

BUSINESS PLAN
CEN /TC 279
VALUE MANAGEMENT – VALUE ANALYSIS, FUNCTION ANALYSIS

EXECUTIVE SUMMARY

Business environment

This Technical Committee addresses the fundamental elements of value management which are necessary for improvement of the competitiveness and performance of all sectors of the European economy. The standards developed by CEN/TC 279 will set out the essentials of good practice in value management.

Value management is a horizontal standardization subject. There is a very wide range of organizations for which the CEN /TC 279 scope is relevant:

- All kind of companies, all kind of organizations manufacturing products and delivering services;
- Public services;
- Consultants;
- Value Management certification;
- Education and training.

Total European market 40000 large organizations and around 20 million SMEs (small medium enterprises).

Existing value management standards are known to trained specialists but not well known to industry and public sector in general.

Transfer and sharing of effective practice around all organisations (public sector, large businesses and SMEs) could deliver huge economic gains.

Benefits

- Improve competitiveness, sustainability, and profitability of companies;
- Increase beneficial effect from public sector investment
- Stimulate innovation in products and services focus on function performance
- Improve synergy across supply chains and across the different components of the big companies;
- Communicate methods for efficient production adapted to the customers' needs;
- Conceptual formalization and publication of systems of reference.

Priorities for CEN/TC 279

- To complete a series of standards about this discipline;
- To support Value Management at the European level;
- To transpose the series of European standards to international level (ISO) if and when market need emerges.
- Initial focus to update EN 12973 to establish a common base for knowledge of the discipline, systems requirements, and practical guidance for strengthening established value management practice
- Other projects to be resourced to create standards which address core methods

1 BUSINESS ENVIRONMENT OF THE CEN / TC

1.1 Description of the Business Environment

In the 1990's around the time that EN1325-1 (1997) and EN 12973 (1999) were in preparation the subject of 'Value Management' was often disseminated as a specialist study based approach which could be applied to a product or project scenario. The market size for the management discipline at that time was estimated as being around €0.5Bn per annum¹. The focus in industry was on deployment of 'Value Analysis' also termed 'Value Methodology' or 'Value Engineering' though workshop style interventions which follow a fairly standardised job plan process. Some leading organisations adopted Value Management as a framework within which many methods were deployed with the aim to maximise performance of the organisation. Standardisation sought to support market needs for both methods and frameworks.

The economic conditions and fundamental technological capabilities have now changed dramatically since EN 12973 was published in 1999.

Over the past 15 years the volume of 'Value Management' activity has grown substantially. This growth has been achieved through development of a plethora of branded and generic approaches to 'value management' in international and national business. Many companies have their own value management system which may be presented as 'the' system.

The educated resource has also increased. From a base of perhaps only 500 specialists practicing in early 1990's, National Value Associations across Europe now could report a few thousand specialists have experienced structured training. In addition several tens of thousands of university graduates will have had education touching upon structured approaches to value management and these professional individuals may be deploying their interpretations of value management practice within business and public sector.

However growth since first publication of EN 12973 has been uncoordinated and in some instances ineffective. Feedback from National Value Associations indicates market uncertainty of the role for 'value management' and organisational underperformance is frequently observed. Many organisations take no explicit action to enhance value in their products, services, and production methods. The focus is on short term price and market dynamics. Others adopt a workshop style methodical intervention focused on cost reduction. A smaller number adopt a disciplined systemic approach to improve performance of the organisation by seeking to maximise beneficial effect per unit of resource applied through the organisation. It is this systemic approach which delivers greatest impact and which can be applied by any size of organisation.

