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THE HONG KONG INSTITUTE OF VALUE MANAGEMENT

## Journal of Value Management

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## Aims and Objectives of the HKIVM

- To create an awareness in the community of the benefits to be derived from the application of Value Management in Hong Kong.
- To encourage the use of the Value Management process by sponsors.
- To establish and maintain standards of Value Management practice in Hong Kong.
- To contribute to the dissemination of the knowledge and skills of Value Management.
- To establish an identity for the Institute within Hong Kong and overseas.
- To encourage research and development of Value Management with particular emphasis on developing new applications of the process.
- To encourage and assist in the education of individuals and organisations in Value Management in Hong Kong.
- To establish and maintain a Code of Conduct for practitioners of Value Management in Hong Kong.
- To attract membership of the Institute to support these objectives.

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# MESSAGE FROM THE PRESIDENT

Tony Wilson, President of HKIVM

Kung Hei Fat Choi, Happy New Year of the Horse. Time as usual gallops along therefore we need to keep up. How can we do this? Use Value Management of course. Think about the normal procurement processes you are using. Letter and memo writing, telephone calls, team meetings, negotiations etc. Would it be possible to focus these efforts into a two-day Value Management workshop with the key stakeholders there and a clear set of objectives? I can hear all the old arguments, they are too busy, the time isn't right; we are not ready etc. etc. Well, try harder to make it work and you may be surprised at the results. Best results often come when we are not ready as the unknowns can be positioned, discussed and some options considered. Now it is up to you as Value Managers to push ahead to use more Value Management.

The Institute continues to develop and we held our January lunch to the lighthearted presentation from Peter Yeomans. Peter informally took us through some of the stories of where VM has taken him both as a business and in geographical terms. It is very useful to remind us here in Hong Kong that we are so lucky to be able to conduct much of our business in such a small geographical area. Peter spoke about visiting outback places, much time spent on travelling and of quite primitive conditions. We forget the size of Australia and that they often have much less value projects in dollar terms spread out all over the place. I think all those present enjoyed the talk and the relaxed atmosphere. Thanks again Peter and Sandy.

We also held our first evening event. Professor Mike Anson from the Hong Kong Polytechnic took us through the thinking behind the Construction Industry Review Committee Report. This was a wonderfully succinct summary for those of us in attendance, which relieved us of the urgency to have the longer process of reading the whole document.

Value Management is mentioned as recommendation no 3 of 109. 4.10 reads, "As

further elaborated in subsequent chapters of this report, many of the manifest problems in local construction, such as poor build ability, high site accident rate, unsatisfactory environmental performance and high construction cost, could have been avoided or ameliorated with more thorough consideration at the planning and design stages. We recommend that clients should ensure more integrated input from different disciplines at the outset of a project to safeguard the efficient implementation of downstream activities and the achievement of quality construction. In connection with this, we recommend that value management should be used more widely in local construction."

Some key aspects were, why such tight construction programmes for Government projects? (Comparison to private sector I expect), Japanese examples of cleaner, safer construction sites with much more prefabricated elements and less wet trades, and more R and D input by contractors. Professor Anson also prompted us to consider innovation in Research and Development with some examples. It would seem that with the statistical information obtained, there would be the opportunity to have a VM workshop to seek out a better way to do it. Thank you Professor Anson and those involved in setting up the event. We have received some feedback from members on this event and we will be trying to improve our communications in future.

Our HKIVM Conference is now becoming the focus of our attentions. We are in desperate need of sponsors and if anyone can help can you please contact David Yau or Conference Organiser. The Conference flyer will be out shortly and we ask all members to assist us by also trying to publicise the event and get as many participants as possible. We must all put great effort into this event as it serves the key objectives of the Institute.

The Council met twice and are progressing normal matters. We do wish to know how many VM'S are being done in Hong Kong and we also would like members to submit copies of

VM related papers that are published with details to Dr. Geoffrey Shen. We will then have a record of these for possible reproduction in our newsletter.

I have been in e-mail correspondence with quite a few overseas contacts, many whom would like to come to our Conference. The Japanese Institute sent us a very nice New Year card, which was greatly appreciated.

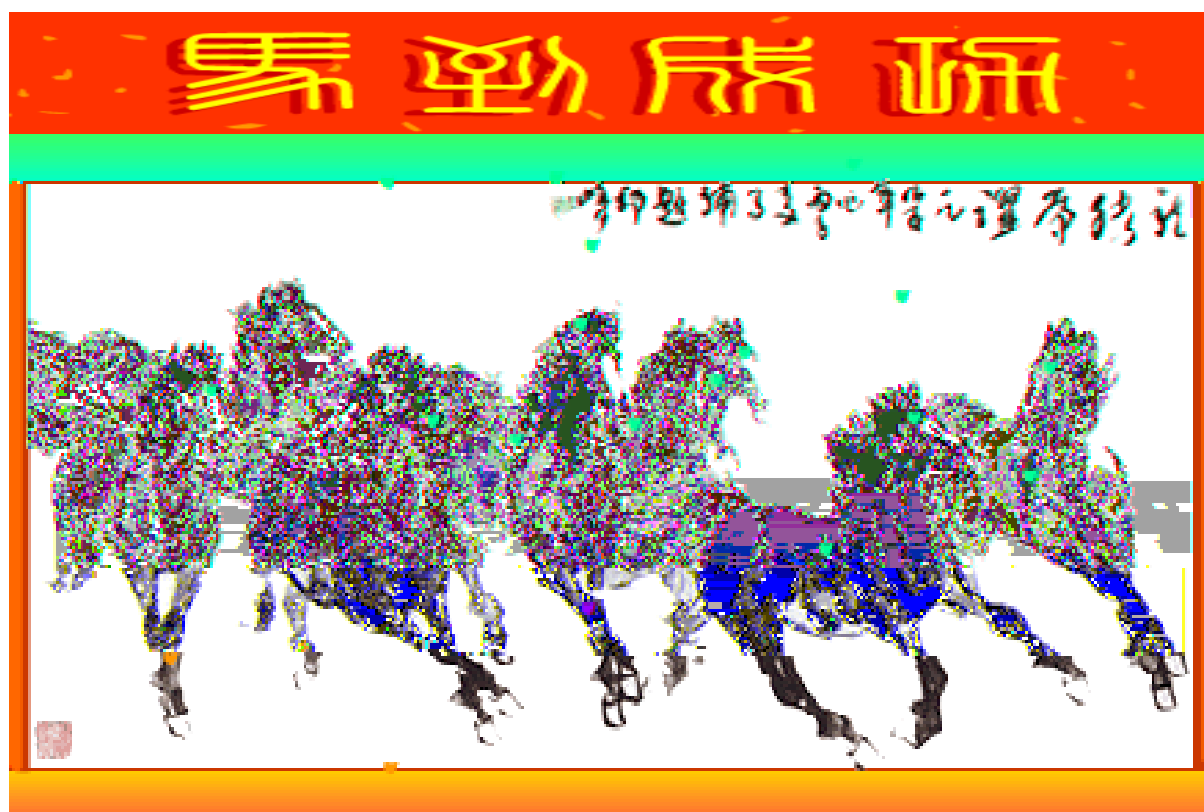
Some members have raised with me the use of the Works Bureau list of VM facilitators for other purposes. For example some Works Departments have used the lists for reference for Partnering studies. I have raised this with Works Bureau and the response is that if the Partnering workshop is to follow the VM job plan then

