

# **CREATIVE AND INNOVATIVE SOLUTION THROUGH VALUE MANAGEMENT IN MALAYSIAN CONSTRUCTION INDUSTRY : CASE STUDY IN KUALA LUMPUR INTERNATIONAL AIRPORT (KLIA)**

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## **Abstract**

This paper is an initiatives to develop better understanding of the Value Management practices in the Malaysian construction industry. Finding the important of Value Management practices could assist Malaysian construction practitioners to improve their value management practices. Unlike the manufacturing industry, the application of Value Management practices in the construction industry are still at the infancy level. The construction business model is very different compared to manufacturing business model. Construction firms do not design the value chain where product and process development takes place. In the construction industry, the product life cycle is divided into three major parts which include design stage, construction stage and maintainance stage and each stage involves different parties which hinders information flow along the value chain. This research is aiming to evaluated the capability of Value Management application as a creative and innovative solution in view of the above issues in local construction industry based on two mega projects in Malaysia which include the Kuala Lumpur International Airport and Low Cost Carrier Terminal (LCCT).

## **Keywords :**

value management, construction industry

## **1.0 Introduction**

Construction industry is commonly considered as one of the largest industries in both developed and developing countries in terms of investment, employment and contribution to Gross Domestic Product (GDP). The Malaysian also construction industry plays an important role in enhancing the economic performance and the national welfare of a country by transforming various resources to construct economic and social facilities (Bashir, 2000). It contributes an average of 5%–9% of the gross domestic product (GDP) of developing countries (Abu Bakar, 2002). Malaysia is now on the verge of implementing the 10th Malaysia Plan (10<sup>th</sup> MP) that will set the stage for a major national structural transformation, towards that of a High-Income Economy. The High-Income Economy will hinge on higher productivity and the engagement of the private sector participation, which will be the primary driver of growth and innovation. The Plan which covers the period from 2011 to 2015 will potentially have high impact on the Malaysian Construction Sector where it is expected the Construction Sector will grow at 3.7% per annum as compared to 6% per annum GDP growth for the country.

However, the construction industry also face a lot of issues. For example, the construction industry in most countries is an area that has experienced an unstable productivity in the past decade (Dainty et al 2001, Love et al 2004, Persson and Solberg 1994). Due to these issues, construction industry

therefore, has great potential for improvement (Vordijk et al 2000). One of the main area that open for improvement in the construction industry is related to the application of Value Management (VM) in the construction industry. VM is a great opportunity for the construction industry primarily to reduce costs and time, thus improving the industry productivity.

## **2.0 Value Management**

VM is an emerging paradigm that focuses on continuously increasing the value provided to the client, widely developed and accepted as an important tool in recent management of construction projects (Wood et al., 2005). VM approach focuses on value rather than cost and seeks to achieved an optimal balance between time, cost and quality (Male et al., 2004). According to Kelly and Male, (1991), VM also provides a method of integration in the building process that no other management structure in construction can provide. The fundamental contribution of VM is its ability to eliminate the unnecessary costs which do not contribute to the project's value, system and facilities.

## **3.0 Value Management In Malaysian Construction Industry**

The construction industry is an important field for VM (Kelly and Male et al., 2004). It is considered as critical to the success of projects due to its ability to provided a basis for improving value for money in construction industry (Ashworth and Hogg, 2000). To enhance efficiency and to deliver maximum benefits in the Malaysian construction industry, there is a need for VM application (Jaapar, 2006). Unfortunately, VM has not yet become widely practiced in Malaysia (Jaapar and Torrance, 2005).