There is a need to update EN 12973 to reflect the changes in the market and to support developments in good practice. Market feedback indicates that the published standard also contains some weaknesses which require to be addressed. The existing standard as written relates more to the needs of consultants and trainers rather than the needs of industry as a whole. There is need to establish a basis for the management discipline of 'value management'. A family of standards which address requirements for effective practice and draws out guidance for national, European, and international trade is envisaged. The standards will identify guidance for adequate practice within the discipline of Value

¹ The European market for value analysis. Report EUR 14326 EN (1992) http://bookshop.europa.eu/en/the-european-market-for-value-analysis-pbCDNA14326/downloads/CD-NA-14-326-EN-C/CDNA14326ENC_001.pdf;pgid=y8dIS7GUWMDSR0EAlMEUUsWb0000yeZPywtu;sid=qMHcC_QtIZLcAqRfRHpCrJYICqKqW_P-rhl=?FileName=CDNA14326ENC_001.pdf&SKU=CDNA14326ENC_PDF&CatalogueNumber=CD-NA-14-326-EN-C

Management. Much more could be done to draw out the underpinning skills and understanding which drive real value in the economy.

EN 12973:2000 has had patchy impact on the market. A widely accepted good standard is necessary.

We need a common understanding in Europe as a basis for consistent practice because evidence shows that good practice leads to better business decisions and enhanced competitiveness. The standard needs to be accessible to general management and give practical support to specialists in the field.

In summary the market need is a standard which sets out what is essential for improving value and competitiveness and performance for an organisation.

1.2 Quantitative Indicators of the Business Environment

There are around 40000 large enterprises within Europe and over 20 million SME organisations². Large organisations are more likely to deploy Value Analysis methods than SMEs but the economic potential is substantial if approaches are adopted by SMEs. Total GDP across EU is around €13000Bn³. Large enterprises account for around €2500Bn Value add and SMEs account for around £3500Bn value add⁴. Every one of these organisations could benefit from value management approaches.

Developing standards which fit within the global market will be important. With just 7% of the world's population, the EU's trade with the rest of the world accounts for around 20%⁵ of global exports and imports. Trade has been hit by the global recession, but the EU remains the world's largest player accounting for 16.4% of global imports in 2011. The EU is followed by the United States with 15.5% of all imports, and China with 11.9%. The EU was also the biggest exporter, accounting for 15.4% of all exports – compared with 13.4% for China and the 10.5% for the United States.

There are differences of opinion and practice in the market. Most organisations will declare aims to serve customers more effectively and increase social value and the private sector will also often declare aims to increase sales and profits. Value Management is a management discipline which guides and enables progress towards those objectives.

Some organisations treat Value Management as a discipline which supplies ability to coordinate performance improvement across a business or portfolio of work as an ongoing approach. The systemic approach is sometime called a “value for money process” to achieve planned outcomes but this approach involves more than process thinking. The real results flow from the integration of key principles of value management: management style focused on value and function, human dynamics engaging people, environmental considerations taking into account internal and external conditions and the effective use of methods and tools selected and applied as a the means of achieving outcomes.

Many organisations adhere to the school of thought that Value Management is associated with project based interventions associated with cost reduction or cost minimisation to

² See figure 5 in ANNUAL REPORT ON EUROPEAN SMEs 2012/2013
http://ec.europa.eu/enterprise/policies/sme/facts-figures-analysis/performance-review/files/supporting-documents/2013/annual-report-smes-2013_en.pdf

³ http://europa.eu/about-eu/facts-figures/economy/index_en.htm

⁴ See figure 10 in ANNUAL REPORT ON EUROPEAN SMEs 2012/2013
http://ec.europa.eu/enterprise/policies/sme/facts-figures-analysis/performance-review/files/supporting-documents/2013/annual-report-smes-2013_en.pdf

⁵ http://europa.eu/about-eu/facts-figures/economy/index_en.htm

acquire a specified product. Many more organisations will declare when asked that they are unaware of the discipline or the methods.

Whilst cost reduction can be a valid strategy for performance improvement, innovation and sales growth are also valid outcomes achieved through value management methods. This perception of a narrow cost reduction remit for value management may lead to significant underperformance in the economy as organisations fail to pick up on proven management methods and systemic approaches which can be learned and adopted to make step changes in performance and deliver very high return on investment.

There is both huge challenge and opportunity to improve economic performance across Europe by strengthening awareness and practice of Value Management.