reference should be made to the list. If it isn't, Departments may refer to the list if they wish. I have written to ask that this point be mentioned to Works Departments to allow more flexibility on this issue for non-VM workshops. I hope this will meet member's needs.

As we race on with the year of the horse, it is hoped that we can have a better year than the last one. For sure nothing comes easily therefore we need to hone our skills and seek opportunities to professionally promote and use Value Management in Hong Kong.

Best regards to you all,

**Tony Wilson.**



**Happy Chinese New Year!**

# WEALTH GENERATION THROUGH VALUE

Dirceu (Dirk) Maramaldo

## Abstract

On March 9 of 1776, Adam Smith published its monumental **Wealth of Nations** and for the first time the VALUE concept was presented and connected to the generation of WEALTH. Only about 170 years later, Larry Miles rediscovered the concept of VALUE and connects it with cost, with efficiency and with customer satisfaction. Mr. Maramaldo will demonstrate how Adam Smith and Larry Miles ideas may be put together, with the VALUE NETWORK and how it produces wealth in today societies. With such a perception of VALUE MANAGEMENT, not only companies, but also Governments, NGO and the population itself, may direct its efforts for the benefit of society, and of every and each Nation.

Political, educational and any other social programs, may take the VALUE transformation from the moment it is built by the IBN (Integrated Business Network), through the generation of new future values and the Wealth Cycle and to value manage all activities.

## INTRODUCTION

Whoever offers to another a bargain of any kind, proposes to do this: Give me that which I want, and you shall have this which you want, is the meaning of every such offer, and it is in this manner that we obtain from one another the far greater part of those good offices which we stand in need of.

It is not from the benevolence of the butcher, the brewer, or the baker, that we expect our dinner, but from their regard to their own interest. We address ourselves, not to their humanity but to their self love, and never talk to them of our own necessities but of their advantages...

The word VALUE (sic), it is to the observed, has two different meanings, and sometimes expresses the utility of some particular object, and sometimes the power of purchasing other goods which the possession of that object conveys. The one may be called "Value in use", the other, "Value in exchange". The things which have the greatest value in use have frequently little or no value in exchange; on the contrary, those which have the greatest value in exchange have frequently little or no value in use. Nothing is more useful than water: but it will purchase scarce anything; scarce anything can be had in exchange for it. A diamond, on the contrary, has scarce any value in use, but a very great quantity of other goods may frequently be had in exchange for it."

This is Adam Smith's text, as presented by the Easton Press 1993 copyrighted Millennium Edition of the Harvard Classics' *An Inquiry Into The Nature and Causes Of The Wealth of Nations*.

From this text, we may identify two different types of VALUE, for the same object: the **Value for the User (Vu)** and the **Value for the Producer (Vp)** of such object. Lawrence Miles has developed the formula for Vu

**Vu = Function / Cost**

and we may consider for Vp

**Vp = (ROI;NP) / Risk**

According to Miles, when someone is buying an object, what he or she is looking for, is the VALUE of this object, or the functions it will perform, in exchange for a given cost. And we may also consider that what the producer of this same object is looking for, is the return on his investment, and the net profit it will generate when selling it to the user, for a given risk of such a business for his money.

## THE IBN-INTEGRATED BUSINESS NETWORK

A producer is seldom alone in the construction of values Vu (or of objects that offers value to the buyers), because he has several suppliers of materials and services involved, what is the IBN

- Integrated Business Network, as in the example of figure 1, which represents a simplified version of an IBN related to an Automobile Manufacturer, taking its electronic components supplier branch.

Any consumer (user) of VALUES, may have several different alternatives for selecting a product he or she want to buy, or several makes built by different IBNs, as in figure 2.

