



# THE VALUE MANAGER

The Hong Kong Institute of Value Management



Volume 2, Number 3 and 4, 1996

## Message from the President

**Tony Toy, President of HKIVM**

As the year draws to an end it is a time to both reflect on achievements and plan for future endeavours. HKIVM's Achievements for 1996 has seen a growth of membership from the 11 original members to 47 full members and 4 Associate members including 6 overseas members. We have had around 10 gatherings with predominantly overseas guests speakers. We initiated a newsletter as well as successfully organized our first international conference. None of this could have been achieved without the commitment of the Executive Committee as well as the active support and participation of the members. On behalf of the HKIVM and myself I not only wish to thank Malcolm Pearson, Ric Grosvenor, Patrick Fong, Geoffrey Shen, Colin Jesse and Doug Wardale for their selfless dedication & support, but to also formally convey our most sincere appreciation for their efforts. I would also like to take the opportunity to convey our appreciations to four silent but essential partners of the executive team, without whom most of the HKIVM business would simply have stalled. They are Joys, Helen, Alice and Lily; Secretaries to Ric, Colin, Malcolm and myself respectively. Many, many thanks.

As for the future I have just taking up Golf as part of my therapy and now understand what they mean when they say to really appreciate your job you must take up a hobby that really challenges you. Now that I have learnt that skill and consistency are the keys to success in Golf, my consistent missing of the ball can only be viewed (considering the sizeable investment in both time and money) from the paradigm that it is at least half way to success. What I should have done was to consult someone qualified to advise before committing to this undertaking. There is a lesson here somewhere.

Speaking of qualifications, it is time the HKIVM review one of its objectives which is to ensure the competency of facilitations. Thus far, the membership is in the main those who wish to foster VM in Hong Kong. With the global market becoming a reality and the focus of the World Trade Organization, APEC and ASEAN on open trade in services, as well as the issue of accreditation of professional qualifications associated with the eminent transfer of Sovereignty for Hong Kong, it is imperative for the HKIVM to be able to position itself to ensure and assure professional competency for VM issues, in particular that of practising facilitators/practitioners in Hong Kong.

As an essential part of this development, the committee is now considering to create a new class of membership in 1997 to give due recognition of the professional facilitators/practitioners. This is an important initiative for the HKIVM as it embarks on a truly professional footing to offer accreditation of facilitation credentials similar to either SAVE's Certified Value Statue or the Australian IVM's Practitioner status. In this context I am reminded that the

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trouble with being best man at a wedding is that you get no chance to prove it. I think in the future the HKIVM will need to earn the creditability of ensuring that their best men are really what they say they are.

I look forward to seeing all of you at our first AGM on 5th December 1996 where hopefully the above proposal will either be discussed or put to the vote; and as this will be the last newsletter for 1996, may I also take this early opportunity to wish you all a Merry Christmas and a prosperous and value added New Year.

**EDITORIAL:** As you can see it yourself that this issue is a special Christmas gift which combined two issues together. I would like to take this opportunity to wish everybody a Merry Christmas and a Happy and Productive New Year. I am also very pleased to inform you that our Membership Secretary, Mr. Patrick Fong will get married on 7 Dec. 1996. On behalf of the HKIVM, I wish to give him the warmest wishes for his wedding and marriage. With the support of his wife, Liza, Patrick will be able to do twice as much as he could now for the Institute.

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**VM IN CONSTRUCTION IN HONG  
KONG:  
CURRENT STATE AND FUTURE  
CHALLENGES**

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**ABSTRACT:** *This paper describes the preliminary outcomes of a current Hong Kong Poly University - funded research project entitled "Applications of Value Management in the Construction Industry in Hong Kong". A recent survey of senior personnel of property developers, architects, engineers, surveyors, general contractors and engineering contractors solicited views on the current state of the applications of value management in construction in Hong Kong. From the survey results, it is revealed that only a handful of contractors, developers and consultants have participated in value management studies. On the other hand, many of the respondents have "some" or "comprehensive" knowledge on the concept of value management. The major reasons that the respondents cited for the low level of applications*

This is found to be the most difficult part as most respondents who chose to answer the questionnaire may not want to be interviewed. In the questionnaire, there is a question asking whether they would like to be interviewed. 14 out of 75 respondents are willing to provide further information by follow-up interviews or case studies.

From the questionnaire findings, a general picture about the application of value management in the construction industry in Hong Kong is drawn. However, in order to have a thorough understanding about its application and how it is/was applied in projects, interviews will be arranged to try to iron out any missing links. During interviews, firms will be asked whether they would like to provide case studies for this research.