Although no formal reporting exists in Europe potential and real results appear to be similar. Benefits observed cited⁶ by the various European National Value Associations are:

- 1) Value improvements in excess of 20%; including savings between 10 – 25%
- 2) Tangible returns on investment between 20 and 40 times the resource commitment are not untypical and exceptionally may be as high as 150 to 1.
- 3) Improved performance of products and services that better reflect stakeholder needs
- 4) Enhanced competitiveness by facilitating and realising latent creativity
- 5) Significant benefits in terms of improved working relationships and organisational learning.
- 6) Specifically recognizably better decisions based on relevant and balanced information
- 7) Increased efficiency through team based activity with a common focus
- 8) A common value culture, with shared understanding of the organisations goals and associated success factors
- 9) Organisational learning and improved capability to embed change.

These observations are supported too by case studies published⁷ by UK government for the construction sector.

In USA where Value Engineering studies have been mandated by law to improve return on investment of Federal money in publicly funded projects there are consistent reports⁸ of around 100:1 return on investment. On average every \$10M investment each year has delivered consistent returns of order \$1Bn for USA since late 1990's.

The market is very wide. The work of CEN TC 279 concerns any organisation, the consultants who assist them, the bodies operating expert (in Value Management) certification, and educational institutes (universities and training bodies). The size of this market is uncertain. Much will depend upon the practical attractiveness of products produced by CEN TC 279.

The potential market for effective value management could be assessed as 50000 specialists: If just one employee in the larger organisations focused on value management for the business there would be a need for 40000 specialists. If SMEs called upon a specialist advisor from local trade groups or external consultant for just a half hour a year the demand

⁶ <http://www.valueforeurope.com>

⁷ Value Management in Construction – Case Studies published by Office of Government Commerce 2007
<http://webarchive.nationalarchives.gov.uk/20110822131357/http://www.ogc.gov.uk/documents/CP0152ValueManagementInConstruction.pdf>

⁸ Transportation projects <http://www.fhwa.dot.gov/ve/2012/> & <http://www.fhwa.dot.gov/ve/verepor.cfm>

would be for 10 million hours or 5000 full time equivalents specialists. In this sector it could be more realistic to envisage at least 10000 part time specialists running coaching, mentoring and training sessions.

Informative accessible standardisation is required to support the efforts of this resource. Across all these approaches Value Management improves productivity and stimulates innovation.

As a result an effective standard which is widely applied would create more productive industry in Europe, support a better balance export - import, enhance services, and make good use of money invested in EU and national projects. Work on the standard now is timely to stimulate and support economic growth and innovation policies set out in Europe 2020, Horizon 2020 and across national programmes too. Furthermore the EU Public Procurement Directive 2014/24 published 28 March 2014⁹ will place demands on the market for wider use of function performance specification. This form of specification is one of the topic areas covered by CEN TC 279.

The development of standard for value management will have direct and indirect effects.

1.3 Interface with Other Standards Developments

The political, economic, technical, regulatory, legal, societal and international businesses dynamics describe the environment of the industry sector, products, materials, practices related to the scope of this discipline. One or more of these factors may significantly influence how the standards development process can attract market interest and deliver results:

- The CEN / TC 279 scope falls within the framework of very general standardization subjects, such as management system standards: Quality, Certification-Accreditation, Metrology, etc. with organizational impact relevant for market leaders, supply chains, SMEs and any other organization which intends to become more effective.
- The recent developments, such as EN 16271, Function Performance Specification¹⁰, constitute potential major contributions. This standard as written is aimed at value management experts. When practical guidance for procurement officials can be prepared there will be scope for significant impact to the market. Purchasing accounts for one third of public sector expenditure¹¹.
- Value Management concepts and methods support implementation of sustainable development and social value.
- Applied to the highest level of any company, the standards developed by the CEN / TC 279 constitute a powerful tool to help the leaders or managers to establish and fix the mission, the vision and the objectives of their company. They bring also a methodological framework coming in support of any action of strategic analysis and elaboration of forward-looking performance management action plan and reporting systems (Balanced Score Card, reinforcement of values, and organisational culture

⁹ http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=uriserv:OJ.L_.2014.094.01.0065.01.ENG

¹⁰ Full title: 'EN 16271 Value Management – Function expression of the need and function performance specification – Requirements for expressing and validating the need to be satisfied within the process of purchasing of obtaining a product'

¹¹ OECD data analysis report by McKinsey http://www.mckinsey.com/insights/public_sector/improving_public-sector_purchasing

designed to deliver value).

