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The Value Manager, The Official Publication Of The Hong Kong Institute of Value Management

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Editorial:

Constant Innovation and Value Creation through Value Management

In the contemporary business world, where continuous change and constant innovation is the key to competitiveness, companies must meet customers' increasing expectation and demand for new products, new ways of providing services, and new solutions. In his paper, Dirk Maramaldo tries to answer the question "how to provide a continuing change process that will lead to constant function innovation?" In his opinion, this is achieved through a new professional behaviour, where all reasoning is directed to maintain an attitude of constant perception for opportunities for discoveries and innovative ideas, and their implementation.

Vaughan Coffey relates organizational effectiveness to the organizational culture of Hong Kong construction firms involved in public housing. In his paper, organizational effectiveness is measured by the Housing Department Performance Assessment Scoring System (PASS) and organizational culture traits and strengths have been measured by using the Denison Organizational Culture Survey (OCS). The PASS scores of building contractors are compared with the OCS scores to determine if there is any significant correlation between highly effective companies and particular organizational strengths and traits. Profiles are then drawn using the Denison Model and can be compared against 'norms' for the industry sector on which the survey has been carried out. It is proposed that certain value management techniques may well prove very useful.

Value creation is the main objective of value management studies. To position value creation in a wider body of knowledge we must see the global economy in terms of a collection of functions being performed to achieve the purpose of a manmade economic system. In his paper, Roy Woodhead shares his observation of the "Value Creation" conference organised by AFAV, the French VM Association, in Paris on November 7th. As put by Roy, "the Value Creation conference produced real value for me in the form of knowledge and understanding."

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MESSAGE FROM THE PRESIDENT

Tony Wilson
President of HKIVM

Time passes so quickly if you are busy, however some of us may be less occupied due to the current economic situation. Factors beyond our control may require an evaluation of where we are now, where we would like to be and where we might have to be in future. This in turn may require a change of lifestyle, a change of employment, a change of country or a combination them all. When forced into difficult situations we are often required to make complicated decisions in a very short time frame and there is plenty of room for error.

To reduce risk and help prioritise the way forward Value Management techniques can help by sorting out the needs from the wants. Assumptions can be written down and “givens”, the things that cannot change, can be firmly established. With this information an analysis will allow you to move forward to creatively consider scenarios, explore options and generate ideas. The use of a comparison matrix can also be most helpful in balancing your conclusions. Sometimes the results can be surprising and it may require a second round of evaluation. It will certainly help to firm up plans with some positive thoughts and set right items that may have been slightly out of balance due to over weighting of importance.

The Institute Council are slightly out of balance as Ric Grosvenor our long serving Treasurer has resigned. He has gone through his own evaluation process and will be making his future out of Hong Kong for a while. It is sad news for me personally as Ric is a founder member of the Institute, an excellent Treasurer and a hard working Council member. He continuously and whole-heartedly supported our International Conferences in every possible way to ensure our success. He is a straight talker who uses common sense in seeking best value win-win scenarios and defusing emotive issues. The Institute recognizes his efforts and has made him a Lifetime Honorary Member. Along with Ric we recognize the efforts of Joys

Ma, who has been so efficient and helpful behind the scenes in keeping much of our records and data up to date. From all our members and myself, thank you for everything. We wish you well in your future endeavours and know you will keep in touch.

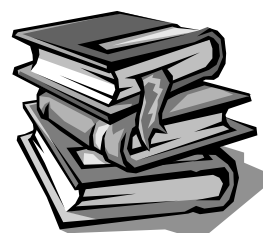
As a result of this change, the Institute has, for your record a new address:

Post Office Box 1358,
General Post Office,
Hong Kong.

We are nearing the time for elections and AGM. Christopher Howe is our election officer and he will be seeking your advice if you wish to stand for the Council and then asking for votes in the next few weeks. We plan to have more Council members to help us progress our business over the next 12 months, so please let Christopher (email: chowe@ptp-architects.com.hk) or myself know if you wish to be nominated.

