
▪ Satisfy a broad social need	▪ Respond to private sector failure
▪ Ensure the well-being of society	▪ Satisfy public preferences
▪ Maximise citizens utility	▪ Meet best interests of general public
▪ Achieve customer satisfaction	▪ Ensure equality
▪ Improve core services	▪ Promote differentiation
	▪ Satisfy individual needs and desires

## **THE BENEFITS OF VM IN THE PUBLIC SERVICE SECTOR**

The attributes of value management as outlined in the VM standard are; better business decisions, increased effectiveness, improved products and services, enhanced competitiveness, a common value culture, improved internal communication, multidisciplinary and multitask teamwork, and decisions which can be supported by all stakeholders (BS EN 12973: 2000). Other authors in the public sector field outline the following; effective engagement of staff and stakeholders, staff ownership, and a clear focused improvement action plan (Gwynne, 2003). Pooling of ideas, variety of issues explored, project clarity, clear objectives, shorter and sharper reviews, and more cost effective services (Garfitt and Sutcliffe, 2003). Bone and Robertson (2003) state that two primary attributes of VM are the empowerment of staff, and encouragement of innovation and change. While these are general benefits VM can also specifically support the public sector in a number of areas that relate to the requirements of Best Value, these are shown in Table 2.

Table 2 – The Benefits of VM in the Public Service Sector

<b>Benefits</b>	<b>Keyword(s)</b>
Development of local authority specific key performance indicators that are linked to service goals and objectives	KPI's
Determining the customers values of a service (the local public) and delivering what the customer wants	Values
Addresses the concepts of best value by achieving value for money and continuous improvement	Continuous Improvement
Makes best use of local authority personnel by ensuring adequate stakeholder representation	Stakeholder Representation
Explores and prioritises all possible options for service delivery	Options
Details action plans for service project	Action Plan
Promotes 'ownership' of service plans, a principle of best value	Ownership
Ease of Performance Management and Planning (PMP) by means of action planning	PMP
Assists in annual best value performance planning (BVPP)	BVPP
Provides a logical route to achieve best value	Logical Route
Provides an audit trail that can be communicated to service personnel	Audit Trail
Encourages knowledge sharing by involving front-line staff and public managers	Knowledge Sharing

## A VM APPROACH IN SERVICE PROVISION

A Best Value Review of the provision of early childhood services conducted in 1999 using VM in a workshop environment was cited by Garfitt and Sutcliffe (2003) as “...practical proof, if ever it was needed, that value management works as effectively in the public services as it does in industry and construction”. Participant comments made at the workshop close were:

- “Today has brought new perspectives”
- “Key issues have been identified”
- “The knowledge lead today will get...Best Value”
- “Crystallised thoughts”
- “The VM model is outstandingly effective”
- “We have proved today we can examine the whole service in a way that bears scrutiny”
- “We have achieved the scoping stage of the strategic Best Value Review”
- “Work which might take two or three months has been achieved within one week”

## POST WORKSHOP INTERVIEWS ON USE OF VM

Other evidence following on from the benefits listed above are supporting comments made during post workshop interviews on the success of VM workshops (Table 3). Although the workshops were construction-related it highlights the participants’ experience of the methodology. The study reported in Hunter and Kelly (2004) involved three workshops in succession where VM tools and techniques were applied. The comments have been extrapolated unaltered from the interview record sheets and have been grouped under headers chosen by the author for the purpose of this paper.

Table 3 – Comments on use of Value Management Workshops

<b>General Comments</b>
“The workshops were useful and immensely valuable.”
“I was taken on by the whole idea of workshops. I found it valuable.”
“I found them very, very good.”
“We got to know each other as individuals as well as team members.”
“The workshop opened up honesty.”
“We will continue to use through various phases of this project.”
“There is a problem for a lot of people to have a whole day workshop. I think it’s worth it.”
“The use of a facilitator brings together a vast range of ideas from which we can select the best way of going about the project.”
<b>A Benchmark</b>
“The workshops provided guidelines for progressing projects.”
“We will use as a template...more knowledge and experience has been gained.”
“This will be used as a past example to be brought forward when it is relevant.”
“Because of the first one I have been involved in, I will use it to benchmark.”



“I will use it as a reference.”
“I will take points from the reports that were beneficial and I will use these in other projects.”
“I will use as a way of explaining to clients how this project worked if it is successful... it will be used as a reference and as background material.”
<b>Successful Structure</b>
“There was an organised structure to the way this project has been dealt with, whereas others have not been as organised and things get forgotten about.”
“A successful format.”
“The techniques are so logical and work well; I can see the practicality of it. I like VM because it’s so clear and logical with clear answers, it doesn’t involve a lot of theory and people can see what’s happening.”

A point worthy of note is the comments related to the use of workshop experiences as a reference or benchmark for future projects, indicating its success.

## THE NEXT STEPS FOR VM IN LOCAL GOVERNMENT

The next step in the research is to conduct a survey questionnaire on projects in local government to explore the project stages common in local government and the intervention points most suitable for the application of VM. The aim is to determine if the ‘Three-Stage Project Model’ is appropriate for a service and if practice fits theory. The survey will highlight the problem areas for a service and therefore influence the production of the service sector value opportunity model. A structured interview with the local authority commissioner for the provision of early childhood services is planned which should highlight the effectiveness of value management on the project in terms of what was useful and the general attitude towards such an approach.

The final stages of the research will involve testing the framework using a VM approach on a local authority willing to add value to one of their projects. It is hoped that the ‘Three Wheels’ framework will be used by the local authority, however even if it is used in part this will not have a detrimental effect on the study provided wheel three that prescribes the VM approach is used to its full potential. The concluding part of the research will evaluate this workshop through a questionnaire to determine the workshop participants’ perception on the use of the value management methodology. Short interviews will be conducted prior to the study to investigate the team members’ familiarity with VM and what their expectations are of using this method.

## CONCLUSIONS

The ten areas of research study have presented a well founded case for the application of VM in local government to support the Best Value Regime. The Best Value legislation and response to this in the literature highlight a strong correlation between VM and Best Value. It is evident that VM is an excellent public sector tool to plug the gaps in Best Value service provision identified in the literature that included option appraisal, stakeholder representation and action planning. This was further supported by the VM benefits specific to public sector service provision such as the development of KPI’s, the exploration of public sector values and the development of performance plans. The diverse applications existing under the wide-ranging VM methodology and growth in government application where benefits such as the focus on service function and achievement of cost savings illustrated how VM could be applied to public sector

services regardless of project type. The exploration of public sector function demonstrated how the function focussed methodology ensures that the purpose of the project is thoroughly explored to meet the requirements of the customer. The post workshop interviews and comments made from the public sector action research study illustrate positive participant perception of the VM methodology and in addition, demonstrated how it may be applied and benefits achieved.

The research generated the practical Three Wheels framework conducive to the Best Value initiative. It illustrated the successful inclusion of VM alongside quality tools typically used in a Best Value Review and would lead the local authority to a number of service options to be evaluated to achieve Best Value. The development of the generic Three-Stage project model demonstrates how this will be configured to suit the public service sector through the identification of VM opportunity points in the project life cycle. These frameworks underpin a VM approach to achieve Best Value.

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