#### 4. Preparation of Training Materials

Information obtained from all previous phases will be used for the preparation of training materials for the Value Management module of the MSc programme in the Department of Building & Real Estate of the Hong Kong Polytechnic University. Survey findings will be disseminated to construction professionals locally and internationally through conferences, seminars or journal papers.

### PRELIMINARY FINDINGS OF THE SURVEY

#### Questionnaire Survey

Of the 796 copies of questionnaire sent out, 75 were returned on or before the closing date, which represented a return rate of 9.4%. They consist of 42 contractors, 7 developers, 19 consultants and 7 respondents who did not identify themselves. Although a number of completed questionnaires were received after the closing date, they were not included in the analysis below due to time constraint. The authors observed that the following reasons may explain the low response rate to the survey:

- firms who have not heard/applied VM before do not bother to return the questionnaires;
- firms are afraid that by identifying themselves lack of knowledge or application in VM make them feel vulnerable or out-fashioned;
- firms are afraid to answer such a lengthy questionnaire.

As stated by Grosvenor (1993), value management in Hong Kong is still in its infancy stage. However its potential benefits to clients, especially commercial clients are increasingly noticed.

#### Ranking of Project Objectives

Before questions about value management were asked, a number of questions were designed to collect opinions about the local construction industry which would be useful to relate the current state of acceptance / application of value management in the construction industry in Hong Kong.

One of the questions asked in the questionnaire was a comparison of the importance of three project objectives i.e. time, cost, and quality. 70 respondents give their views on the priority of these objectives. Table 1 shows the results of the responses. In order to arrive at an overall score for each objective, a weighting of 3, 2, or 1 was used as a multiplier for the number of responses giving 1st, 2nd and 3rd priority. For example, the overall score for Time is calculated as follows:  $T_{\text{overall score}} = 20 \times 3 + 25 \times 2 + 25 \times 1 = 135$ . It is interesting to see that although time is often considered to be a very important project objective in Hong Kong, it achieved the lowest overall score, i.e. the least important. Cost is being considered as the most important objective among these three interrelated items. It must be stressed that this ranking only provides a generalized picture of the situation. Actual importance will very much depend on individual merit.

	<i>1st Priority</i>	<i>2nd Priority</i>	<i>3rd Priority</i>	<i>Overall Score</i>	<i>Ranking</i>
Time	20	25	25	135	<b>3</b>
Cost	32	22	16	156	<b>1</b>
Quality	24	28	18	146	<b>2</b>

Table 1 Ranking of Project Objectives

The Society of American Value Engineers (SAVE, 1995) gives the following official definition for Value Engineering.

Value Engineering (synonymous with the terms Value Management and Value analysis) is a function-oriented, systematic team approach to provide value in a product, system or service. Often, this improvement is focused on **cost reduction**, however, other improvements such as **customer-perceived quality** and **performance (time)**<sup>1</sup> are also paramount in the value equation.

<sup>1</sup> The word in bracket is added by the authors.

To a certain extent, value management is employed heavily for cost reduction purpose. However, its application must not be limited to that as we can see from the SAVE definition that it can also improve customer-perceived quality and performance. Performance can be interpreted as "increase profit margin", "save time", "increase market share", "improve resource efficiency", etc.

**Issues Relating to the Acceptance/Application of Value Management**

Several important questions relating to the design and construction process were asked. The major findings are tabulated in table 2. In addition, the impacts of these factors on value management applications are explained.

<i>Situations</i>	<i>% of "Agree" and "Strongly Agree"</i>	<i>Effects on Value Management Applications</i>
I would like to see clients to have greater involvement in their projects.	67%	Value management requires active participation of clients in projects so that clients' <i>needs</i> (not wants) can be formulated.
Clients should provide adequate design brief.	81%	During the value management workshops, clients' requirements are examined in full so that all possible solutions are considered thoroughly.
Clients always impose a certain degree of control on the design work.	64%	This will become an impediment to the value management process as it limits the creative element in the design. This is termed as design fixation.
Clients give sufficient time for design and preparation work.	24%	Without allowing sufficient time for value management during the design and/or construction stages will impede the potential application of value management.
Clients are satisfied with the current cost control consultancy services offered.	32%	The search for value is a role ideally suited to cost consultants in satisfying clients' requirements and offers them a much better image that being merely "cost cutters".
I can see a creative element in the design work of projects.	56%	Creativity is an essential ingredient in value management. By having multi-disciplinary team approach, it tries to break away from the usual habitual thinking pattern.
I would like to see end users to have greater involvement in the project.	59%	As the end users know best what are critical in the finished buildings that can be easily overlooked by the design team.
Contractors should have greater participation at the design stage.	59%	Contractors, being experts in buildability or constructability, can offer great contribution to building designs.