As changes go, we are moving towards our winter and the Christmas season. As we value our Institute, we value our friendships being able to be in touch with those further away. Our Christmas lunch and AGM will be held on the 17th. December at the Hong Kong Club, so please mark your diary and I look forward to seeing you there. For those that cannot make it, I wish you a very happy holiday season and a great new year.

Tony Wilson.



SERENDIPITY: THE WAY TO CONSTANT INNOVATION

Prof. Dirceu (Dirk) Maramaldo

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Abstract

In contemporary business world, where continuous change is the key to competitiveness, companies and professionals must find the right behavior to provide for constant innovation. Consumers and clients are more and more expecting and demanding for new products, new ways for services provided, and new solutions for their needs. All this calls for new functions, to use the VM terminology, or innovated use, esteem and aesthetic functions. The question, which this paper intends to answer, is “how to provide for a continuing change process that will lead to constant function innovation?” This is achieved through a new professional behavior, where all reasoning is directed to maintain an attitude of constant perception for opportunities for discoveries and innovative ideas, and their implementation.

INTRODUCTION

Competitiveness in contemporary business world can only be achieved if the company has three capabilities developed within its organization:

- Excellence
- Innovation
- Anticipation

Excellence is the capability of providing products and services to customers or clients, with zero quality and functional problems. Products or services that offers low operating and maintenance costs, and all required functions. All this must be above or at least at market standards. **Innovation** is the capability of a company to provide its market with product or service changes that will maintain customers and clients expectations for new or improved functions always satisfied.

Anticipation is the capability of a company to stay ahead of competition in developing new or improved products and services, which requires that it stay in the technological development edge.

The mission of all professionals who work for such a company, from its CEO through the operational levels, is to behave in such a way as to provide for these capabilities. The right attitude must be understood and adopted within the organizations professionals, with the right leadership stimuli. In this paper, the author describes in brief, what is this behavior, and how to adopt it, either personally or as a leader.

SERENDIPITY

In business, as in any human activity, there is not such a thing called luck, for getting good results. What there is, is *serendipity*!

The word serendipity was coined by Horace Walpole in a letter to his friend Sir Horace Mann in 1754. Walpole was impressed by a fairy tale he had read about the adventures of “The Three Princes of Serendip” (or Serendib, an ancient name for Ceylon, now known as Sri Lanka), who “were always making discoveries, by accidents and sagacity, of things which they were not in quest of ...” Walpole used the term to describe some of his own accidental discoveries. The word itself has been rediscovered recently and is being used with increasing frequency. (It does not appear in the 1939 or 1959 editions of a well known dictionary, but does in the 1974 later editions and in other current dictionaries.) (*This text on serendipity is from: R.M. Roberts: Serendipity – Accidental Discoveries in Science – 1989*). The Webster’s 1967 edition: Serendipity: the gift of finding valuable or agreeable things not sought for.

In leadership and professional development training, the author has adjusted the application of the word serendipity, to the attitude of “staying alert, of keeping continuous effort for creative behavior and for intuitive thinking, as well as having the courage to expose new ideas”. “Accidental” discoveries only happen to

those who are in such a mood, or they are identifying opportunities as they appear, and develop the effort to investigate these opportunities further to convert them into results. There is no luck in business, only serendipity as some of the known examples remembered here.

SERENDIPITY OR THE “EUREKA!” FACTOR

In the third century B.C., Archimedes was seeking a way to detect the presence of base metal in a golden crown made for his king. He found the answer in an accidental observation he made in the public baths of Syracuse, which caused him to dash naked from the baths shouting “Eureka!” or “I found it!”.

