Value Analysis:

What is it for?
How does it work?
What are the key factors
of success of this approach?

Vision & Strategy

Design thinking

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Value Analysis
what is it for?

It is about building a **recommendation for the design or redesign of a product, service or organisation** that optimally meets two seemingly contradictory objectives: **improved user satisfaction and reduced costs**.

Value in the sense of value analysis is the ratio between the two indicators:

user satisfaction / **cost**

Depending on the subject and context, it is possible to improve the value:

By **reducing costs** (current costs of redesign, or from the start of design) but ensuring that the fundamental elements of user satisfaction are not compromised. If the objective cost is an initial constraint, we can talk about "(re-) design-to-cost".

By **improving or adding benefits for users,** provided that this allows a price increase or has an effect on the volume of activity producing an increased margin greater than the cost increase.

By a combination of the two objectives: to **do it better and cheaper.**

Value Analysis method structures the "feasibility" phase of the design or redesign project where there it's still the time to challenge the brief and explore scenarios.

The method is very flexible in its application to various objects:

A product or part of a product (the smaller the scope, the more the project is constrained by the interaction with the rest):

- Consumer product in B2C logic.
- Technical product in B2B logic.
- Infrastructure.
- Capex.

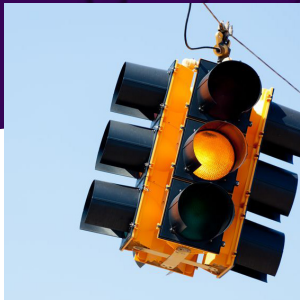**A service delivery** (examples: maintenance, logistics, training, etc.)

A key process (corresponding to an internal department) of an organisation (for example, value analysis can be applied to a Management Committee)

Value Analysis
how does it work?

Value Analysis process follows a **rigorous and creative process within a cross-functional project team**.

Everything starts with a **kick-off meeting** where the project team **shares the context and diagnosis of the existing situation** in order to clearly define the **project's objectives** by specifying the scope and structuring assumptions.
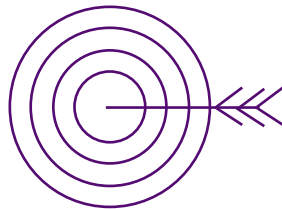
The **"Ludion" method** ([see Créargie methodological reference point](#)) **makes it possible to draw inspiration from strategic objectives** (project motivation) **and to explain the constraints** by questioning them (avoid implicit constraints). In the case of a **"(re-)design to cost"** approach, the project objective is set by the **construction of a target P&L** (simulation of the income statement).

The so-called "analysis" phase aims to **establish the lines of research** into solutions working on the basis of a diagnosis

from a **"user" point of view on the one hand,**

and from a **"cost" point of view** on the other.

The analysis from the "user" point of view is based on the functional analysis method where the "functions" of the object are:

identified (usage functions, consideration functions, constraint functions) based on a mapping of interactions and stakeholders

specified to specify expected levels of performance and possible flexibility

prioritised to highlight key drivers for value creation

evaluated to demonstrate main improvements needed and possible simplifications.

While the method is standard, **its application varies a lot depending on the context** and the need to interview clients if the available studies do not allow the team to draw the right assumptions. **One of the key success factors at this stage is an openness to the outside world**, which takes into account both competitors and a broad view of the market.

The working framework constructed by this approach is a common language **between a pure marketing vision of insights and an overly technical vision of solutions.**

**The "cost" analysis is based on the
"Value Chain" analysis method.**

It comes down to answering two essential questions:

• **How much does each function cost?**
• **What are the costs without added value (waste, inefficiencies, etc.)?**

The answer to these questions requires a detailed and common understanding of existing or planned solutions by asking the simple question:

why does it cost (so much)?

This exercise may require meeting with the supplier and seeing the reality on the spot. It is not uncommon when conducting this analysis for the **team to discover unrecognised realities or elements that do not correspond to any need.**

Even if ideas for solutions may have been discussed during the analysis phase, the deliverable of these two steps, the Value Diagnosis, becomes an agenda for ideation further:

Functions to be **improved**

Functions to be **simplified**

Functions to be **challenged**

Functions to be **made less expensive**

Non-value-added **costs** to be **reduced**

The search for solutions, or the opportunities detection, **is based on creative techniques to help the group escape the box**, and to challenge the usual assumptions and thinking patterns. The project team can be expanded for this phase.

Sharing ideas as a team is the first step of change management.

The ideas must ultimately **be evaluated, grouped, added to, etc.** to allow scenarios to be drawn up.

Creativity enables **ideas to emerge that are feasible at different levels** and that can be translated into different implementation horizons. If a long-term scenario seems interesting, nothing should be done in the short term, except for tactical reasons, which may compromise the success of this scenario.

The final recommendation proposes a kind of **roadmap, with expected results, timelines and resources needed for implementation**. The savings that are identified are put into perspective in relation to the objective and to any investments that may be required, to better meet customers needs.

What are the key success factors of a Value Analysis approach?

As with many projects, sponsors need to be strongly committed in order to link the project objectives to a strategy. This strategy is key and the point of **value analysis is not to define it, but to achieve it in practice.**

Working in cross-functional teams is something that many companies would like to achieve, despite nevertheless adhering to very individualised management principles and objectives on a function basis.

Value **creation** (increasing the value ratio) must become **a shared objective.** To do this, you need transparency, trust, curiosity... you have to **agree to spend some time together to save time during implementation and to succeed.**

The dynamics of the project is a factor in the success of this teamwork. It is therefore necessary to avoid excessively long steps in the search for information and to **know how to work with the available data** (which is often known, but insufficiently shared) **and with hypotheses** (by specifying that they are hypotheses).

The method is therefore very powerful as long as it is applied in an agile and pragmatic way.

Those of our clients who have experienced the approach, generally wish to deploy it by training teams and making it a strategic tool for performance and project management.

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If you would like more information:

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