Value for money – What executives with mature project environments know

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Almost every procurement process sets selection criteria, with "value for money" as one of multiple criteria. The greatest misconception is that the cheapest price or cheapest daily rate represents the best value for money – that couldn't be further from the truth. A level of experience and a mature project environment is needed to truly consider value for money. I have worked with organisations and staff who really understood the concept, and I have worked with those who did not. It isn't until things go "off the rails" that the concept becomes clear, and generally it is too late to make budget or change contracts by that stage. Experience is so valuable when applied to selections and procurements – getting it right up front can save a lot of time and cost when it comes to timely delivery and in potential future disputes and recovery.

Factors to consider in assessing value for money

The factors to consider in a value for money assessment will be specific to the particular product or service you are looking to acquire. It is worthwhile listing out key elements that are important to your organisation and the specific change, before starting or as part of tender assessments. They should always be revisited during the tender assessment process, because often I learn about new developments and capabilities that represent excellent value through a tender process. So here are my suggestions of factors to consider in assessing value for money:

- **Speed of delivery** – the *more experienced* the supplier, or key nominated staff in the specific service, scenario or product, *the faster they will deliver* the outcome. No-one can accurately predict duration, but there will be a difference. There are two possible benefit scenarios:
  - **The job gets done faster** resulting in:
    - **Lower total project cost** (daily "burn rate" of every project team member, external and internal, incurred for the duration of the project). *For example,*
      - A project team of 25 staff at an average cost of $1,000 per day has a daily "burn rate" of $25,000.
      - A project that would be done in 6 months led by an experienced project director or key supplier resource would cost say $3.1M.
      - If an inexperienced project manager or key supplier resource was used, and say the project took 9 months as a result, the project team would cost $4.7M
      - If the project manager or key supplier resource cost $1,000 per day, their management cost would be say $190,000 for the 9 months
      - If the project director or key supplier resource cost even twice that rate, their management cost would be $250,000 for six months, and they would have **saved you a net $1.6M**
    - **Less productivity lost** through internal staff returning to operational roles faster, shorter consultation and change impact periods for all staff, eg part time efforts by "champions network" being lower and finishing sooner
    - **Earlier benefits realisation** eg efficiency savings, service improvements etc

    And/or

    - **More or better outcomes** are delivered in the project period resulting in:
        - Greater scope of solution implemented
        - More staff or sites implemented or trained
        - Better knowledge transfer to staff
        - Greater acceptance of change and/or
        - More benefits realisation achieved
- **Assumed client resource investment**
    - Often the fine print in proposals requires specific numbers of client provided staff and/or skill sets to be allocated full time to projects, and recourse is available for non-compliance. This has a back-fill cost and productivity cost that should be factored in.
- **Support** – quantum, timing, responsiveness, delivery or access mediums
    - How quickly can questions and issues be resolved? Delays cost money and in operational environments impact customer service and customer experience?
    - Is the service or product locally supported – ie is face to face presence cost effective, to help with effective implementation and/or if something goes wrong during the transition and/or beyond, during operations?
    - Is 24/7 support available during transition and/or beyond, during operations?
    - What is the quality of support? eg self-service resource quality, call centre staff knowledge, proportion of calls resolved at the first line of support, language and clarity of communication, understanding of the local country and organisational environment etc
    - How can you access support? eg which combinations of
        - Self-service resource lookup
        - Email logging
        - Call centre
        - Primary nominated account manager
        - Direct access to nominated expert technical contact
        - On-site attendance
        - Etc
- **Number of provider staff to be based on-site**
    - It is important to strike the right balance for the right solution or change being implemented
    - Sometimes it is critical to have provider staff on-site for collaboration and timely progress of activities, and the resulting faster delivery represents value
    - Sometimes having a large number of provider staff on-site could be a problem and create costs. For example if a lot of technical resources try to liaise directly with a small number of client subject matter experts, there is a major productivity impact and operational service delivery could be interrupted. There are also lease costs, PC costs and associated overheads to consider. Perhaps an on-site business analyst should be substituted as a “go-between” in some circumstances.

There are so many more factors specific to products, services, project and organisational environments, but I hope these give you an idea of the ‘big picture’ elements that can have a significant impact on overall project timelines and costs and operational productivity, costs and service levels, and therefore the true “value for money”.