No one else could arrive at the same discovery, only Archimedes, who was searching for that answer, who have the necessary knowledge to understand, and the intuition to connect the observed fact to the problem to be resolved. One should know that the volume of water that his body displaced when entering the bath tube, could provide the basis for the calculation of the corresponding mass, and consequently, deduct if the crown was made only of gold, or if it contained a different metal melted with it. This person should have the curiosity to perform tests, check the validity of the finding, and the courage to offer the solution to the king. Only Archimedes could and would. He was serendipitous.

SIR ISAAC NEWTON AND THE APPLE

A falling apple caused the born of modern Physics! Another serendipity, but only Newton could develop it after observing the apple falling in his feet, and conclude about the Law of Gravity. Dr. William Stukeley, a physician and personal friend of Newton wrote *Memoir of Sir Isaac Newton's Life (1752)*, where he recollects a visit he made to Newton, when the later was an old man, and described a conversation they had:

After dinner, the weather being warm, we went into the garden and drank tea, under the shade of some apple trees, only he and myself. Amidst

other discourse, he told me was just in the same situation as when formerly the notion of gravitation came into his mind. It was occasioned by the fall of an apple, as he sat in a contemplative mood. Why should that apple always descend perpendicularly to the ground, thought he to himself? Why should it not go sideways or upwards, but constantly to the Earth's center? Assuredly, the reason is that the Earth draws it. There must be a drawing power in the matter of the Earth...that there is a power like that, we here call gravity, which extends itself through the universe.

This was the birth of the amazing discoveries of Newton.

How many apples have been observed falling throughout the history of mankind, before and after Isaac Newton existence, by millions of people, and only Newton would do it, because he was serendipitous. Discovery of the New World by Columbus, Jenner's and the vaccination, many of the chemical elements discoveries, electromagnetism by Galvani and Volta, photography, by Daguerre, synthetic rubber and Charles Goodyear, are further examples of serendipity, as other serendipitous personalities, like Louis Pasteur, Keku.lé, Nobel, Röntgen, Becquerel, Fleming and so many others. None of these people reached their findings without the continuous effort for search, for innovation, for investigation of the new, and for hard work and courage. They were not lucky, they were serendipitous, and because of this attitude, they identified the opportunities, the same that appears to everybody, and “generated” discoveries.

SERENDIPITY AND VM

Future Values require Future Functions (see D. Maramaldo's HKIVM 2000 International Conference paper: “Wealth Generation Through Value”). Future Functions are the presently unknown needs or offerings to the market, as a result of technology and scientific developments.

How can anyone be serendipitous about future? How can anyone provide himself and his company with anticipation, by being serendipitous about future?

A continuous search into the future can be made, if one learns how to use its intuitive intelligence, and if maintains control over trends on technology and scientific developments.

The Intuition Method, presented by the author in the above referenced HKIVM paper, and the continuing study of trends and scientific and technological achievements in all fields, will provide the necessary conditions for anyone to become serendipitous about future functions and values. This will certainly be the most important strategic application of VM for the current decade, and a way to competitiveness and survival for companies throughout the world, the way to anticipation.

“HOW TO” TO SERENDIPITY AND CONSTANT INNOVATION

Creative power does not come alone. It requires the partnership from intuition and knowledge. No one can be really creative without using his/hers intuitive and logical intelligences. Human mind has several enormous intellectual capacities, which we call “multiple intelligences” See H. Gardner’s *The Theory of Multiple Intelligences* and D. Maramaldo’s *Total Competitiveness Theory - TCT (published in Portuguese in Brazil)*. From these abilities of the human mind, for the purposes of been serendipitous, we must concern with five different intelligences, that everyone possess, although in different degrees of competence for each one of these abilities.

