

# ***Revolutionising Performance – Understanding and Maximising Value***

**CIPFA Northern Section**

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# Value Through Knowledge

*“The only good is knowledge and the only evil is ignorance.” [Socrates]*

**How much of every £1 that you currently spend on projects is spent on the product itself?**

*“The first step towards knowledge is to know that we are ignorant.” [Cecil]*

# Agenda

- Why do we need to Change?
- What is “Value”?
- How do we improve?
- The Value Indicator™ System

# Why Do We Need Change?

# TRANSPORT UNSCATHED BY CUTS



**TRANSPORT** companies enjoyed a welcome tonic from a spending blueprint that left the sector largely unscathed.

Stagecoach shares accelerated 17.6p to 205.1p, FirstGroup rose 24.2p to 401.5p and Go-Ahead gained 88p to 1227p, despite subsidies for bus operators being cut by 20pc from 2012, saving an estimated £300m by 2014-15.

Rail commuters face soaring costs, after the maximum annual fare increase was raised from RPI plus 1pc to RPI plus 3pc to pay for new trains.

The Campaign for Better Transport said the measure could add £1,000 to the cost of an annual season ticket. Operators

will pass the extra income to the state. Transport firms cheered £30bn in investment, including £14bn for rail upgrades, £6bn for London Underground and £10bn on improvements to roads and local transport.

The £16bn Crossrail project was waved through, providing a boost for firms such as airports operator BAA, which has invested hundreds of millions in the scheme.

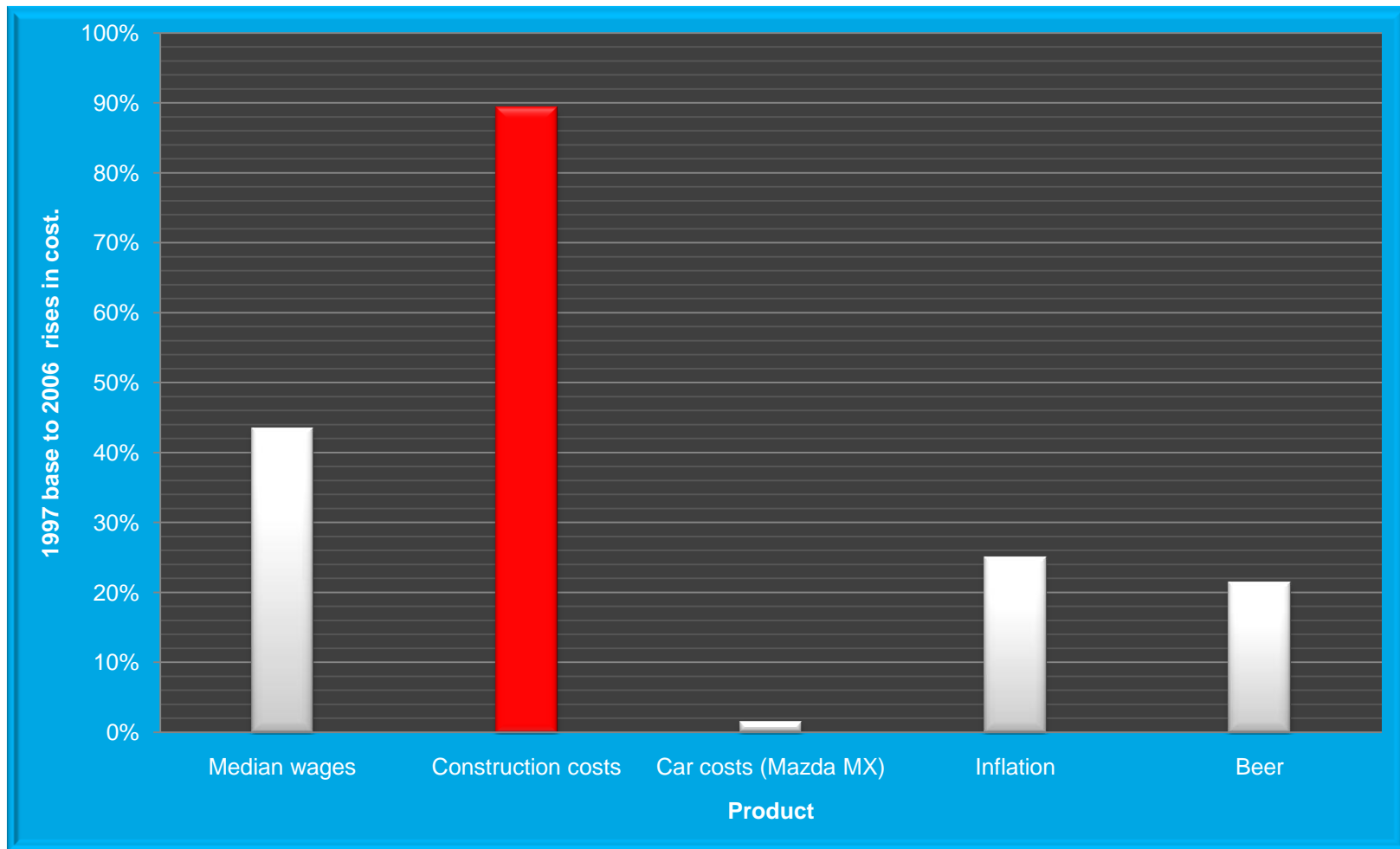
The Department for Transport's administrative costs will have to come down by a third, or £100m a year. But transport expert Dr Ashley Steel of KPMG said the DfT had emerged as the 'outright winner' from the review.