Table 2 Current Situations in the Hong Kong Construction Industry and Their effects on VM.

**Contract Procurement Systems**

It can be seen that respondents are now shifting their selection of procurement system from Traditional Contracting to Construction Management or Management Contracting. Figure 1 highlights respondents feel more satisfied with the latter two procurement systems. In fact, all procurement systems encourage the adoption of value management; no matter whether it is designer-led or contractor-led. One of the most important ingredients in a successful value management study is to allow contractor's input in terms of buildability or constructability to be included.

Since Design and Build and Build, Operate and Transfer are still new comers in Hong Kong, their full acceptance/application is waited to be seen.

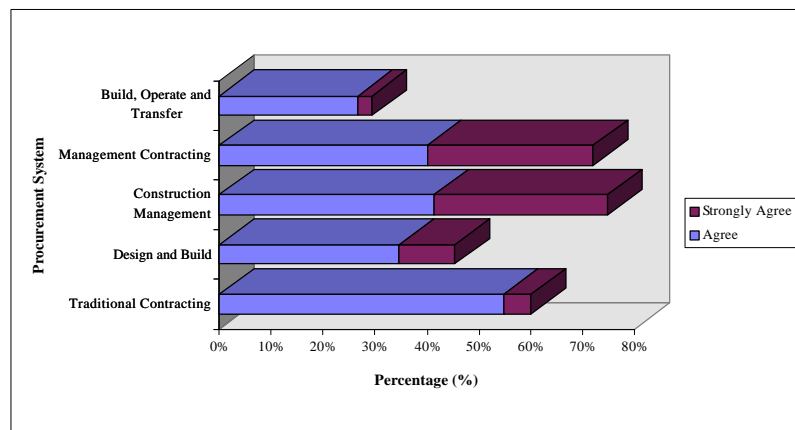


Figure 1 Levels of Satisfaction Among Various Procurement Methods.

*To be continued in the next issue of Value Manager*

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# THE ROLE OF VM IN THE STRATEGIC DEVELOPMENT AND MANAGEMENT OF INFRASTRUCTURE IN AUSTRALASIA & SOUTH EAST ASIA

**Professor Roy Barton, MSc Dip Ed FIVMA MAIB MCIQB**

*Director, National Centre for Value Management, University of Canberra, and Administrative Services Department Adjunct Professor of Asset Management, Queensland University of Technology, Australia*

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*Curriculum Consultant and Program Manager  
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*Continued from Vol. 2, No. 2, 1996*

## ***Problem Situations***

Projects may involve problems or problem situations that are best resolved using a wide stakeholder representation. Such problems may be common, recurring and difficult to resolve without the benefit of stakeholder involvement.

## ***Project Acceleration***

VM studies can be used to accelerate projects. By bringing together a range of people involved in the project delivery process, a high level of consensus can be achieved in a short space of time. Where for example the study is conducted at the project briefing stage, the time can be reduced as a result of stakeholder involvement and the understanding of the project gained during the study. VM can shorten the critical path of the project delivery process.

## ***Audit Purposes***

VM studies can be used to audit capital works procurement programs. They can also be utilised to achieve continuous improvement of standard products, or used to rigorously check a project. VM is used in this way to ensure that value for money is being achieved through the Client's Capital Works program.

## ***Interfacing Problems***

Where such problems exist, VM may be used to find solutions which may be either temporary or permanent. Examples include the need to develop a high degree of understanding between departments jointly involved in a project, or the need to find a bridging solution to a new or existing problem.

## ***State Projects***

Where, for example, the general public has a significant level of interest in a project, and issues

such as cultural value are involved, VM studies may be used as a means of addressing the complex issues in a formal manner, and for validating the project.

## ***High Cost Projects***

The estimated cost of a project alone may be sufficient grounds for initiating a study. Many State governments within Australia now prescribe a project cost threshold, above which, formula VM studies must be undertaken. In New South Wales, that figure is AUS \$5,000,000.

## ***Project Briefs***

A VM study may be initiated for the purpose of developing the project brief. When conducted at an early stage in a project life cycle, maximum opportunity for value improvement is available. An added advantage is that the client, end user, designer and other key stakeholders are present, participating in a facilitated problem-solving exercise, sharing knowledge and understanding.

## ***Innovative Projects***

Projects which involve new ideas or new ways of doing things may be subjected to a VM study in order to develop and compare options. For example developing an environmentally friendly Olympic Games Village.