1. Restrictive Intelligences

- Instinctive Intelligence
- Social Intelligence

2. Impulsive Intelligences

- Logical Intelligence
- Creative Intelligence
- Intuitive Intelligence

The *restrictive intelligences* are the ones responsible for preservation of the life and species, and material and professional conquests (instinctive) and of the group and personal participation in the group (social). Being for preservation, these intelligences always give to our minds, non-risk taking

indications for our decision making. These intelligences are the ones responsible for resistance to changes, for fear of risking, for conservative decision making in any subject. For competitive decisions, one must know how to unblock them, to liberate the *impulsive intelligences*. These are the logical, responsible for developing, memorizing and using knowledge, the creative, responsible for idea generation, and the intuitive, responsible for the detection, classification and mental certification of trends, and the planning and implementation of decisions based on these findings. The more one learns how to control the actuation of these different intelligences, and through the *self-talk* technique, direct his/hers own mental process, the more he/she will be able to become serendipitous.

During our professional lives, we are continuously seeing successes and failures of many different people, including ourselves, as a result of a strike of luck, or lack of it. But if we investigate the history of the person and of his/hers achievements, it will certainly lead us to the conclusion that the lucky moment, was in reality serendipity towards an opportunity, or the lack of luck, was a result of an attitude of “God will provide, there is nothing I can do...” How to change our attitude towards serendipity? We can suggest a few simple actions, as for example:

1. Have a strongly believed dream for our life. Only those who are looking for future achievements will meet them.
2. Give 95% importance to the future. Consider past experience only as know-how absorption, never as a basis for decision making.
3. Learn, learn, and learn continuously, about everything we possibly can. Keep up dated, because if today we know the same we knew yesterday, we are already obsolete.
4. Look for trends all the time, especially on things and concepts that are in effect for a long time. They are obsolete, and require only a new idea to be replaced. Why cannot we be the idea generator?
5. Keep an open and questioning mind. Use as basic question for every new idea “Why not?”

6. Mistakes and errors are not evil, if we learn from them.
 7. Use the *self-talk* technique all the time, to direct our attitudes towards innovation, remembering that *if it works ... it is obsolete!*
 8. Try it out! Never reject an idea before experimenting it, because if it does not apply, surely the experimenting will light up new ideas.
 9. Be almost psychotic about change ... look for it everywhere.
 10. Trust in our own ability to discover and to invent. We can do it!
1. Training of selected professionals (the more, the better)
 - Creativity and Intuition
 - Serendipity
 2. Project Teams and Project Individuals
 3. Continuous follow-up program
 4. Recycling against obsolescence
 5. Results Measurement and Reassurance Program

Any organization that have serendipitous professionals will be more competitive, will overcome crisis more consistently, and stay ahead, because it will be in constant innovation, approaching the competitiveness edge faster than any competitor in its market.

For that, it is mandatory to keep a **SERENDIPITY DEVELOPMENT PROGRAM**, which basically consists of:

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ASSESSING ORGANIZATIONAL CULTURE? VALUE MANAGEMENT TO THE RESCUE

Vaughan Coffey

Senior Manager, Hong Kong Housing Department.

Abstract

As part of a Doctor of Business Administration degree programme jointly run by Curtin University, Perth, Australia and Lingnan University, Hong Kong, a research thesis relating organizational effectiveness to the organizational culture of Hong Kong construction firms involved in public housing is being undertaken. Organizational effectiveness is measured by the Housing Department (HD) Performance Assessment Scoring System (PASS) and organizational culture traits and strengths have been measured by using the Denison Organizational Culture Survey (OCS), developed by Daniel Denison and William S. Neale and based on 16 years of research involving over 1,000 organizations. The PASS scores of building contractors are compared with the OCS scores to determine if there is any significant correlation between highly effective companies and particular organizational strengths and traits. Profiles are then drawn using the Denison Model and can be compared against ‘norms’ for the industry sector on which the survey has been carried out. The next stage of the work is to present the results of the survey to individual companies, conduct focus group interviews to test the results, discover more detail on that company’s culture and discuss possible actions based on the results. It is in this latter stage that certain value management techniques may well prove very useful.