Daily Mail - Thursday 21 October 2010 (Day after CSR)

# Business As Usual Or Time To Change?

	2004	2011
Time (Delivered on Time)	44%	45%
Cost Predictability	50%	63% (2010 – 52%)
Profitability	7%	5%

# Construction Vs. Others – Why?



# What Is “Value”?

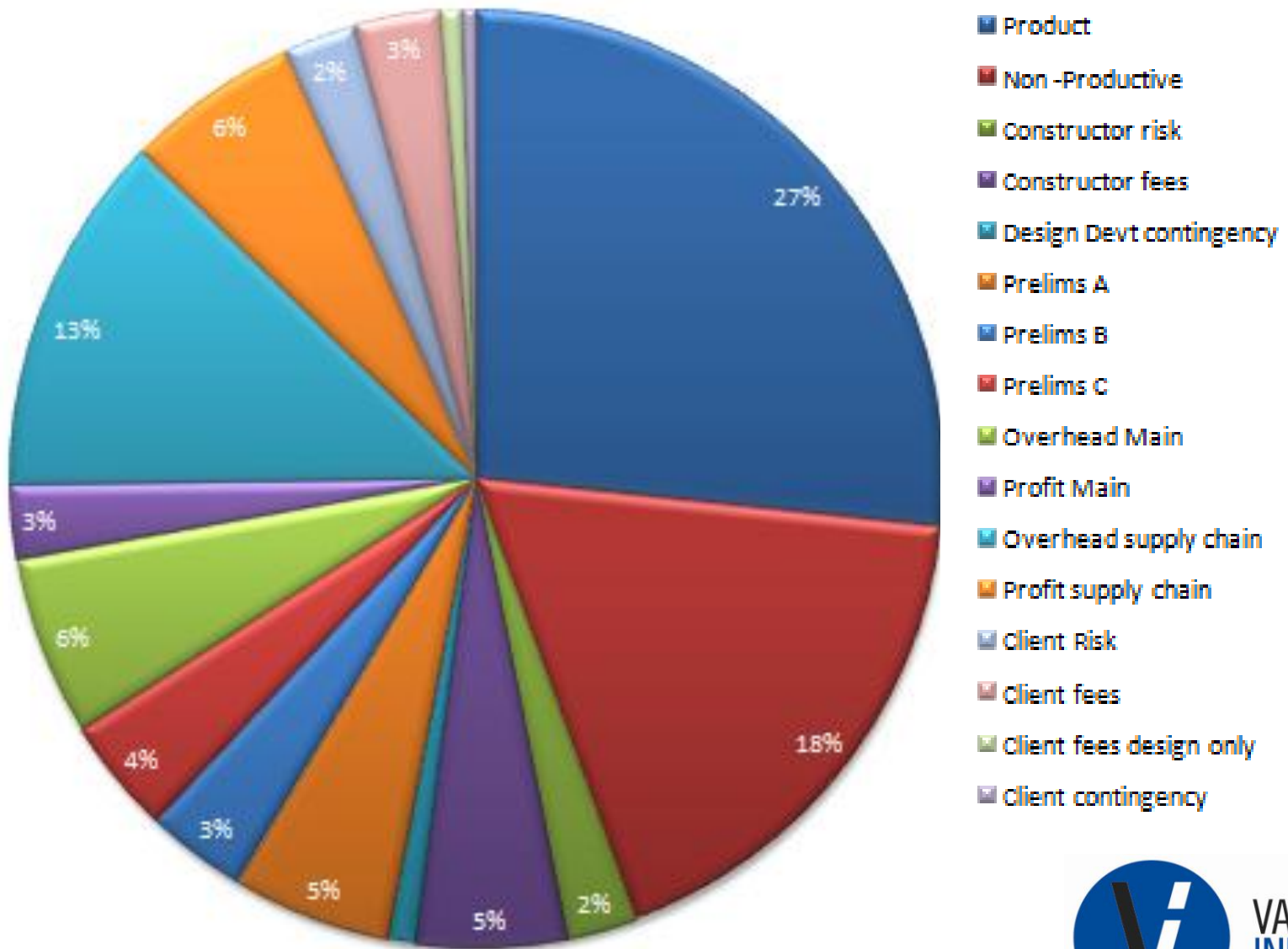
# “The Real Value”