- The documents published by the CEN / TC 279 can also be applied to realize self-assessments or benchmarks.
- CEN/ TC 279 should develop relations with other committee work to support the spread of good practice. Relevant committees and standards are noted below:
 - Governance of projects programmes and portfolio ISO/TC 258
 - Innovation ISO/TC 279
 - EN 12973 should be clearly positioned in relation to ISO 9000 (quality) ,ISO 31000 (risk), ISO 55000(asset management). There could also be links with ISO 17024 on competence and certification of competence, with EN 16114 on Management Consulting and with other standards activity. As a committee addressing a discipline CEN TC 279 should be alert to the need to help join up thinking.
- There will also be a need to consider potential links with regulatory controls, reporting requirements, and financial practice. The interface with management consultancy practice, due diligence, budget controlling departments, strategic planning, procurement, internal auditing, sales, R & D, knowledge management and business improvement methods which the market recognises.

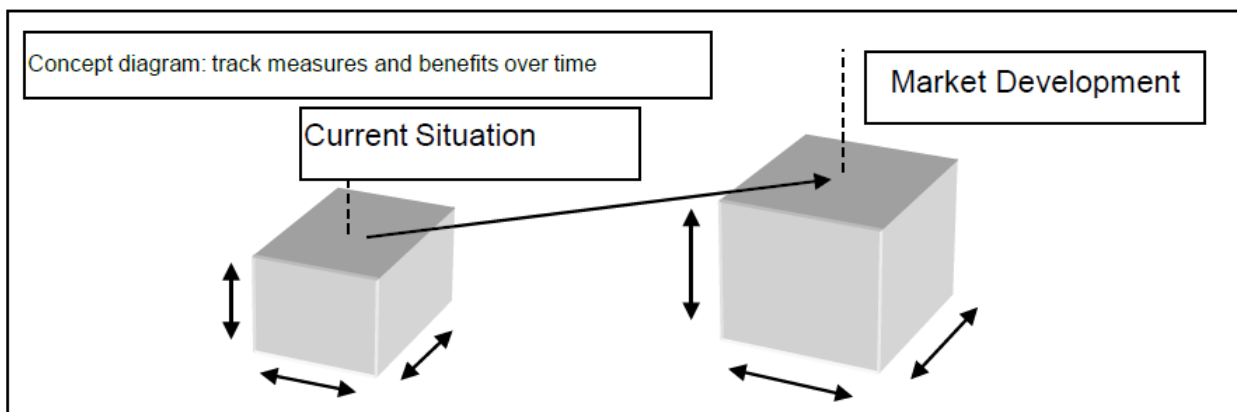
2 BENEFITS EXPECTED FROM THE WORK OF THE CEN/TC

The role of standardization is important for the conceptual formalization and the publication of systems of reference. The immediate focus is to produce a management systems standard with an aim to support organisations within Europe to improve performance and productivity through effective value management. This European work will envisage future development at international level (ISO). No standardization work is currently planned at this level.