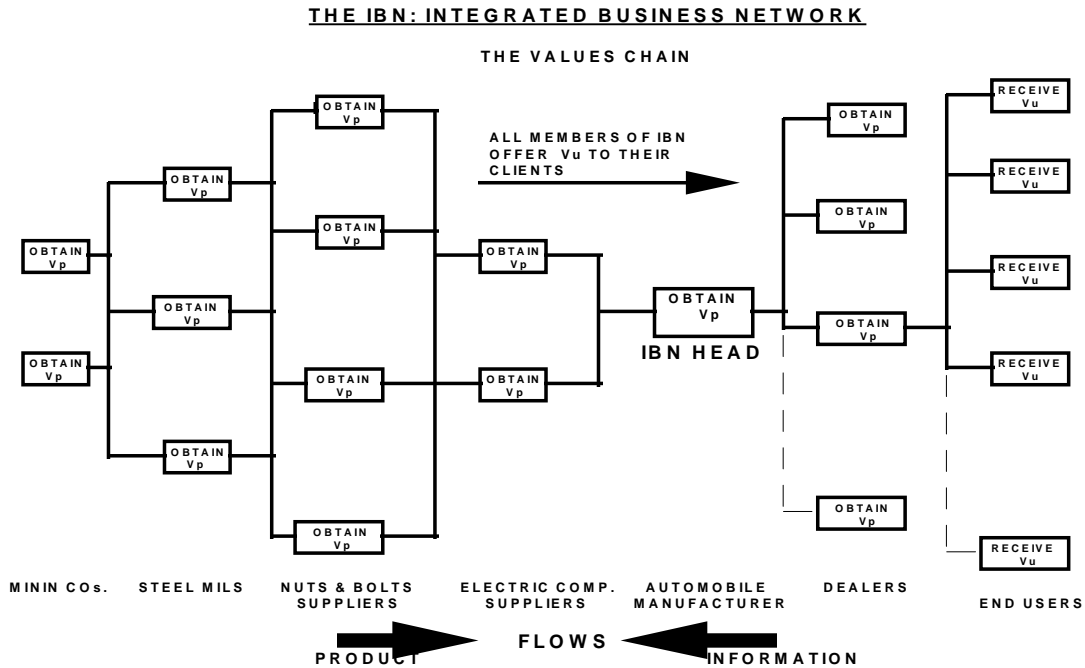


Figure 1

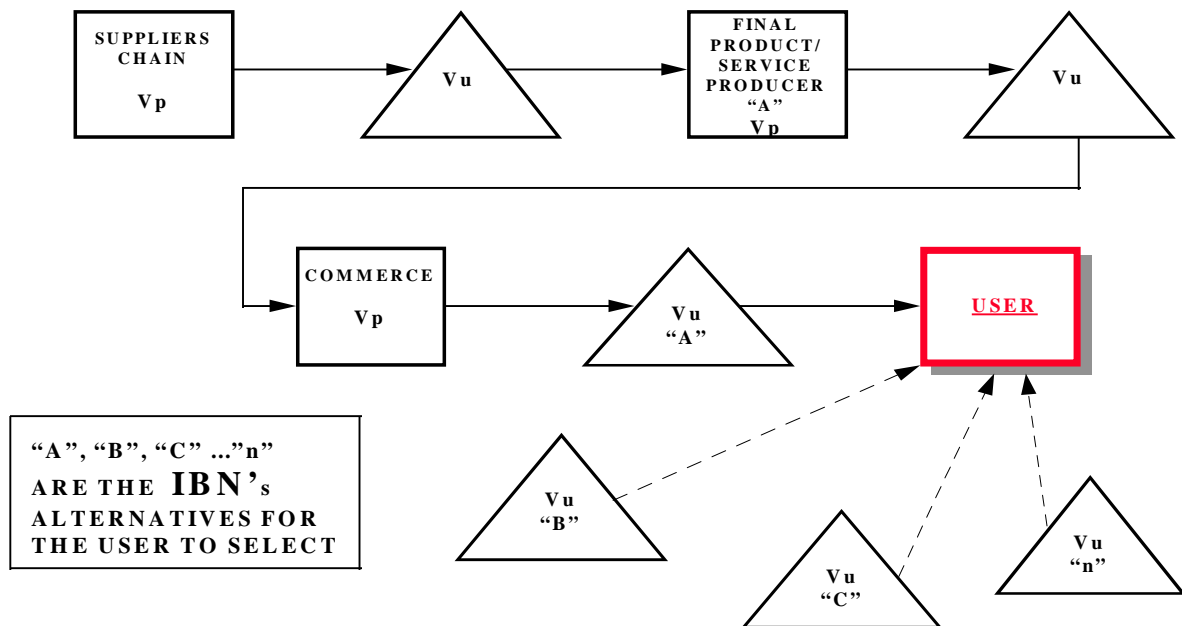


Figure 2

Competitiveness may be defined as **the ability of an IBN to conquer and satisfy the user of the values it produces and sell**, since every IBN competes against the others for the same users. Internally in an IBN, each member is a user of its immediate suppliers, and a producer for its immediate client/consumer, and the IBN connecting links are VALUES ( $V_u$  and  $V_p$ ). Building competitive  $V_u$  and supportive  $V_p$  is the major concern for management, and VALUE MANAGEMENT is the right instrument.

### SOCIAL VALUES

All  $V_u$  and  $V_p$  generated by the IBNs when reaching the market as  $V_u$  for consumers, start a transformation which depend on how this

consumer (user) uses these values. If the value is used as a pure consumption item, what mean that it will destruct the value with its use, all it generates is a market demand for replaced values, and more business for the IBNs. This will in turn generate more social activities, like employment, money circulation, business and product development, what we may call SOCIAL VALUE ( $V_s$ ).

But all this have an end in itself, since these values may lose its market interest, and the consumers will stop buying them.  $V_s$  destruction is probably what may happen with time, and the social activities, the money circulation and employment generation will stop its productive circling, as shown on figure 3.

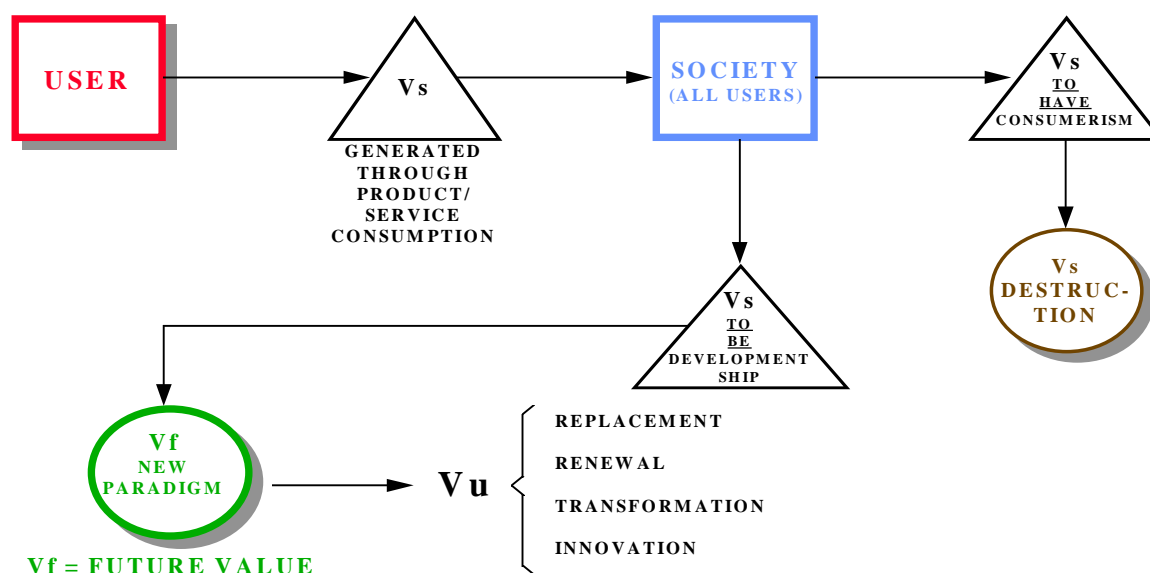


Figure 3

The effect of  $V_s$  destruction is a result of the consumer behaviour for having things and goods, the **to have** approach. When people is educated to the **to be** approach, or to use  $V_s$  for self development, an all new scenery may come out, or the incentive for new different  $V_u$ , with new functions and lower costs, covering new needs and new paradigms.