- Materials – 12%
- Labour – 14%

**Total Value = 26% (Or 26p in the £1 )**

**Where is the rest and can  
we have some more of the  
product please!?!**

# The Value Indicator™



# How To Improve? 1

- Waste identification & removal ...
  - Delay analysis – data
  - Delay eradication
  - Process improvements – through planning
  - Productivity measurement
  - Focus on the product

# How To Improve? 2

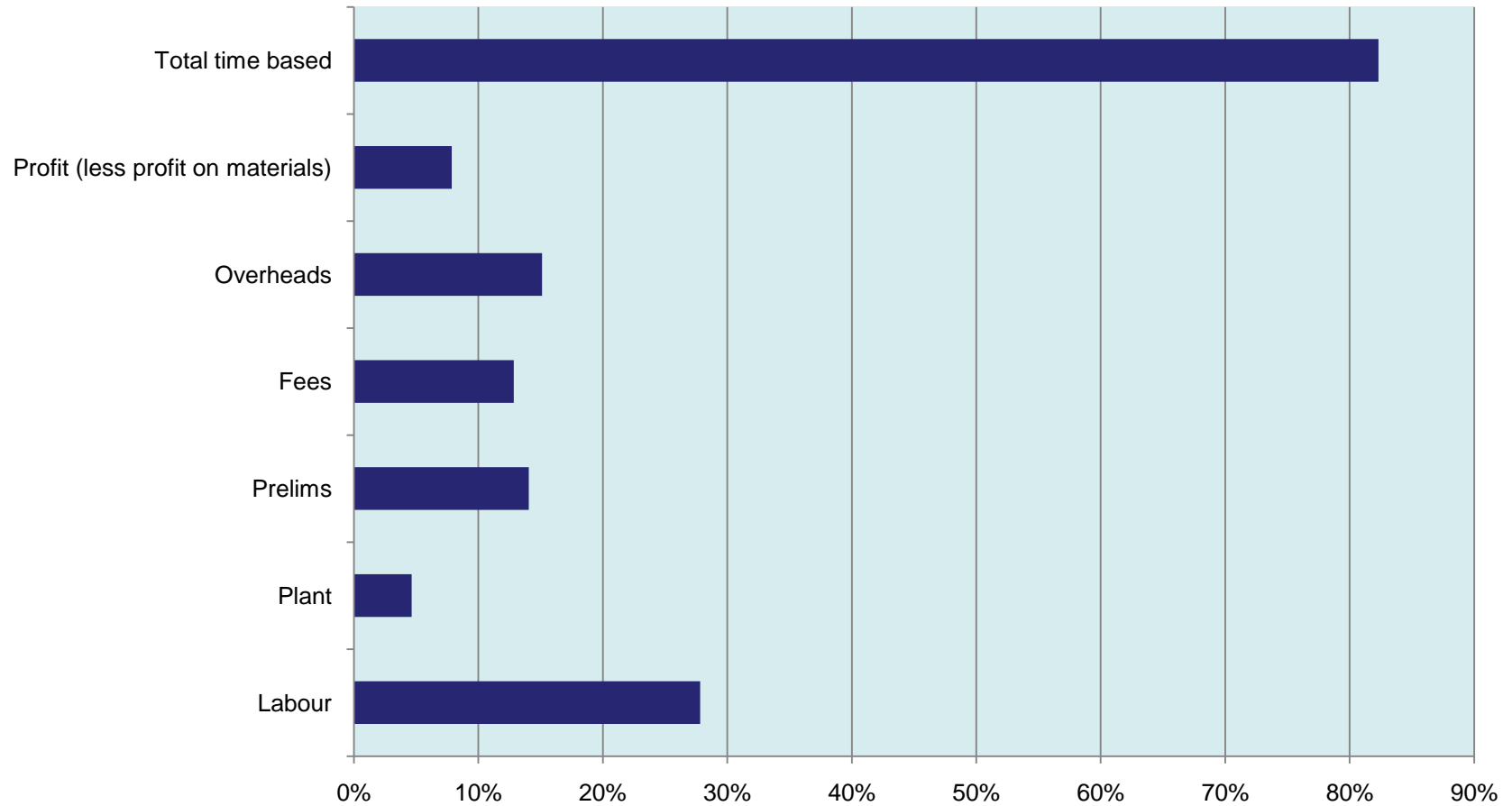
- Challenge ...
  - Delay analysis
  - Transparency
  - Visibility of data and performance
  - Benchmarks
  - Focus on the product

