

Value management

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Value management

Management par la valeur

Value Management

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CEN members are bound to comply with the CEN/CENELEC Internal Regulations which stipulate the conditions for giving this European Standard the status of a national standard without any alteration. Up-to-date lists and bibliographical references concerning such national standards may be obtained on application to the Central Secretariat or to any CEN member.

This European Standard exists in three official versions (English, French, German). A version in any other language made by translation under the responsibility of a CEN member into its own language and notified to the Central Secretariat has the same status as the official versions.

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EUROPEAN COMMITTEE FOR STANDARDIZATION
COMITÉ EUROPÉEN DE NORMALISATION
EUROPÄISCHES KOMITEE FÜR NORMUNG

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Contents

Foreword.....	4
Introduction	6
1 Scope	8
2 Normative references	8
3 Terms and definitions.....	8
4 The principles of Value Management	9
4.1 Key principles.....	9
4.2 Value objectives in Value Management dynamics	11
4.3 Requirements	11
4.3.1 Framework	11
4.3.2 Attitudes of mind and knowledge	11
4.4 The Concept of Value	12
4.4.1 Value.....	12
4.4.2 Need	13
4.4.3 Functions	14
4.4.4 Resources.....	15
4.4.5 Value comparison	15
4.5 The Value Management Approach	15
5 The application of Value Management	16
5.1 Application of the principles.....	16
5.2 The Value Management Framework.....	19
6 Value Management methods and tools	25
6.1 A selection of methods commonly used in Value Management.....	25
6.2 Specific Value methods and tools.....	25
6.2.1 Value Analysis (VA)	25
6.2.1.1 Presentation.....	25
6.2.1.2 Value Analysis and Value Management.....	25
6.2.2 Functional Analysis (FA).....	26
6.2.2.1 Presentation.....	26
6.2.2.2 Functional Analysis and Value Management	26
6.2.3 Function Cost (FC).....	26
6.2.3.1 Presentation.....	26
6.2.3.2 Function Cost and Value Management	27
6.2.4 The Functional Performance Specification (FPS)	27
6.2.4.1 Presentation.....	27
6.2.4.2 The Functional Performance Specification and Value Management.....	27
6.2.5 Design to Cost (DTC) / Design to Objectives (DTO).....	28
6.2.5.1 Presentation.....	28
6.2.5.2 Design to Cost and Value Management.....	28
Annex A (informative) Methods and tools to be used within Value Management	29
A.1 Specific Value methods and tools.....	29
A.1.1 Value Analysis (VA)	29
A.1.1.1 Presentation.....	29
A.1.1.2 Detailed description	29
A.1.2 Functional Analysis (FA).....	38
A.1.2.1 Presentation.....	38
A.1.2.2 Detailed description	39
A.1.3 Function Cost (FC).....	47
A.1.3.1 Presentation.....	47
A.1.3.2 Detailed description	48

A.1.4	The Functional Performance Specification (FPS)	49
A.1.4.1	Presentation	49
A.1.4.2	Detailed description	49
A.1.5	Design to Cost (DTC)/Design to Objectives (DTO)	56
A.1.5.1	Presentation	56
A.1.5.2	Detailed description	56
A.2	Other methods and tools	61

Foreword

This European Standard has been prepared by Technical Committee CEN/TC 279 "Value management - Value analysis, functional analysis", the secretariat of which is held by AFNOR.

This European Standard shall be given the status of a national standard, either by publication of an identical text or by endorsement, at the latest by October 2000, and conflicting national standards shall be withdrawn at the latest by October 2000.

According to the CEN/CENELEC Internal Regulations, the national standards organizations of the following countries are bound to implement this European Standard: Austria, Belgium, Czech Republic, Denmark, Finland, France, Germany, Greece, Iceland, Ireland, Italy, Luxembourg, Netherlands, Norway, Portugal, Spain, Sweden, Switzerland and the United Kingdom.