This self development approach, generates the needs for **future values (Vf)**, which are  $V_u$  to be developed through the replacement, renewal, transformation or innovation over current  $V_u$ . When  $V_f$  are developed and approved by users, they become new  $V_u$ , and restart the cycles, feeding the IBNs with revitalized strength. This is the start of the **Wealth Cycle**, as in figure 4.



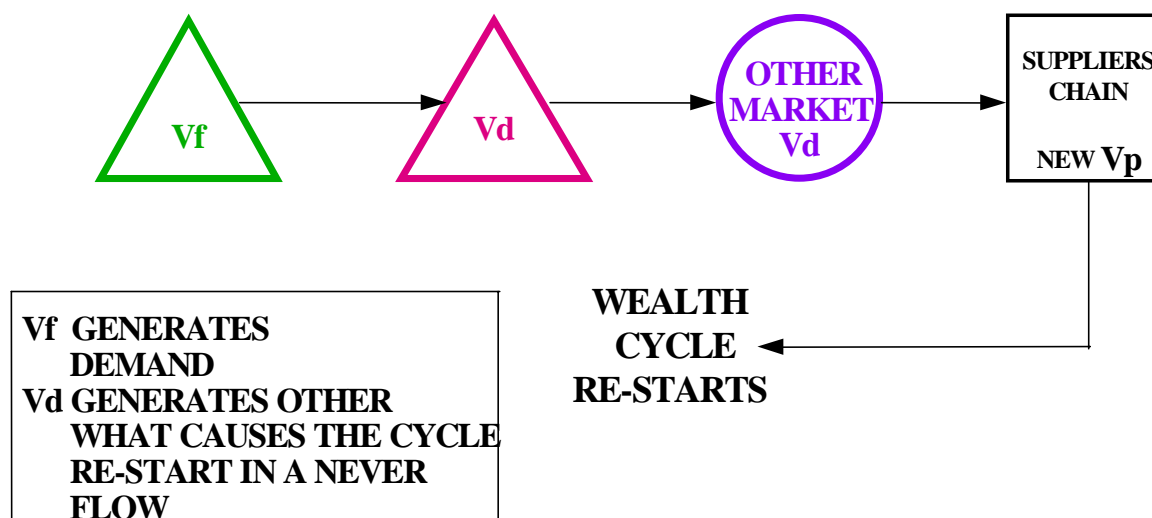


Figure 4

**WEALTH GENERATION**

What makes the Wealth Cycle to exist? The answer is **society behaviour**.

If the approach is to pure consumption, or the **to have** approach, values will be constantly destroyed, without the opportunity for further development, but if the approach is for self-development, or the **to be** approach, then it is possible to have the value Vu transformation into Vs, Vf and **new** Vu.

Pure consumption generates increasing waste, energy and material losses, non-productive pollution and ecological problems, while self-development consumption in turn, generates

better use, re-use and destination of all resources applied in its generation. How to direct society behaviour towards the wealth cycle?

The answer is **VALUE MANAGEMENT**. If Governments and schools, if families and communities are instructed to value manage all of its resources and uses, through the concepts of the **to be** approach, wealth will grow, crime and poverty may diminish with time. The right sequence should be Value Planning and Value Management for businesses (IBNs) and for society behaviour. Adam Smith and Larry Miles were right, and by correctly applying their ideas we may have a more valuable and better world to live in.



# THE JOURNEY FROM COST TO VALUE

Michael Dallas

Partner, Davis Langdon & Everest, United Kingdom

## Abstract

The revolution in the UK construction industry continues apace. No one is unaffected, least of all consultants. They are being asked to justify their roles by demonstrating the value they add for their clients. Within Davis Langdon & Everest, the UK arm of the Davis Langdon & Seah International group, we have implemented a number of initiatives to deliver more added value. This paper describes the development of our Value Management programme, which has already increased the frequency of formal studies five fold within two years. And the frequency is increasing. Feedback from clients is enthusiastic. Newly trained facilitators are flourishing. Other staff are rapidly evolving from simply delivering cost advice to adding measurable value to the projects on which they are working. The methods used are consistent with the new British/European Standard in Value Management, BS-EN 12973. Internal training is with approved Institute of Value Management courses (ref. My paper to the HKIVM conference 1997).

It has not all been easy. It is not complete, but it is successful. This paper throws light on some of the difficulties that we have overcome, and some that we must still resolve. It also draws comparisons with major initiatives to introduce Value Management programmes in other UK industries who are basing their programmes on the same standards and who are overcoming similar roadblocks. The paper demonstrates how the use of these approaches delivers measurable added value and builds a strong value culture within the organisations which follow this route.

## INTRODUCTION

I work for a firm of consultants whose core business is cost management. In the past estimating and then monitoring costs on its own was enough to keep clients happy. Clients employed their cost consultants to estimate what a building would cost. They would work with the design team to help them evolve an affordable design. They would prepare tender documents to go to the market and procure the works – often negotiating with suppliers to keep costs within budget. Then they would monitor the works to ensure the contractors are paid the appropriate amount, settle any claims and finalize the account on completion.

The predicted cost would sometimes escalate from the original estimate. The client was expected to pay for any changes and extras which arose. Over 30% of projects were delivered late. Even those which came in on time and to budget frequently fell short of owners' and occupiers' expectations. In short the industry was seen to be underperforming. The major clients got together and began to demand more from the industry – more value. No longer was it good enough just to count the construction cost. Costs must be controlled within reduced budgets. Time must be reduced. Performance must be increased.

Every member of the team must be seen to add value. To do this, we must take a more proactive role. This is precisely what we now do. I wish to take you on this journey from cost to value.

## CONTROLLING VALUE

You cannot control value unless you can control the project. If you have not got control of the project you will be continuously reacting to the surprises and pitfalls along the way. These may be beyond your control. Within DLE we have therefore developed an integrated service combining project, cost, value and risk management – and by cost we mean, where appropriate, whole life cost, including initial construction costs, periodic replacement costs and annual operating and maintenance costs. This paper concentrates on the value management part of this programme.

We have adopted the European model of Value Management as supported by the Institute of Value Management. I believe this model is sufficiently generic that it is applicable anywhere. It is therefore entirely relevant here in Hong Kong. It is based upon the recently published BS EN 12973:2000, Standard in Value Management. This document is so good to read, so I recommend that you read the guidelines, also published by British Standard

Institute, PD 6663. This sets out the underlying principles of Value Management, methods for applying those principles, and ways to introduce it into an organisation. The Standard is complemented by a Training and Certification System, also accredited by the IVM.