INTRODUCTION

Dr. Robert Kaplan and David Norton (1996) have described ‘their’ balanced scorecard as follows:

“The balanced scorecard retains traditional financial measures. But financial measures tell the story of past events, an adequate story for industrial age companies for which long-term capabilities and customer relationships were not critical for success. These financial measures are inadequate, however, for guiding and evaluating the journey that information age companies must make to create future value through investment in customers, suppliers, employees, processes, technology and innovation.”

While we are in a literary mode, let’s consider another relevant quote:

“All organizations are human performance systems. People created them and people run them for the purpose of creating value for human stakeholders. One way to improve the effectiveness of a system is to make sure that its components are optimally aligned...particular emphasis will be placed on the use of two types

of feedback to ensure alignment: operational feedback from internal measurements and value feedback from the organization’s receiving systems.” (ISPI Conference Paper “Enhancing Value through Organizational Alignment” - Don Tosti, 2001)

A reminder to all readers of what a Balanced Scorecard actually looks like Figure 1, which is shown in the next page.

Background

The Hong Kong Housing Authority (HKHA) story began over 45 years ago, on Christmas Eve in 1953, when a catastrophic fire left 53,000 people homeless overnight. The Government responded swiftly to the crisis, building 12 resettlement estates, comprising 240 blocks, which re-housed all made homeless by the fire. The resettlement and building programme continued for the next 10 years until the establishment of the Temporary Housing Scheme in 1964. Over the next 16 years, a further 2 million people were housed by the HKHA in over 100 housing estates spread throughout Hong Kong.

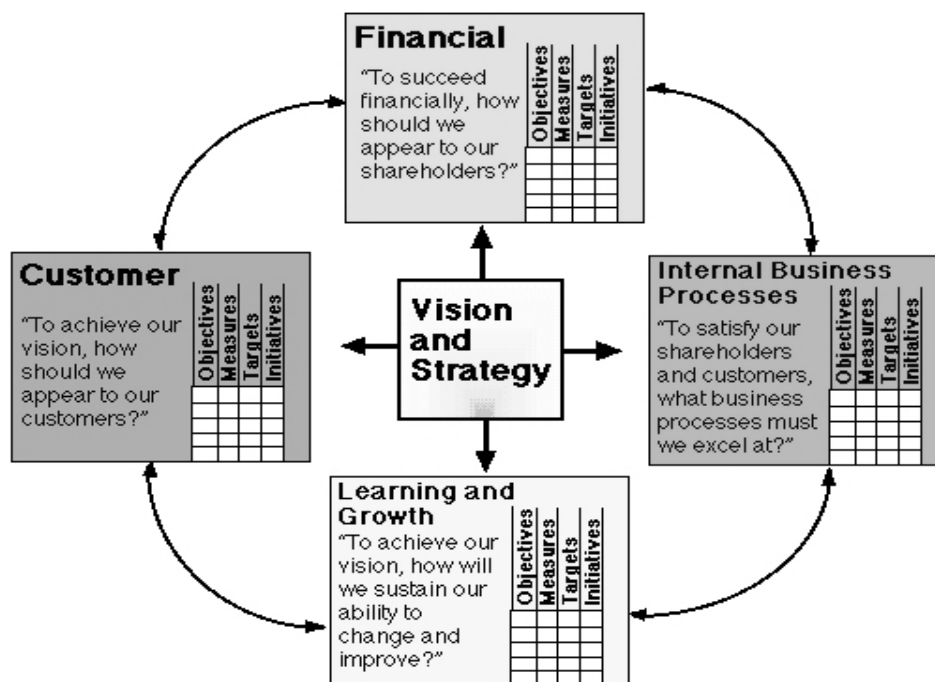


Figure 1: The BSC and Measurement-based Management (BSC Institute, 2002)