## **PROMOTION**

Apart from an advocate championing the cause of VM within an agency, it is of direct benefit to actively support this initiative through active promotion. This may take several forms from simple brochures outlining in general form, the purpose, format, and outcomes of VM.

The preparation of more detailed guidelines which include agency specific policy and procedure is also an effective means of promoting VM.

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Well prepared presentations to groups of staff are valuable especially when followed-up by more extensive workshop sessions.

### **THE FUTURE**

Through a program of Action Research, the National Centre for VM continues a process of ongoing improvement, seeking more effective ways of doing things, and promoting VM to the many organisations who have not yet fully integrated the tool into their management processes.

The challenges for providers of public sector infrastructure projects will be to continue the quest for more innovative solutions to complex problems under

the constraints of stringent environmental standards, tighter fiscal controls, minimum risk exposure and a more critical community.

Services may have to be offered using facilities which integrate the delivery of services from a number of sectors.

Agencies will benefit from their capacity to conduct studies using their own facilitators, involving consultants on the more sensitive cases. They will need to maintain an education and training program to ensure participants are able to contribute to maximum benefit and to ensure that managers are confident of initiating a study to achieve maximum benefit.

## **Speech by the Secretary for Works Mr. H S Kwong, JP at the HKIA General Meeting on 1 Oct. 1996**

*With kind permission from Mr. H S Kwong, a relevant part of his speech is published as follows:*

..."The fifth issue I wish to address is a new area of development in project planning which has been introduced to Hong Kong in recent years - **Value Management**. Value Management is about clarifying and satisfying customer needs, which may include the needs of the client, end-users, stakeholders or the wider community. It is about creating





**ADVANCE NOTICE**

**HONG KONG INSTITUTE OF VALUE MANAGEMENT**

**VALUE MANAGEMENT WORKSHOP**

on

**Saturday 7 or 14 December 1996**

Dr David Stevens will be conducting a value management workshop for the HKIVM on either the 7th or the 14th December, 1996 (*date to be confirmed*).

The Institute is at an important point in its history. It has begun to raise awareness as to the relevance of Value Management in Hong Kong and wishes to encourage its use. It is looking to develop a strategy to do so, articulating its standards and code of conduct and has determined that using the tools of value management would be an appropriate way of doing so.

Dr Stevens is generally regarded as one of Australia's most experienced and successful facilitators in group problem solving sessions. He has conducted over 500 workshops worldwide in value management, partnering, risk and asset management and participatory strategic planning. His value management workshops have identified billions of dollars of savings.

Workshops led by David Stevens tend to be extremely dynamic, humorous and highly productive.

If you are interesting in attending and would like further details, please contact **Lindsay Pickles**.

(Tel: 2317 5911, fax: 2317 5901, e-mail: [lindsay@crow.maunsell.com.hk](mailto:lindsay@crow.maunsell.com.hk))

We look forward to your participation.

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## **CORRESPONDENCE**

On 30 July 1996, Mr. Donald Hannan,, President Pro-tern of the World Federation of Value Societies, Chairman of International Committee of Australian Institute of Value Management, sent a letter to our Conference Director Mr. Doug Wardale. He wrote:

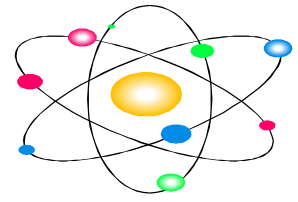
"It was indeed a pleasure meeting with you, the Executive and Members of HKIVM and your conference co-sponsors, the Architectural Services Department during my visit to Hong Kong for your Inaugural International conference in May of this year".

"Please allow me to take this opportunity to express my sincere thanks for allowing me to take part in your conference and the Value Management Workshops conducted in conjunction with your conference. Suffice it to say, the experience was most pleasing and I look forward to being invited to share in a similar experience with you at your second conference in 1997".