For any company, the benefits may be considered according to four axes:

- **“Market”**
 - To answer to a market, remain there; to face and resist the competition (in terms of service, cost of ownership)
 - To increase its market shares; to penetrate into new markets at national, European and international levels
 - To awaken customer demand and to propose innovative products and services
 - To anticipate and be responsive to evolution of its environment (e.g. to follow and anticipate the evolutions of its activity area)
- **"Sustainable development"**
 - To integrate and satisfy the needs and aspirations of the various interested parties: taking into account more diverse and more numerous demands, and embracing analysis of life cycle
 - To have a set of indicators, typical performance ranges, and perhaps benchmarks to measure value

- **"Company"**
 - To control the economic aspects of the business in terms of internal costs, investments, ...
 - To spread its offer: to change to its supply level, to sell support services
 - To make more, with a given budget of resources
 - To have the capacity to build partnerships with customers and across supply chains
- **"Management"**
 - To define its vision and its strategy in coherence with the predictable scenarios for the environment
 - To improve the organization of processes, including the top level management process
 - To make comparisons with other companies and develop actions to compete
 - To conduct options appraisal and make efficient, informed, and authoritative decisions which recognize and balance competing and conflicting interests of stakeholders involved.



3 PARTICIPATION IN THE CEN/TC

All the CEN national members are entitled to nominate delegates to CEN Technical Committees and experts to Working Groups, ensuring a balance of all interested parties. Participation as observers of recognized European or international organizations is also possible under certain conditions. To participate in the activities of this CEN/TC, please contact the national standards organization in your country.

4 OBJECTIVES OF THE CEN/TC AND STRATEGIES FOR THEIR ACHIEVEMENT

4.1 Defined objectives of the CEN/TC

The objectives of the CEN/TC 279 are:

- To publish practical standards on the management discipline and concepts of Value Management: principles, requirements for results, systemic and project based approaches, applications, processes, methods and tools, and the corresponding vocabulary.

- A more long-term objective is to use the European standards as working documents at the international standardization level (ISO), where no work is under way at the present time.

The standards will:

- Set the standards for internal and external resources to facilitate value creation and improvement within any organisation.
- Guide embedment of good practice
- Support leaders to strengthen value culture and thinking
- Identify the conditions for effective value management
- Involve business sectors in the working groups
- Ask the best of industry what they need from their internal and external consultants
- Be relevant for all managers
- Inform a basis for training of people
- Meet the needs of top management
- Reflect the essence or heart of key decisions required to improve value and the analytical skills needed to improve value
- Set out what is needed recognising schemes such as Value for Europe which set out the skills required to apply the standards.
- Illustrate methods which link with knowledge management – lessons learned

4.2 Identified strategies to achieve the CEN/TC's defined objectives

Working groups will be established or maintained to develop standards. Working groups will have clear focus and be able to operate independently:

WG1: **Vocabulary.** Work completed on publication of EN1325 (2014)

WG2: **Value Management. Management System Standard Development.** Establish the framework and essential elements. (pr EN12973 -1) W Hahn Convenor M Locke Co convenor, P Moriceau co convenor

WG3: **Value Management. Function Analysis.** Develop standards on the core methods. Convenor P Moriceau.

Possible topics for the future:

Guidance Documentation. Develop practical illustrations to show application of the published standards. How to make a really good cake for a special occasion – good practice in different market situations – for large and small organizations!

Market Dynamics. Inform CEN/TC 279 on market need for standards. Development of standards for market applications. Examine links with other standards and explore needs across all countries in Europe, promote EN 12973 as a normative reference in all other relevant standards

Supporting Methods. Development of standards for methods and applications

CEN/TC 279 envisage that an organized set of standard documents will be established according to two complementary parts: General Management Standards and Specific Method Standards.

These will serve the two customer bases of leadership and operational management.

- **General standards**

This part will include all the general and management systems documents on which all the European or national standards developments, of the considered area, will be established. The objectives assigned to this part are:

- To describe the concepts and the principles of the Value Management
- To establish and communicate the requirements for results, covering design, assessment and strengthening of systemic and project based approaches
- To develop the specific vocabulary to this discipline
- To help the users to assess and strengthen the discipline and approaches in their organization

- **Specific standards**

This part addresses those standards required for selection and practical deployment of processes methods and tools. There may be a group of standards focused on approach by methodological theme, and another group focused on market needs and developing practices. The general aims of these two groups may be:

- To specify requirements and processes for practical deployment of particular methods such as "Function Analysis", "Whole Life Value Analysis", for example
- To specify requirements for Value Management deployment to particular strategic subjects such as: Market, Sustainable development, Company, and Management, covering:
 - identification and assessment of applications,
 - design, deployment, and assessment of capability, and
 - selection and assessment of methods

In the longer term, some developments of documents with normative character could be realized to answer specific needs to a given business sector or to a size given companies.