Year	Housing Authority Housing Production			
	Public Rental Housing	Interim Housing	Home Ownership Scheme/Private Sector Participation Scheme	Total
1980/81	26,769	-	10,178	36,947
1981/82	31,346	-	4,399	35,745
1982/83	27,879	-	8,268	36,147
1983/84	28,564	-	10,117	38,681
1984/85	26,354	-	11,576	37,930
1985/86	29,386	-	18,590	47,976
1986/87	27,073	-	13,178	40,251
1987/88	19,991	-	5,380	25,371
1988/89	39,518	-	10,946	50,464
1989/90	33,910	-	19,346	53,256
1990/91	32,619	-	15,612	48,231
1991/92	21,190	-	13,698	34,888
1992/93	22,148	-	15,322	37,470
1993/94	19,848	-	24,743	44,591
1994/95	24,440	-	4,004	28,444
1995/96	14,559	-	19,328	33,887
1996/97	14,946	-	16,878	31,824
1997/98	17,917	144	12,040	30,101
1998/99	9,759	720	18,020	28,499
1999/00	31,806	120	16,558	48,484

**Table 1: Housing Authority Performance Indicators
(HK City Polytechnic University, 2000)**

Major Production Milestones

The above table, Table 1, illustrates the housing production figures achieved over the last 20 years.

Current Housing Authority Production Output and Housed Population

In the last decade, the HA provided a total of 366,000 new public housing units, of which 210,000 units were for rent while 156,000 units were for sale. Due to the uneven supply of land in the past, the yearly production fluctuated greatly, ranging from 28,444 units in 1994/95 to 48,484 units in 1999/2000. Currently, the Authority is expected to provide nearly 30,000 units per annum over the next 4 years. In

2000/01, the Authority spent nearly 52 billion HK dollars on awarding new building contracts (around 18.6% of consolidated total public expenditure in Hong Kong for that year). At the end of March 2001, 3.342 million people were living in the authority's 1.071 million flats spread in estates throughout Hong Kong, Kowloon and the former New Territories, (Housing Department, 2001).

“QUALITY HOUSING – PARTNERING FOR CHANGE”

A spate of serious quality problems on public housing projects have unfortunately diminished these heroic efforts and as a result, HD in January 2000 completed a comprehensive

review on the public housing production process, which identified a series of strategies and recommendations for enhancing building quality. These recommendations were set out in a public consultation document entitled "Quality Housing – Partnering for Change" (Housing Department, 2000). The reform vision of this document is "To provide quality housing together with all stakeholders through partnering and sustained improvement such that the community can take pride in our housing construction." A total of 40 main recommendations were embodied in the original public housing consultation document and these were increased to 50 in March of 2000, following the completion of the consultation exercise.

DBA RESEARCH THESIS

At the time that HKHA was reviewing not only its own procedures and objectives in relation to improving the quality of its construction output and product, I was also preparing my Research Proposal for candidacy to be examined for a Doctor of Business Administration degree. As one of the main outcomes from a DBA should be to advance the pool of business (as opposed to purely academic) knowledge, it seemed

propitious to try to ascertain what made some companies perform on construction projects more effectively than others? Based on the two years of previous taught doctoral programme work and a preliminary review of the pertinent literature, it was clear that many scholars (and indeed some management consultants) believed that there is an inexorable link between organizational or corporate cultures and business effectiveness. Measures used to indicate business success were usually financial, e.g. Return on Capital, Profitability, etc., but very few studies had attempted to use any other kind of ‘hard’ objective measures and it was here that I saw a great opportunity to use the long-standing and fairly robust PASS as a basis to define business success/effectiveness in a Hong Kong market sector which I was familiar with.....my thesis was born!

