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# Management of Value and Earned Value Management – why both?

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MoV™ APMG-International™ Earned Value

**We have been asked to explain the differences between Management of Value (MoV®) and Earned Value Management (EVM). Each method has a full set of guidance, which is not the subject of this article. We are seeking to demystify the similarity in the names of these two methods, as this is where the similarity ends. MoV has a focus on the benefits to the organisation while Earned Value tracks progress against what has been planned, although both can be used in conjunction with Project, Programme or Portfolio management.**

## Benefits of adopting Management of Value

Management of Value (MoV) is about what value the organisation will gain from doing (or not doing) something and how to maximise this. In MoV value is defined in either financial or non financial terms.

MoV helps to identify the value drivers behind the Project, Programme or Portfolio, based on those identified by the users / customers. It then uses this information to check that the proposal will add value to the organisation based on these drivers. The value drivers may differ when considered from project, programme or portfolio levels and MoV will help to identify which projects should be funded by considering the wider picture, as well as any individual project proposed.

For example, a department may propose a project which will significantly improve efficiency within the department; however, when considered against other departments, it is not as important as another project will add more value to the organisation. Innovative value improving proposals which may introduce new ways of creating or supplying products and services are fundamental to this approach, which may also be applied in the BAU environment.

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## Benefits of adopting Earned Value Management

Earned Value Management (EVM) identifies the value, in terms of costs, of what will be delivered from a project and then tracking whether it is delivered. EVM implements a system to capture a baseline plan and then to accurately track what is delivered against the plan. EVM, however, only considers the financial and schedule aspects.

Without EVM a supplier may have delivered 50% of the products of a project, but these could be the low value (cost) products and so the real position is that they have only delivered 20% of the value of their contract. This is particularly important when considering stage payments against deliverables. At the end of a stage the Project Manager needs to confirm whether a payment should be made to the supplier. If the Project Manager uses EVM they can accurately track the amount of value (cost) which has been delivered and so the level of stage payment which is due. Construction companies are particularly familiar with this syndrome. It can also indicate the level of performance required to deliver according to plan.

> **"MoV helps ensure added value to the organisation. EVM ensures efficiency of delivery."**

## Timescale and focus

The timescale and focus of each method differs. In MoV the focus is on the result of the project and the value to be gained from the outcome of doing the project, beyond closure. EVM is focussed on the delivery of the project itself and ends with the end of the project. MoV can also be implemented at any point in a project, although it is best to apply MoV during Initiation and at Stage boundaries. MoV can be used to review Business as Usual, which may take the form of a feasibility study, whereas EVM is only used within projects.

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## Project Success

If the project delivers the products within the agreed costs and timescales, but it does not add value to the organisation in wider terms then the project has failed in MoV terms. If the project delivers the products within the agreed costs and within the agreed timescales then it has succeeded from an EVM perspective.

So, why use EVM if it can successfully deliver a project which does not add value to the organisation? The answer to this is that MoV and EVM are complementary. If MoV helps to ensure the projects (programmes and portfolios) add value to the organisation, then the projects to bring this about still need to be delivered on time and to cost. EVM will ensure efficiency of delivery.

## Skills required for delivery

Another difference relates to the skill sets needed to implement each method. MoV requires skills in stakeholder management, facilitation and negotiation, as well as project management skills. EVM requires skills in financial management, tracking and monitoring as well as project management skills. But what sets MoV apart is the centrality of a creative, brainstorming process and the search for innovation with the approach by comparison to a focus on conformity or compliance to plan within EVM. These might be summarised as left and right side of brain skills.

## Data requirements

In EVM the data all relates to the Performance Management Baseline plan. It is the timescales and financial information of deliverables only. All the data to be collected happens during the project and is assessed and reviewed during the project for changes to be made during the project. In MoV the data collection is much wider and focuses on the value drivers of the organisation, customers and other key stakeholders. This data would then be benchmarked with other organisations delivering similar customer value, but possibly by other means, developing greater understanding the value equation between benefits and costs of proposed business options or solutions.

In conclusion, both MoV and EVM can be useful tools in project, programme and portfolio management. While both have value in their names, they have a different purpose, focus and method of implementation.

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David Roberts is the Managing Director of CUPE Projects and their Lead Trainer in MoV. He has a wealth of experience in projects, programmes and portfolios and has worked with MoV for many years following involvement with the Value for Money Unit. CUPE is the only organisation delivering both the MoV and EVM qualifications accredited by APMG.

Sheila Roberts is the Director of Training at CUPE Projects and their Lead trainer in EVM. She has many years expertise in project, programme and portfolio management. She first took an interest in MoV when working at the Welsh Office with the Value for Money Unit, EVM followed when seeking to understand why reported progress did not always match actual progress.