"Regarding any improvements for your next conference, please accept the old axiom, 'if it is not broken do not try to

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"I send you all my best regards and look forward to meeting you in the not too distant future". *Donald*



## HKIVM NEWS

- ❖ On Wednesday 18 September 1996, a lunch meeting combined with a site visit to the new extension of the prestigious Convention and Exhibition Centre was organised by our Programme Director Mr. Colin Jesse. The guest speaker was Mr. Neils Kraunsoe who gave a brief introduction to the HK\$4.8 billion extension project and led the attendants to have a close look of the project. Mr. Kraunsoe is Chief Executive of the Hong Kong Convention and Exhibition Centre. The talk and visit have been well received by some 30 HKIVM members.
- ❖ 14-18 October 1996, The HKIVM has successfully organised the first part of a Graduate Certificate course in Strategic Asset Management (for Value Management Facilitators) jointly with the Construction Industry Training Authority (CITA), the University of Canberra and The Australian Centre for Value Management. The course has been developed to meet the specific needs of the manager who wishes to incorporate VM into his/her organisation or who wishes to facilitate VM studies. It was delivered by Professor Roy Barton and Mr John Knott of University of Canberra at the Aberdeen estates of CITA. The second part of the course will be conducted between 2-6 December 1996.
- ❖ At the executive committee meeting on 1 November 1996, Ms. Lindsay Pickles has been appointed as the Technical Director of the HKIVM. Please join us in congratulating her on her new responsibilities.

## FORTHCOMING EVENTS



- ◆ 4th December 1996, the HKIVM and CITA will jointly organise a half-day seminar on Value Management. Professor Roy Barton, President of Australian Institute of Value Management and Mr. Malcolm Pearson and Mr. Ric Grosvenor, Executive Members of the HKIVM will speak at the seminar.
- ◆ 5th December 1996, 12:00pm, The first HKIVM Annual General Meeting and the Christmas lunch meeting will be held in the Gun Room of the Royal Hong Kong Yacht Club. As a token of our gratitude for your continuous support over the past year and in celebration of our successful first year, drinks will be offered free of charge to attending members. All members and interested persons are welcome to attend meeting.
- ◆ 7th or 14th December 1996, a workshop will be organised by the HKIVM to work out how HKIVM should promote VM in Hong Kong and what actions should be taken. The workshop will be facilitated by Dr. David Stevens. Details can be obtained from Ms. Lindsay Pickles at Tel: 23175911, Fax: 23175901.
- ◆ January 1997, a lunch meeting will be organised by HKIVM. Further details can be obtained from Mr. Malcolm Pearson at Tel: 23175911, Fax: 23175901.
- ◆ 4-7 May 1997, The Society of American Value Engineers (SAVE) 37th Annual International Conference, Red Lion Hotel - Seatac, Seattle, WA, USA. SAVE invites VM experts, practitioners and other professionals from all sectors of industry and government to submit proposals for presentations of technical papers. For further information, please contact SAVE International, 60 Revere Drive, Suite 500, Northbrook, IL 60062 USA, Tel: (847)480-1730, Fax: (847) 480-9282, E-Mail: 75321.223@compuserve.com.

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- ◆ November 1997, Second International VM Conference to be organised by HKIVM. The theme will be "Effective Management of Change through Value Management". Members who are interested in organising and participating this conference are encouraged to contact the Conference Director.



## CALL FOR ARTICLES

VALUE MANAGER intends to provide a lively forum and means of communications for HKIVM members and those who are interested in VM. To achieve this objective, we need your strong support. The following are some notes for contributors:

(1) Articles submitted to HKIVM should fall in one of the following categories: New VA/VE/VM techniques or methodologies, Review of conference VM papers, VM case studies, VM research trends and directions, Reports of innovative practice.

(2) Papers or letters should be submitted on a 3.5" or 5.25" disc for IBM PC and A4 hard copy. Discs will be returned to authors after editing. Figures, if any, should be sent separately, in their original and preferred sizes. The length of each paper should be around 1000-1500 words.

(3) The preferred software for processing your article is MS Word for Windows V6, other packages such as Wordperfect 5.1 are also acceptable. If none of the above word processing packages is available, please find a computer with scanning capabilities, the typewritten copy can be transferred to a file as specified.

(4) All articles and correspondences should be sent directly to The Editor of HKIVM, Dr Geoffrey Shen, Department of Building and Real Estate, The Hong Kong Polytechnic University, Hung Hom, Kowloon. Tel: 2766 5817, Fax: 2764 5131.

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

If you are interested in knowing or joining the HKIVM, please fill in the reply slip below and return it to the membership secretary of HKIVM, Mr Patrick Fong, c/o Department of Building and Real Estate, Hong Kong Polytechnic University, Hung Hom, Kowloon, Hong Kong. Fax: 2764 5131.

————— Cut Here —————

Please send an application form for membership to the undersigned:

Full Name: \_\_\_\_\_

Company: \_\_\_\_\_

Address: \_\_\_\_\_

\_\_\_\_\_

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\_\_\_\_\_

Position: \_\_\_\_\_

Tel: \_\_\_\_\_

Fax: \_\_\_\_\_

Signature: \_\_\_\_\_