The aim of this standard is to present, define and explain Value Management (VM) and to introduce the basic concepts of the methods and tools most commonly used in its application.

Historical background

Value Management is a style of management that has evolved out of previous methods based on the concept of value and functional approach. These were pioneered by Lawrence D. Miles in the 1940's and 50's who developed the technique of Value Analysis (VA) as a method to improve value in existing products. Initially Value Analysis was used principally to identify and eliminate unnecessary costs. However it is equally effective in increasing performance and addressing resources other than cost. As it evolved the applications of VA widened beyond products into services, projects and administrative procedures. At the same time other methods and management techniques based upon the concepts of value and function have evolved such as Design to Cost (DTC) and Functional Performance Specification (FPS).

The standard is primarily addressed to three groups of customers :

- senior executives seeking to enhance value for their organisation and satisfaction for their customers by using the concepts of Value and Function as the basis for making decisions ;
- all those involved in the formal application of Value Management methods within specific projects including generalists and specialists ;
- all those involved in Value Management development or training.

It has been structured so that the introduction outlines why Value Management is relevant to management. Section four explains what Value Management is and section five introduces how Value Management should be applied (see Figure 1).

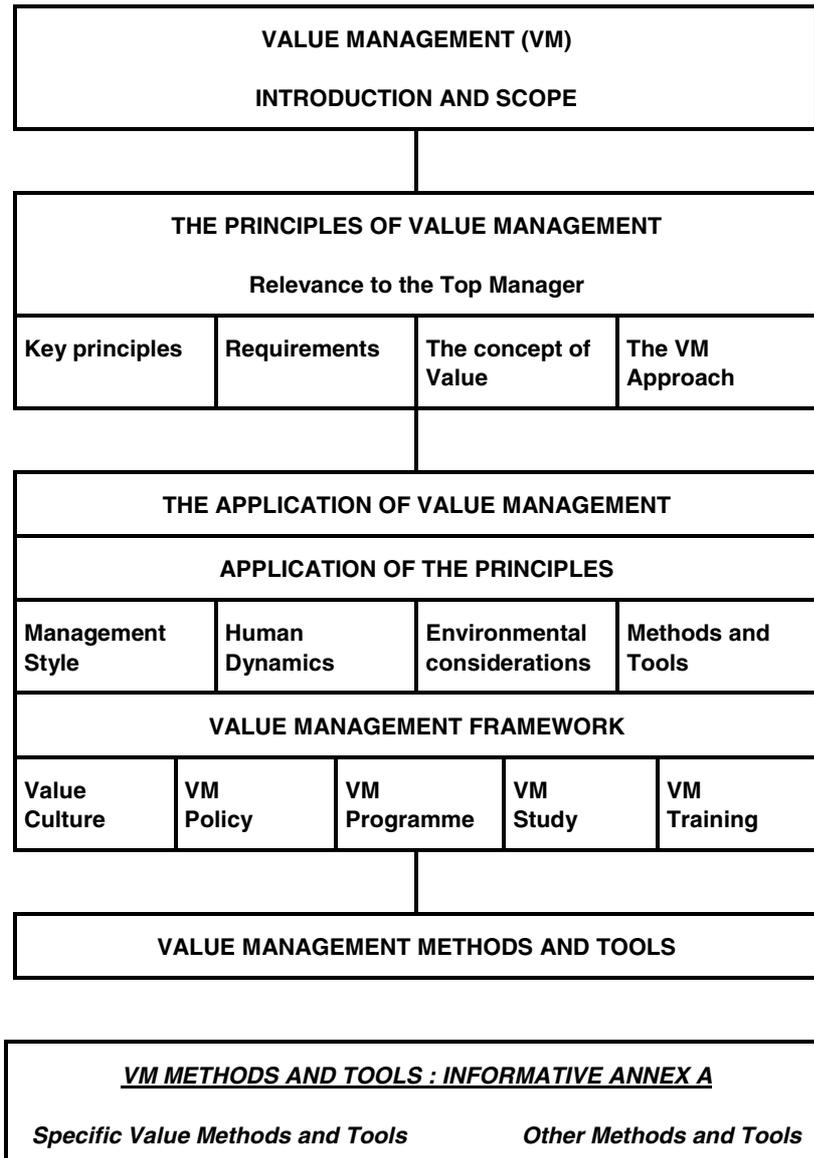


Figure 1 — Structure of this document

The European Standard on Value Management has been developed to promote unified concepts, common practice and the highest levels of expertise and efficacy throughout Europe.