## EVOLUTION

In 1997 DLE had few competent Value Management facilitators led by Tim Carter. He had received Value Engineering training whilst on secondment to ICI in the mid 1980s. They delivered a sound service on an ad-hoc basis, very much as a sideline to their main activities as Cost or Project Managers. We now have more than 50 trained facilitators deployed throughout our 20 offices around UK. Here in South East Asia we are currently training a number of senior staff to facilitate Value and Risk Management programmes.

The first step our programme was to appoint a full-time champion to drive it. I was fortunate to be selected for this role. We set about following the model described in the Standard to systematically introduce the concept of Value into the well established, conservative culture of a large practice of Quantity Surveyors. The first step was to understand that what the practice was trying to achieve and, with the partners, evolve a suitable strategy. We did this by convening a short workshop attended by partners from throughout the practice.

Our Senior Partner, Paul Morrell, had invited partners from throughout UK. I had been with the practice for less than 2 weeks and was confronted by a room full of about 40 partners from all over UK. It was an awesome experience – but had a very successful outcome. It followed a pattern that I would recommend whenever you are wishing to establish an agreed strategy for any project involving a broad spectrum of stakeholders.

- Identify the goal
- Establish those things which are critical to succeed in attaining that goal
- Agree what steps are needed to achieve these things and prioritise them.

At that workshop we laid the foundations for the strategy that we have continued to follow ever since.

Having received training to train others in Value Management (a mandatory requirement for those seeking IVM accredited courses in Value Management in UK), I designed suitable courses to enable selected staff to become accomplished facilitators in Value Engineering (and, in our case, Risk Analysis) workshops. These followed the guidelines laid down in our strategy.

## TRAINING

The courses comprised two parts, an introduction to Value Management to provide awareness followed by an intensive 3-day facilitator course. Each facilitator course was limited to a maximum of 10 participants. Every participant was required to prepare a short dossier on his/her previous Value Engineering experience before attending the course (some previous experience is a pre-requisite for attending our facilitator course). About half of the course is devoted to training in facilitation and people skills. The other half of the course addresses techniques. These topics are articulated throughout the course. Each facilitator is required to demonstrate their skills by presenting their dossier and facilitating various exercises, including a Value Engineering case study which we complete during the course. Their peers as well as the course leader assess their performance for structure, content and presentation. At the end of the three days they are subjected to a closed book written test. The pass mark is 60%. Following the course, newly trained facilitators obtain experience as soon as possible by acting as co-facilitator or recorder on a study which is led by a more experienced facilitator. Not all those who are trained make good facilitators. At present our success rate is about 25%. Those who do not go on to become regular facilitators, however, benefit from the training in that they understand and promote the value culture within the practice and find the facilitator skills that they have learnt useful in their everyday work.

One reason for the relatively high dropout figure is that none of the facilitators is dedicated full time to Value Management. They are first and foremost Cost Consultants or Project Managers. They are called upon to facilitate Value or Risk studies from time to time. Only

the most able facilitators go on to thrive in these circumstances. Another reason is that we tend to select the more gifted staff for training in facilitation. These are, of course, the most eligible for promotion. Several of our trained staff are now partners and their wider responsibilities prevent them from being active facilitators.

Facilitators who have completed the 3-day training course are generally comfortable when facilitating the Design Stage studies but not the more strategic ones at in the early stages of a project. For this reason we have a second course designed for those who have already built up significant experience. The course focuses on the use of advanced Value Management techniques such as strategic Function Analysis and the Soft approaches such as those used for reconciling different project stakeholders' priorities. The course also includes training for Partnering and Project Launch workshops.

## VALUE BASED THINKING

In parallel with the facilitator training we have developed short (about ½ day) awareness training modules for both Value and Risk Management which we deliver to all fee earning staff. The purpose of this training is to build on the value based thinking culture which underpins all the advice we give to our clients. Value based thinking is not a separate technique. It requires that we build an understanding of what adds value for our clients and then offer advice based upon this specialist experience. Some refer to this approach as continuous 'Value Engineering'. It is, however, no substitute for the formal Value Management programme we offer on all our jobs.

## FORMAL VALUE MANAGEMENT

Formal Value Management focuses on convening formal workshops at key milestones throughout the project (normally dictated by Client approval gateways). The first of these will take place at concept stage and involve a reconciliation of different stakeholder's views to ensure the right project to meet the business need. This type of study may involve a large number of stakeholders. It demands a very different facilitation approach to traditional

Value Engineering. An example of such a workshop, at the very early stages of a project's life, was that for the Great Western Renaissance project for Railtrack. This project is about revitalising the railway services between London and Western Britain. The study was concerned with obtaining stakeholder support for the draft feasibility study brief.

The workshop team comprised about 50 senior people drawn from Railtrack, the Train Operating Companies, Local Authorities, Government regulators and the like. We ran the workshop with three facilitators and a recorder. The outcome of two days of very intensive effort was a substantial re-writing of the feasibility study brief, a revised method of working together and some changes to Railtrack's national policies.

The next milestone might be at Feasibility Stage to select and improve the preferred scheme and clarify the design brief. Finally during the design stage one would perform one or more Value Engineering studies to ensure that the designs reflect the most cost effective solutions. When a project has been commissioned for use we undertake a review to see if the value improving proposals have been effective and learn how we might improve performance for future projects. This feedback is invaluable for building our value based culture referred to earlier.

## DIFFICULTIES

Whilst the feedback from clients is very positive we do encounter some difficulties. Possibly the greatest of these is establishing the priority of Value Management activities against the traditional workload. Everyone is very busy and Value and Risk Management is seen by many as the secondary rather than a primary activity. As more people see the benefits of the methods this attitude is slowly changing. A second more fundamental difficulty is that of getting people who have been trained to think in terms of elements and costs to think functionally and in Value terms. At a recent internal workshop we identified 10 key roadblocks on the journey from cost to value. These included:

- Ineffective communications between project team members

- Lack of resources or time
- Lack of commitment by individuals
- Insufficient data
- Shortcomings in the project delivery processes
- Resistance or obstruction by third parties
- Inability to establish effective measures of value.

Another area of difficulty lies in tracking the value adding proposals through the project and ensuring their implementation. This we can do provided we are involved in an ongoing Cost or Project Management role. It is not so easy where this is not the case.

We are now steadily demolishing roadblocks.