# Time Is Efficiency!

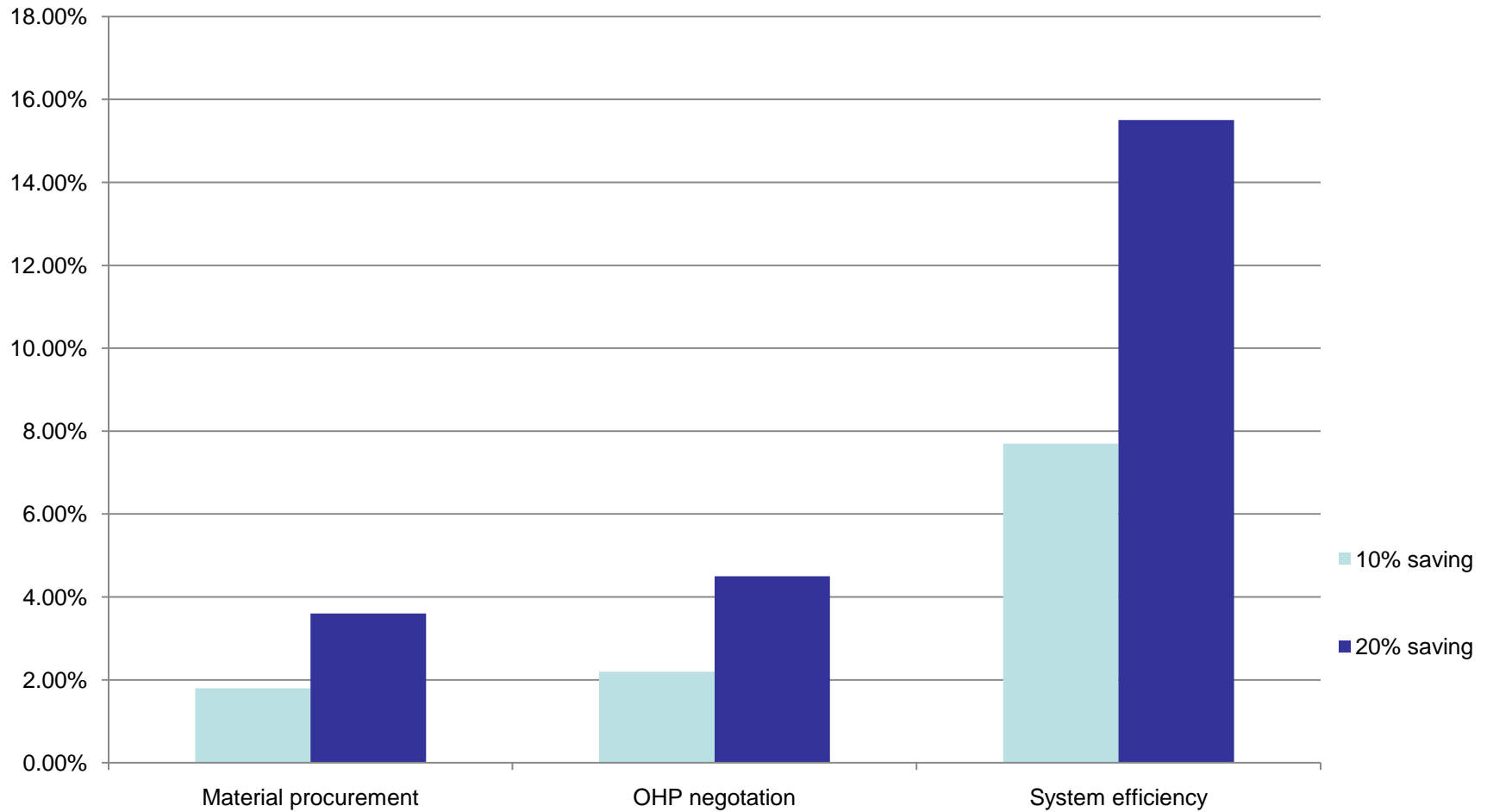
- About 80% of project costs are based on time
- Greatest loss of time is through ...
  1. Poor planning (developing and execution)
  2. Project strategies based on packages, non-optimised plans
  3. Delays in the project (usually as a result of 1 above)
  4. Re-work
  5. Lack of real data