This Standard represents a development from previous Value Analysis standards.

It integrates the pre-standardisation work, sponsored by the European Commission, with the standardisation work of CEN/TC 279 and refers in particular to the standard EN 1325 "Value Management, Value Analysis, Functional Analysis vocabulary", of which Part 1 "Value Analysis and Functional Analysis" has been published.

Introduction

The concept of Value relies on the relationship between the satisfaction of many differing needs and the resources used in doing so. The fewer resources used or the greater the satisfaction of needs, the greater the value. Stakeholders, internal and external customers may all hold differing views of what represents value. The aim of Value Management is to reconcile these differences and enable an organisation to achieve the greatest progress towards its stated goals with the use of minimum resources.

Value Management is a style of management, particularly dedicated to motivate people, develop skills and promote synergies and innovation, with the aim of maximizing the overall performance of an organisation. VM provides a new way to use many existing management methods. It is consistent with Quality Management. Value Management has been proven effective in a wide range of activities.

Applied at the Corporate level, Value Management relies on a value-based organisational culture taking into account Value for stakeholders and customers. At the operational level (project oriented activities), it implies in addition the use of appropriate methods and tools.

For a top manager to take a decision, whether this be in the definition of commercial strategy, the development of a new product or the conclusion of a financial agreement, requires a consistent approach toward addressing the issues. Value Management simultaneously addresses management goals, encourages positive human dynamics, respects internal and external environmental conditions and positively provides the methods and tools for achieving results.

The most visible benefits arising out of the application of VM will include :

- better business decisions by providing decision makers a sound basis for their choice ;
- increased effectiveness by using limited time and resources to best effect ;
- improved products and services to external customers by clearly understanding, and due priority given to their real needs ;
- enhanced competitiveness by facilitating technical and organisational innovation ;
- a common value culture, thus enhancing every member's understanding of the organisation's goals ;
- improved internal communication and common knowledge of the main success factors for the organisation ;
- simultaneously enhancing communication and efficiency by developing multidisciplinary and multitask teamwork ;
- decisions which can be supported by all stakeholders.

The benefits are available to providers and consumers in all sectors of society :

- the industrial sector including manufacturing, construction and processing ;
- the services sector, both public and private ;
- the government, health, education and other public activities.

The Value Management approach involves three root principles :

- a continuous awareness of value for the organisation, establishing measures or estimates of value, monitoring and controlling them ;
- a focus on the objectives and targets before seeking solutions ;
- a focus on function, providing the key to maximise innovative and practical outcomes.

The approach allows the accomplished manager to apply the principles intuitively, particularly in addressing high level issues such as commercial strategy. Equally, all levels of management may apply the methods formally, in a team environment, to solve specific problems. Value Management embraces specific management tools which may be applied in a rigorous and systematic manner to address all manner of issues ranging from strategic goals to the design of one single component.

In larger organisations, it is normal to introduce a structured framework to assist managers in applying Value Management consistently across the organisation. In such organisations, individuals may have specific and well defined role functions within the process. In smaller organisations (such as Small and Medium size Enterprises), such roles may be less well defined and an individual may effectively perform several of them as part of his duties.

To achieve a universal and flexible application of Value Management throughout an organisation, without losing effectiveness of the approach, requires that every member be aware of the fundamentals which drive value for that organisation, and take decisions on a consistent basis.