## OTHER PROGRAMMES

We are not alone amongst large organisations in implementing Value Management programmes, although I know of no other consultants taking the same approach (most go for a centralised specialist Value Management unit). Many major organisations are now seeing the benefit of implementing formal Value Management programmes. The UK's railway infrastructure company, Railtrack, is one. The company is organised into 6 zones and has a centralised head office. For some years each zone has worked with external consultants under a framework agreement to deliver their Value Management programme (applicable on every project over £1/4m). With a projected spend of over 50bn over the next 10 years this amounts to a significant workload. Their strategy now is to develop internal Value Management resource in each of the zones. Rather than appoint an internal champion, Railtrack employed an external consultant to develop the programme. The consultant adopted a broadly similar approach to the one we adopted and has based the training on the same IVM accredited Training and Certification System. To date they have exposed 350 of their engineers to Value Management awareness courses and trained about 12 staff as facilitators in one of the zones. The programme will extend to all zones.

Another major growth area is in local government and similar public services such as The Health Trusts and Police. Many of these

are using the guidelines in BS EN 12973:2000 to implement Value Management programmes so that they can respond positively to the government's Best Value programme. Hampshire Police, for example, have recently trained 100 personnel from all ranks, including Chief Constables and Police Authority members in the Basic Awareness course. Twelve selected individuals have gone on to be trained as facilitators. They are applying Value Management to such diverse subjects as prisoner handling, building cleaning, crime intelligence and crime reduction. In due course they intend that one or more of their facilitators will qualify as a trainer in Value Management so that they can sustain their Value Management capabilities internally against the inevitable attrition due to churn and other reasons.

## MEASURES

The measures by which we assess the value added by the programme vary. For strategic studies, early in the project life, the measure is seldom purely financial. At this stage, studies are more likely to be about bringing greater clarity and certainty to the project. Our feedback forms or the number of issues that are resolved may provide the measure of success. At later stages in the project the measures become much more tangible and normally come down to improvements in cost, time or net present value.

## CONCLUSION

The procedures described in BS EN 12973 and PD 6663 for implementing Value Management programmes are effective. The programmes are delivering measurable added value for DLE's clients and other national organisations.

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# EVOLVING VALUE MANAGEMENT – WHERE TO NEXT?

**Brian Dawson**

B.A., MSc., ARICS, CVS, FIVMA, MHKIVM  
Managing Director, Value Systems, Sydney, Australia

## Abstract

This paper provides an overview of developments and trends in the application of Value Management. As a practitioner with over 16 years experience in facilitating value management workshops, the author identifies the five most significant changes in the way the methodology has, and is being applied.

As a practicing facilitator, the Author illustrates these changes by describing how he varies his application of the value management methodology to provide project sponsors with greater opportunities to enhance the quality of their end product or their approach to service delivery.

## INTRODUCTION

I would like to share with you how I see Value Management evolving. I facilitated my first VM in March 1984, 16 years ago. Since that time, Value Systems has undertaken 790 workshops. Much has happened to the profession since then. When Value Management arrived in Australia, it was adopted quickly by the construction industry, by private and government clients alike and it focussed on *how* – how can we get better at value for money? – usually by cutting costs, saving time or improving the project. It depended upon there being at least a series of sketches, an outline brief and some costings. Our job was to improve on this by the application of Value Engineering principles. This was successful but *curative* and we practiced this for quite some years. During this time, I felt a nagging discomfort with this model and sought a *preventive* approach. So, *Strategic Value Management*<sup>1</sup> was borne – which looks at the *what*, before looking at the *how*. It is usually applied at a very early stage and it can be used to create a brief<sup>2</sup>.

About this time, Partnering arrived on the scene, from the United States, and the Australian Construction Industry took to it like a duck to water. There are similarities between Value Management and Partnering. Ultimately the purpose of either activity is to improve the quality of the end product by improving the performance of the design and construct team. Both Value Management and Partnering also have in common the *people* component. Each is

workshop-based and depends to a significant extent on the involvement and ownership of team members.

## FIVE CHANGES

The evolution from the early model of Value Management to today's more flexible approach can be illustrated by five main changes.

### Change 1 – From Process to People

This change is perhaps the most significant change, yet it is fair to say that not all current Value Management practitioners are skilled in managing people in a workshop. The *process* is embodied in a Value Management icon – the 'Jobs Plan.' This is a series of five steps identified as far back as 1947 by Larry Miles, generally considered to be the founder of Value Engineering/Management. Although the Job Plan is still relevant, slavishly adhering to it during all Value Management workshops usually indicates that the perpetrator has not moved with the times. Because of the 'process' nature of the job plan, little emphasis was placed on the *human aspects* of the workshop. Indeed, there was little need to do so, as the early field of Value Management had a *technical* bias as opposed to an executive/managerial one. Missing out on the human side meant ignoring the subtleties of communication, group dynamics and attitude.

Times have changed, as have techniques, and there is a greater understanding and

appreciation of human synergistics. Today, the more attuned Value Management Practitioners take a different, more subtle and ultimately more successful path by training for, understanding and practising a *facilitated* approach.

So one level of the evolution of the Value Management process is that of moving from a *process* driven approach to a *people* driven approach.

### **Change 2 – From Curative to Preventative**

Another evolution is the change in emphasis from addressing existing situations, designs or processes to search for *improvement*, to using Value Management as a creative tool to *generate* designs or processes. We are moving from the curative paradigm to the *preventive* paradigm.

We at Value Systems have pioneered Strategic Value Management in response to the realisation that *prevention is better than cure*. The result is that clients now using Strategic Value Management have grown to about 90% of our current workload, from zero some years ago. This was a major shift in the way we do our work, requiring a significant change in attitude and, importantly, a change in the composition of the participants. Typically, the bulk of participants in Strategic Value Management studies represent the client body, with a smaller proportion representing design and/or construction elements. Indeed, a large number of our Strategic Value Management workshops consist entirely of the client body. The outcome of these studies is also quite different; from looking for improvements and better ways of performing/undertaking tasks, to helping to elicit and clarify objectives, needs and priorities.

The second level of evolution of the Value Management process is, therefore, a change from the *curative* to a *preventive* approach.

### **Change 3 – Wider Application of Value Management**

A third change is the wider application of Value Management. We now practise Value Management over a very wide range of

industries and situations. Recent examples include:

- a participatory workshop in which the chief executive of a major Australian construction company, together with his 10 key general managers, created a series of strategic plans.
- a wholly client based workshop, identifying the needs of a museum, so that a generic brief could be prepared based upon the users' needs.
- a problem resolution workshop between the national asphalt industry body and an Australian State roads department.