# Breakdown of Time Base Costs

As % of total costs



# Comparison Effects On Total Project Costs



# The Value Indicator™ System

# Key Aspects

- System is based on data to improve project performance
- Visibility of data in a coherent structured system ...
  - Changes behaviour
  - Drives continuous improvement
- Single point accountability for data entry

# Components

- Cost Module
- Time Module
- Cash Flow Module
- Alerts

# WELCOME - PROGRAMME OVERVIEW

## PROJECT FILTER

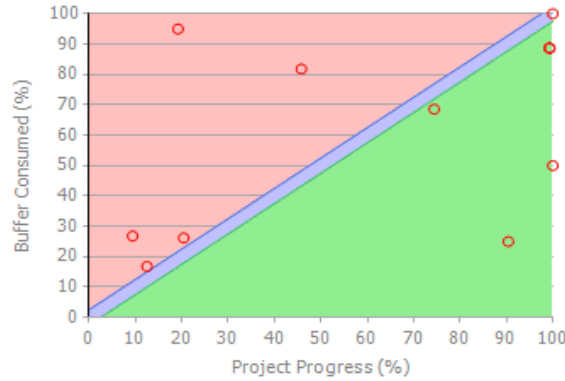
Programme

Project Type

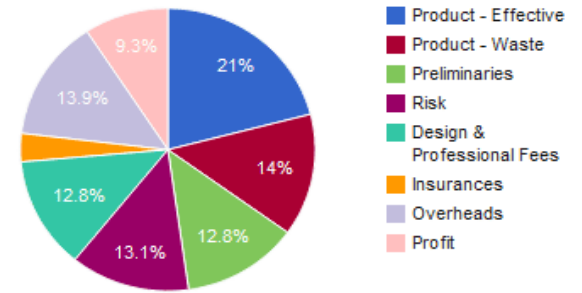
**Apply Filter**

Project Name	Alerts
CMG test	0
CMG sim	1
CMG sim2	0
CMG Simdemo	0
test time only	0
test_extra	0
AJ Test X1	0
AJ Test X2	0
AJ Test X3	0
AJ Test Y1	0
AJ Test CF1	0
AJ Demo 1	0
AJ Test X4	1