4.3 Environmental aspects

Key environmental issues flow from the scope and application of the standards.

- The standards can be used to improve environmental performance.
- The standards set out approaches for derivation of trade-off rules between environmental considerations and other priorities.
- The standards support decision making for sustainable development
- The standards envisage establishment of non-monetary measures of resource consumption (e.g. CO₂)

All new work item proposals (NWIP) shall include a statement on environmental issues for consideration by CEN/ TC 279 before adoption of the NWIP. Environmental issues pertinent

to Standards shall be considered in line with CEN Guide 4¹².

All working groups shall include consideration of environmental issues as a standing agenda item for each meeting. Where appropriate the standards and guidance developed shall include specific parts which address the interface with environmental management standards¹³ and standards for social responsibility¹⁴¹⁵.

Value Management standards will set out guidance for making sustainable decisions: covering consistent treatment of environmental resources and facilitating transparency in ways in which environmental factors are taken into account.

Guidance should signpost sources for environmental management information – set out requirement to expose and assess the environmental resources pertinent to the value balance

The standard will also consider conditions concerning safety and prevention of environmental catastrophe which shall be satisfied when making value judgments. Specific reference to consideration of safety of personnel assets and environment will be included within standards if this becomes necessary and guidance will differentiate market sector needs.

5 FACTORS AFFECTING COMPLETION AND IMPLEMENTATION OF THE WORK PROGRAMME

There are differences in terminology applied internationally. Care should be taken when developing specific vocabulary for purposes of EN that potential for overlap or inconsistency with existing national standards applied outside Europe, is recognised and addressed.

Management arrangements should be responsive to opportunity for international standardisation should this emerge as a realistic possibility.

Management arrangements should facilitate wide consultation of draft documentation and attract new standards bodies to participate.

The standards will express concepts and principles in language which is readily understood by any manager and which she or he can identify with as evident in the workplace, At the same time the standard must inform the manager on how to judge how well value management work is done.

The standard should be consistent with the principles of value management. The standard is enabling managers to apply tacit knowledge in a structured ways to produce a better outcome.

The main factors affecting completion of the work programme and the development of particular standards are as follows.

- 1) Difficulty in finding a common language for the evidence of good practice across countries and between sectors. This will be managed by running public consultation events (first of which being January 2015)
- 2) Progress is dependent upon volunteers and there is a limited number of

¹² Guide for addressing environmental issues in product Standards http://boss.cen.eu/ref/CEN_4.pdf

¹³ Environmental Management http://www.iso.org/iso/theiso14000family_2009.pdf

¹⁴ Discovering ISO 26000 http://www.iso.org/iso/discovering_iso_26000.pdf

¹⁵ Schematic Overview of ISO 26000 http://www.iso.org/iso/sr_schematic-overview.pdf

volunteers. This will be managed by making regular calls for experts through existing committees.

These risks can be managed as there is already a core group of committed volunteers. The pace of development could be improved if the commitment of the volunteers was supported by funding.

6 PERFORMANCE INDICATORS FOR CEN TC 279

The following list of quantitative indicators are proposed for CEN /TC 279.

We are successful when we:

produce a standard measures	number of public documents – aim for one per annum (one publication - not one standard, guide, etc)
we build market momentum of interest in updated and new standards measures:	number of countries participating number of organisations participating number of public events – aim for one per annum number of new work items – aim for one per annum
we enable clear consistent understanding of value management across the market measures:	citation of standards within business and public sector citation as normative reference ¹⁶ within related standards

END

¹⁶ The CEN TC may consider a wide range of interfaces with other management systems. There will be other groups working on related topics such as CEN / TS16555-1 (2013) Innovation Management — Part 1: Innovation Management System, ISO/TC 258 Project, programme and portfolio management. There will be many more