The building of a Value Management culture within the organisation is fundamental. It requires training and awareness campaigns appropriate to the activities, responsibilities and accountability of the individuals.

The existence of a mature value culture will change attitudes and working practices, encouraging groups to work together and reduce confrontation. The results will be reflected in a reduction of wasted and unnecessary effort and encourage the focus of limited resources on those areas which will give the greatest value.

1 Scope

The purposes of this standard are :

- to establish a common basis for management to implement and practise Value Management ;
- to help team leaders and team members to practise the methods ;
- to establish a basis for developing training and certifying procedures for individual competences in Value Management ;
- to establish a basis for Value Management contractors to provide services ;
- to establish a basis for certifying companies and organisations ;
- to improve the quality of Value Management and stimulate innovation in its use ;
- to improve communication through the use of common terminology.

This standard provides a guide to all managers to practise Value Management and to introduce this discipline within their organisation, and for all other members to understand and participate effectively in Value Management.

2 Normative references

This European Standard incorporates by dated or undated reference, provisions from other publications. These normative references are cited at the appropriate places in the text and the publications are listed hereafter. For dated references, subsequent amendments to or revisions of any of these publications apply to this European Standard only when incorporated in it by amendment or revision. For undated references the latest edition of the publication referred to applies.

EN 1325-1, *Value Management, Value Analysis, Functional Analysis vocabulary - Part 1 : Value Analysis and Functional Analysis*.

3 Terms and definitions

The term "Value" has been defined in EN 1325-1. It has the same meaning in this European Standard.

For the purposes of this European Standard, the following specific terms and definitions apply:

3.1

value Management (VM)

value Management is a style of management, particularly dedicated to motivate people, develop skills and promote synergies and innovation, with the aim of maximizing the overall performance of an organisation

Applied at the Corporate level, Value Management relies on a value-based organisational culture taking into account Value for both stakeholders and customers. At the operational level (project oriented activities), it implies in addition the use of appropriate methods and tools.

3.2

value culture

value Culture is an attitude, awareness and sufficient knowledge of what the concept of value represents for an organisation and its stakeholders and of the factors that may affect this value

It includes an appropriate knowledge of available methods and tools and an awareness of managerial and environmental conditions which enable Value Management to flourish.

3.3

value Management Programme

a Value Management Programme is a planned and structured array of activities which enables the development, implementation and maintenance of a Value Management Policy in a sustainable manner

3.4

value Management Study

a Value Management study is the application of Value Management to a specific subject identified within a Value Management programme and may involve the use of one or more methods

NOTE A Value Management study is a specific approach to a clearly identified subject. Value Management provides a set of methods that complement the Project Management methodology.

One or several specific Value Management studies may be carried out within a wider project.

3.5

value Manager

a Value Manager is a person who is responsible for designing, developing and implementing a Value Management programme

4 The principles of Value Management

Relevance to the Top Manager

VM can then be defined as a transverse approach, a common way of devising the different managements of specific areas of the enterprise (human relations, technologies, costs, ...). It focuses on the Value concept in order to validate operational objectives and to define specific strategies.

The top manager strives to obtain better outputs from the whole of the organisation's assets, financial, material and human, to satisfy the expectations of shareholders and customers.

Value Management integrates the operational managers' efforts with those of higher management to provide a seamless focus on value throughout the organisation. It provides this by concentrating objectively on outcomes which are in line with overall corporate objectives, in preference to local or short-term priorities.

Every manager will develop his own style of conducting his responsibilities within an overall, consistent VM culture, which embraces and encourages team work, communication and emphasis on the customer (internal or external) rather than the provider.

The resulting atmosphere encourages innovation, draws on the synergy of people working together and results in better utilisation of resources to fulfil the organisations aims.

4.1 Key principles

Value Management is distinct from other management approaches in that it simultaneously includes attributes which are not normally found together. It brings together within a single management system :

- management style ;
- positive human dynamics ;
- consideration of external and internal environment ;
- effective use of methods and tools.