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*"Meeting
The
Challenge"*

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What is Value?

- Merriam-Webster Online Dictionary
 - “a fair return or equivalent in goods, services, or money for something exchanged, “ or “ the monetary worth of something,” or something’s “relative worth, utility, or importance.”
- Physiologists and economists studying value for over 100 years.
- Determined value to be very personal.
- Something is worth whatever a person **believes** it to be worth.

NNSA Value Management - 2005

- Secretary of Energy delegated VM authority to PSOs in 2005.
- NNSA delegated to NA-50
- NA-50 asked NA-54 to lead the NNSA charge
- Research found:
 - PL 104-106
 - OMB circulars
 - OVEST
 - Other Cabinet Agencies
 - Plus much, much more

VM vs. VE

- Language in legislation, orders, etc.
 - VM is synonymous with VE
- NOT TRUE!!
- Value Management
 - The philosophy of Value Science
- Value Engineering
 - Act of doing or performing Value Studies, Value Analysis, etc.

Value Management Evolution

- Value management process that forms the basis of Federal laws, OMB Circular, and DOE policy was first developed by Larry Miles, a worker at GE during WWII.
- First use in the Federal government by the Navy's Bureau of Ships in 1955.
- Adopted by the Corp of Engineers in 1964.
- Although it has had several names, the concepts have remained the same.
- Army estimates saving \$20 for every \$1 spent on VE
- GAO reports saving 3% - 5% on projects using VM

Principles and Concepts

- Value management is a process used by a multi-disciplinary team brought together for the common purpose of improving and optimizing the relationship between worth and value.
- Principles have not changed for decades; only the applications have changed.
- Value management is not a single process, but a concept derived from multiple kinds of processes used to analyze project functions.
- Intent of legislation, implementing regulations, and directives is not to dictate a single method of performing value studies.
- Intent is to assure government agencies are cost effectively adding value to projects and programs.

Methods

- Methods of achieving value include:
 - Systems Engineering
 - Kaizen
 - Critical Decision (Honeywell – KCP)
 - Six-Sigma
 - Kepner-Tregoe
 - SWOT
 - Balanced Score Card
 - FAST

NNSA BOP 50.002

- NNSA value management targets three key management needs:
 - Avoiding problems;
 - fixing problems; and,
 - justifying key decisions
- NNSA value management process does not specify a single value analysis tool, but relies on combined knowledge of a facilitated team to brainstorm, analyze ideas, and evaluate ideas based on weighted criteria.
- Expects team to document the process, the decisions, and how the decisions will be implemented.
- Requires results to be sent to NNSA management and used in DOE report to OMB.

NNSA Training

- Developed in 2007
- Two classes
 - Senior management (2 hours)
 - Project staff (8 hours)
- Get PDUs and CEUs
- Trained
 - Approximately 25 senior managers at HQ and SC
 - Approximately 20 federal and contractor staff at Pantex.

NNSA Reporting

- Seven VE studies between 2001 and 2004
- 31 VM studies in 2007
- 4 VM studies in 2008
- NNSA reporting is more than just compliance driven.
 - NNSA doesn't do VM just for the sake of doing VM
 - Not productive for projects
- VM BOP is intended to help management stay informed of program issues, project issues and decisions.
 - Leaders should be held accountable for implementing findings.
- IPRs a form of Value Management

VM at Y-12 and KCP

- At Y-12, Over 29 VM studies on UPF alone in recent years
 - Heating Energy Source Evaluation Study
 - Alternative Study of International Building Code Occupancy
 - Denitration Alternative Evaluation
 - Nuclear Materials Control and Accountability of Solid Materials Measurement Equipment Capabilities study
- At KCP
 - Cost savings from productivity and deployment innovations between \$23.5M and \$27M annually for past 3 years.
 - Energy conservation improved by at least 20% each year from 2006 through 2009.
 - Supply-chain savings increased from ~\$2M in 2007 to \$65M in 2009.
 - KCP “traditional customers” combined quality and reliability performance level has been at 99.9% for the past 3 years.

VM Culture at NNSA Sites

- VM done at every NNSA site, on every NNSA project.
- Some project managers embrace VM
- Some project managers tolerate VM
- Some managers recognize the value.
- Some managers only see it as a way to get through the CD phase gates.

Summary

- VM
 - Science of value
- VE
 - Act of performing value study, value analysis, etc
- Lawrence D. Miles
 - Father of Value Management
- OVEST disbanded
- Use VM at every NNSA site
 - Some more successfully than others
- VM is alive in DOE!
- Congress just wants us to do good, well documented, value added project management...simple...right?