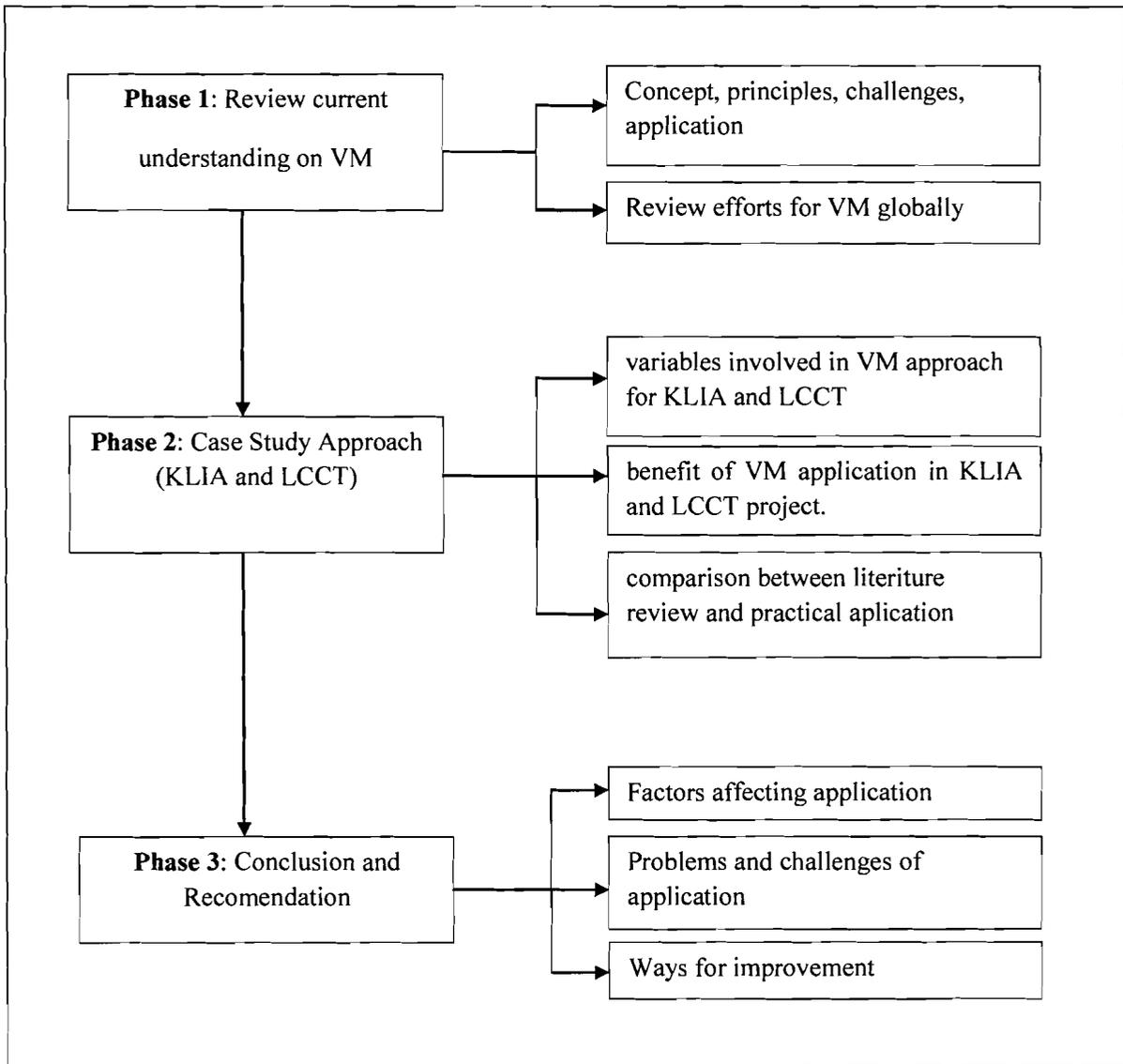
It was observed that due to some successful applications of VM in the Malaysian construction industry, further actions should now be taken to exert its full potential to improve value for money for the clients of the industry. Tan (2005) advocates that VM for the Malaysian construction industry as one of the foremost and modern project management tools and techniques. According to Ong (2004), VM also offers potential financial savings averaging around ten percent.

## **4.0 Objectives of the Research**

1. To identify variables involved in VM approach and how this variables affecting the VM application as a creative and innovative solution based on the Kuala Lumpur International Airport (KLIA) and Low Cost Carrier Terminal (LCCT) experienced .
2. To identify benefit of VM application in KLIA and LCCT project.
3. To make comparison between literature review and practical application on VM concept on KLIA and LCCT project.
4. To identify area for further study on VM approach in Malaysian construction industry

## **5.0 Research Methodology**

This research is based on case study approach. Two projects were selected which include KLIA and LCCT. Although case study methods remain a controversial approach to data collection, they are widely recognised in many social science studies especially when in-depth explanations of a social behaviour are sought after. Through case study methods, a researcher is able to go beyond the quantitative statistical results and understand the behavioural conditions through the actor's perspective. Case study method enables a researcher to closely examine the data within a specific context. In most cases, a case study method selects a small geographical area or a very limited number of individuals as the subjects of study. Case studies, in their true essence, explore and investigate contemporary real-life phenomenon through detailed contextual analysis of a limited number of events or conditions, and their relationships.



**Figure 3 : The Research Map**