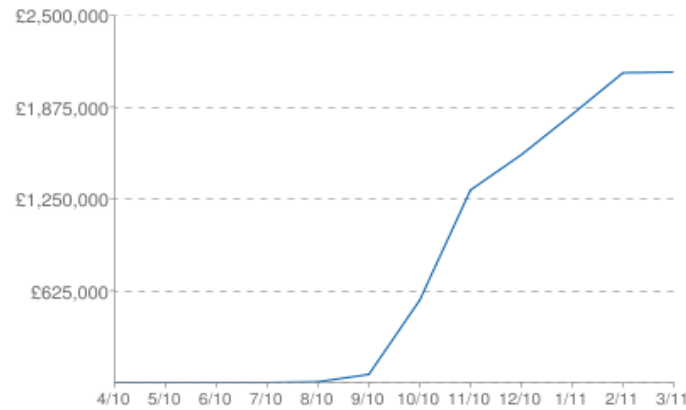
## MULTI-PROJECT BUFFER CHART



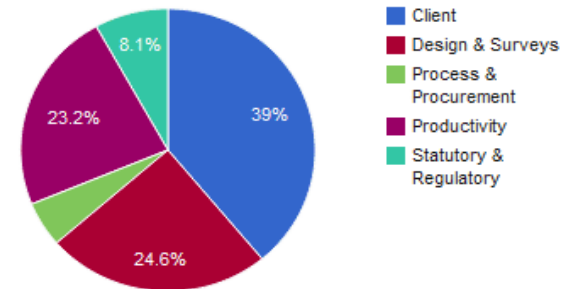
## MULTI-PROJECT VI CHART



## MULTI-PROJECT CASHFLOW PROFILE



## MULTI-PROJECT CUMULATIVE DELAY

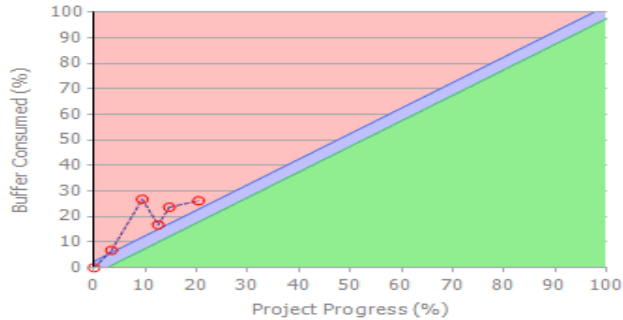




# PROJECT OVERVIEW - AJ TEST X4

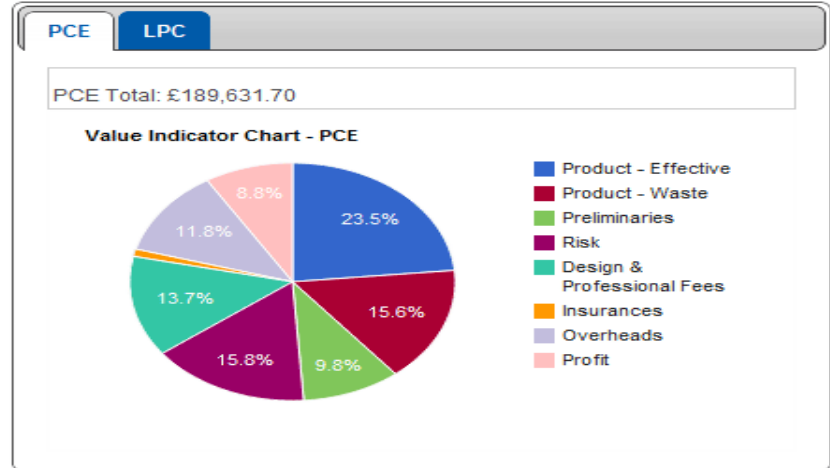
## SINGLE PROJECT BUFFER CHART

Latest: 08 October 2010



## SINGLE PROJECT VI CHART

Project Status: *Live Project Costs*



## SINGLE CASHFLOW PROFILE

[CLICK HERE](#) to enter cashflow module.



## ALERTS

1 alert!

Live Project Costs greater than 10% of Pre Contract Estimate

# A View To The Future?

	Year 1	Years 2 to 5	Year 6 Onwards
State	<ul style="list-style-type: none"> <li>• System in place</li> <li>• Culture change starts</li> <li>• Start using data</li> </ul>	<ul style="list-style-type: none"> <li>• System bedded in</li> <li>• Continuous Improvement culture at client level</li> <li>• Supply chain use system</li> </ul>	<ul style="list-style-type: none"> <li>• System is the norm</li> <li>• Data is driving improvement</li> <li>• Supply chain drive improvement</li> </ul>

**Rate of Change = Cultural Development**



## Benefits

Cost	Costs ↓ 5 to 10%	Costs ↓ 6 to 24%	Costs ↓ 25 to 40%
T	<ul style="list-style-type: none"> <li>• Delivery reliability at 60% to 80%</li> </ul>	<ul style="list-style-type: none"> <li>• Reliability up to 90%,</li> <li>• 10 to 15% off project time</li> </ul>	<ul style="list-style-type: none"> <li>• Reliability 95%+</li> <li>• Project times improved by 20 to 50%</li> </ul>
Q	<ul style="list-style-type: none"> <li>• Defects/rework/delays identified &amp; baselined</li> </ul>	<ul style="list-style-type: none"> <li>• Defects/rework/delays reduced by 15 to 25%</li> </ul>	<ul style="list-style-type: none"> <li>• Defects/rework/delays reduced by 50 to 80%</li> </ul>



# Q & A

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