Another activity which has evolved from Strategic Value Management and which some Value Management practitioners currently practise, is the Partnering process. We see this as an extension of our work, where the 'people' element completely dominates the process. Emphasis on non-confrontation, teamwork, cooperation and establishing joint objectives is the focus of Partnering workshops.

We have recently completed our 100<sup>th</sup> Partnering workshop. We have carried out these workshops in Australia, the UK, Hong Kong, Malaysia and the Philippines.

### **Change 4 – From One Workshop to Several Workshops**

A fourth change in emphasis for Value Management is from a once-only activity (often too late) to an activity which is ongoing throughout the whole concept, design, construct continuum.

The application of the total Value Management process includes several Strategic Value Management studies, commencing at concept stage, which enables the client to agree strategies and directions and to generate a brief. Further studies will enable the client to assess the concept and sketch designs by comparing these with the original objectives and by challenging assumptions. At a later date, a Design Value Management workshop will take place, which will address an outline design and will allow further input of ideas/opportunities to add value. On letting the construction contract, a Partnering workshop will typically be carried out.

Finally, after completion of the project, a Post Construction Critique is a useful tool to ensure that strengths are built upon and weaknesses overcome for the future.

### **Change 5 – From Technical Participants to Executive Participants**

A fifth change in the evolution of Value Management is the *participants*. Whereas in the days of technical emphasis, skilled technicians predominated because the problems were technical, now Value Management addresses a higher order of problems, so participants typically include CEO's, general managers and high level civil servants who represent the highest level of decision making.

This adds weight to the process and helps to ensure that those further down the line also participate.

What it means in practise is that the technical input and approach is not ignored, but is a *part of the whole*. In other words, the Value Management practise has broadened, but has not left behind its technical roots, hence the extended range of Value Management studies now being conducted.

## **SOME EXAMPLES OF RECENT USES OF THE VALUE MANAGEMENT APPROACH**

Following are some examples illustrating evolving uses for the Value Management approach.

### **Issue Resolution - City Link**

I was asked to convene a workshop addressing several pressing issues holding up the progress of the City Link project in Melbourne (the largest project in Melbourne). The five main parties (Contractor, Sub-contractor, Land Owner, Railway Operator, Road Owner/Operator) were brought to the table and, in an objective and "no blame" environment the issues, consequences and alternative solutions were addressed. A wide range of potential solutions was generated, addressed in a structured format and action agreed to create a rational outcome which was acceptable to all.

### **Issue Resolution - The Water Authority versus The Road Authority**

This was a long-standing issue which involved disputation between the Water and Road Authority of who pays when road works necessitate the renewal of a water or sewer piping. The crux of the dispute was that the Road Authority, whilst happy to re-lay and re-build water works, was unwilling to foot the total bill when the new works were clearly an upgrade over the often very old existing works. Again a carefully structured and non-confrontational environment was created within which the parties thrashed out the issue. A draft Memorandum of Understanding was initiated outlining agreed definitions and actions.

### **Partnering**

Partnering – and its cousin – Strategic Alliancing is well established in Australia and the UK. Partnering is generally *project specific*, i.e. the client, contractor, sub-contractors and consultants create a Charter of their key objectives. They make a commitment to, and measure monthly the Charter. By this means, communication is enhanced and personal relationships are developed.

Strategic Alliance is a long-term strategy between a client and a construction company designed to continue over many years and numbers of projects.

Examples abound, but one particularly interesting innovation that I have undertaken on a number of occasions, particularly for Leighton in Hong Kong, is the combining of a Value Management workshop with a Partnering workshop (usually on a design and build project) which has the dual benefit of cost reduction without loss of function and improved working relations. Projects in which this approach has been used include Chek Lap Kok Airport, major pipelines in Hong Kong for the WSD and a goldmine in the Philippines.

### **Internal Partnering**

This was between the Project Management Services and the Development Services Department of a major government department. Due to rationalisation of the organisation, a new model was produced by the Executive Board



which entailed very close cooperation between the two departments. The workshop was conducted in much the same way as a normal partnering workshop between say, contractor, consultant and client. A charter was agreed and a means of measuring it. Issue resolution was discussed and lines of communication clarified. Finally, outstanding issues were addressed and actioned.

### Options Analysis

This is commonly used for a wide variety of applications. A recent example is a study of the best solution to a new electricity mains within the City of Sydney. A range of options was available including dig and cover, tunnelling and directional drilling. By examining and agreeing key criteria and weighing these, then testing each solution against the criteria, a potential best solution was identified. This is widely used in New South Wales for identifying the best road routes.

### Strategic Planning

A number of organisations have used the facilitation process to agree on a strategic plan. Using a SWOT analysis and an agreed mission statement/set of objectives as a starting point, the aim is to agree on key actions to achieve the required results.

A key factor, in which this approach differs from the conventional approach, is that the proceedings, outcome and actions are all *generated and owned by the participants*. Examples have included Aged Care Homes, Professional Bodies, Construction Companies and Charitable Organisations.

## CONCLUSION

The thread running through all of these activities is *participation*. The whole Value Management process, and its offshoots, is a people-oriented activity enabling stakeholders to contribute in a non-confronting, positive, non-threatening, non-defensive mode to achieve a 'win-win' outcome.

The original goal espoused by Larry Miles is unchanged – that of improving value for the client. What has changed, is the focus from analysis of physical, tangible 'objects' to a less tangible, but just as significant focus on commitment, participation, ownership and partnership.

The future for Value Management I see as further developing the *people* philosophy, the winning of minds, the constructive attitudinal shift to working together. Indeed, I would not be surprised to see yet another name change, another evolution. Perhaps Value Management of the future will be called 'Participatory Management'.

## REFERENCES

- Dawson, D. (1992), The Next Step – Strategic Value Management, presented at Institute of Value Management, Australia.
- Dawson, D. (1997), Brief Creation Using Value Management, presented at Hong Kong Institute of Value Management, Hong Kong.



## Value Management Institute of Taiwan (VMIT) Held its First Conference

**Jeffery Chang**

President of VMIT

**C. Y. Lo, Professor**

Chief of Academic Committee of VMIT

On December 22, 2001, Value Management Institute of Taiwan (VMIT) in National Taipei University of Technology (NTUT) held the first conference. A lot of participants from various fields enthusiastically attended the events. The chairman is Jeffery C. I. Chang of VMIT; The keynote speeches were delivered by Ling-San Lin, The minister of the Ministry of Transportation and Communications, Dr. Frank Tien-Jin Chang, President of NTUT, and Dr. Ching-Piao Fu, Chairman of Atomic Energy Council of The Executive Yuan. There were many congratulatory letters from partners of VMIT around the world including, Laurel M. Dennis, CVS President of SAVE International, Matthew B Locke, Chairman of Institute of Value Management, Martyn Phillips, Director of The Team Focus Group, Nobuo Tateisi, President of Society Japanese of Value Engineering (SJVE), Dr. Pavol Molnar, President of Slovak Association for Value Engineering, Mr. Chan Gee Park, Senior Manager of SamSung Electronics Co. Ltd., Mrs. Ginger R. Adams, SAVE International Executive Vice President, and Joseph F. Otero, Value Methodology Integration Leader Pratt & Whitney.

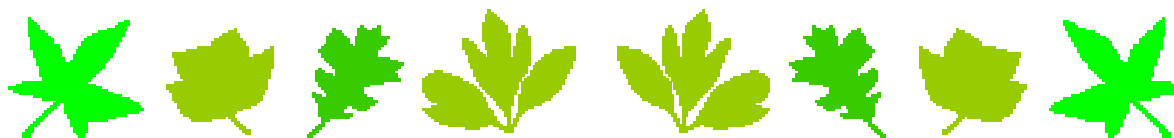
All the members of VMIT were happy to anticipate the successful great future of Value Management frontiers in Taiwan. Two important activities of the Conference were:

First, Academic Seminar: included four subjects: New trends of Value Management, Methodology of Value Management, Applied Cases of Value Engineering in enterprises, and

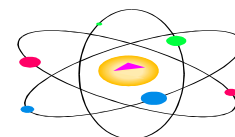
Training & Education of Value Management. Twenty-nine papers were presented and focused on learning creative skills in live on how to perform these skills to precede value creation, and on using the least resources to gain utmost value. There objectives that needs efforts from everybody. No matter coming from global, nations, governments, societies, enterprises, organizations, or personal are welcomed. Any viewpoint or thinking can be presented through this activity to create human happiness.

Second, trends of core value forum: Pao-Cheng Chang, Dr. President of China Productivity Center, CPC was invited to preside the forum. C. Y. Lo, Chief of Academic Committee of VMIT, Professor of NTUT, introduced the focus themes – Core Value and Best Practice. The subjects were (1) Customer Value Concept Analysis – Concept for benefits/costs. (2) Knowledge Economic Method Analysis – Skill for effective/efficiency. (3) Creative Value Method Practice – New market, product, technology. (4) Engineer and Product Design of Value – Value planning, QFD, Concurrent Engineering. and (5) Value innovation and Measurement – Value Proposition, Implementation, Measurement.

The contents of this Conference, Academic Seminar & forum were provided to government, industries, enterprises, and companies are references of promoting knowledge economic scheme. Meanwhile, they provided applied knowledge to people who are willing to further study on Value Management.



## HKIVM NEWS



- ♣ 5 February 2002, The Hong Kong Institute of Value Management invited Professor Mike Anson, member of the Construction Industry Review Committee in Hong Kong to give a presentation entitled "The Thinking Behind the Construction Industry Review Committee's Report". The presentation was held in the Hong Kong Club and was very well received by around 50 members and invited guests.

## FORTHCOMING EVENTS

- ♣ 27 March 2002, HKIVM will organise its 39th luncheon meeting in the Fraser Room of the Hong Kong Club, 1 Jackson Road, Central, Hong Kong, starting from 12:00 noon. Mr. Sebastian Law of L&O Architects will present "Integer Pavilion / 40 storey generic tower".
- ♣ 5-8 May 2002, the 42nd Annual SAVE International Conference "Engineer Change to Elevate Value" Denver, Colorado. For further information, please visit <http://www.value-eng.org/conference/conference.htm>
- ♣ 29-30 August 2002, a Value Management Conference will be held in Hobart Tasmania, Australia. The theme is "Balancing THE SCORECARD - Putting the Focus on People Values in Decision Making". For more information on the conference, please visit the following web site: <http://www.value-management.com.au/2002Hobart/conference.html>

## PROFILE OF YOUR COUNCILLORS

### David Kai Cheung Yau

Assistant General Manager, Project Management Department,  
Henderson Real Estate Agency Limited

Married with two children. Grew up in North Yorkshire and introduces himself as a Chinese Yorkshireman. Graduated with degrees in engineering from the Universities of Leicester and Leeds respectively. David is a chartered civil engineer with extensive experience in the Civil Engineering field.

Worked for a civil engineering consultant in UK for 7 years after graduation on the North Devon Link, two North Circular Road Improvements, two A417 Trunk Road Improvements, M20 Motorway Widening, and as a Project Manager for the Black Country Development Corporation before returning to Hong Kong in 1993.

In HK, he worked for Maunsell on several highway and railway schemes before moving on to Hong Kong Ferry as their Civil Engineering Manager. At HKF, he managed their Civil Engineering Department to provide maintenance services to the pier facilities, consultancy services to subsidiaries

and outside bodies, as well as project management services for property development. Currently, he is also a Director at The Hong Kong Shipyard Limited. He joined Henderson in 1999 as an Assistant General Manager in the Project Management Department.

His training in Value Management started with SAVE Module I Workshop under Roger Land in 1994. Since 1998, he has facilitated over 15 workshops for the Henderson Group.



## Application for Membership of the Hong Kong Institute of Value Management

If you are interested in knowing or joining the HKIVM, please download the membership application form from the Institute's website <http://www.hkivm.com.hk>. Alternatively, please fill in the reply slip below and return it to the membership secretary of HKIVM, Dr. Frederik Pretorius, c/o Department of Real Estate and Construction, The University of Hong Kong, Pokfulam Rd., Hong Kong. Tel: 2859 2128, Fax: 2559 9457.

### Membership requirements are as follows:

#### *Member (MHKIVM)*

This classification is available to individuals who can demonstrate an acceptable level of knowledge and experience in the field of Value Management. For admission, details on the Application Form are to be completed and copy of CV outlining professional employment, experiences and value management background enclosed. **Value Management Background** incorporating details of VM training and courses in VM process, application and techniques, number of studies, types of studies, role in process, days and dates should be stated clearly in the CV.

#### *Associate Member*

The Associate Member classification is available to any individual who can demonstrate interest in the objectives of HKIVM, but may not have had sufficient Value Management experience to qualify as a Member.

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Please send an application form for membership to the undersigned:

Full Name:	Company:
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Address:	
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