THE PERFORMANCE ASSESSMENT SCORING SYSTEM

The framework of performance assessment scoring system 1997 (PASS), on which the research being undertaken was based, was as illustrated in the following figure:

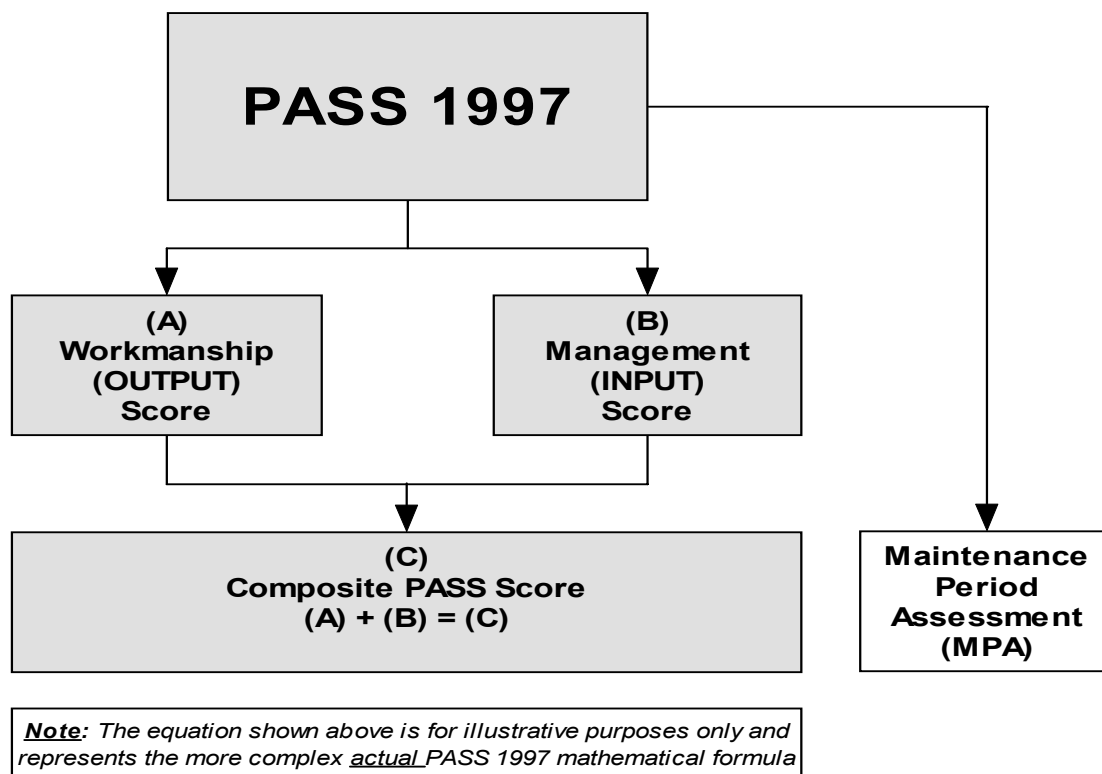


Figure 2: PASS 1997 Framework (Coffey, 2000)

The system used as a basis for selecting tenderers, awarding tenders and paying performance bonuses, has recently been significantly reengineered and rolled out as the PASS 2002 January Edition.

THE DENISON MODEL

The following quote succinctly describes the Denison Model on which the OC Survey is based. “In over a decade of research, Dr. Denison studied the correlation between the cultural traits in this survey (*Involvement, Consistency, Adaptability, and Mission*) and organizational effectiveness measures. A number of performance indicators were examined for each of the companies included in the research: return on assets and return on investment, as well as other organizational performance measures such as product development, sales growth, market share, quality, and employee satisfaction...nearly all

of the correlations between the cultural traits and organizational effectiveness measures were significant and...each of the four cultural traits showed significant positive correlations with a wide range of subjective and objective measures of organizational effectiveness.

The most recent research looked at sixty companies of various sizes, sectors, and industries and showed profound results which link organizational culture to performance. All four traits were positively correlated with Return on Assets, but some of the traits were more closely linked to other organizational effectiveness measures such as quality. Using this framework, one can understand how each set of traits may impact specific performance measures and an organization's bottom line”, (Denison, 2000). A typical company’s graphical display, derived from the application of the OC Survey, is shown in Figure 3:

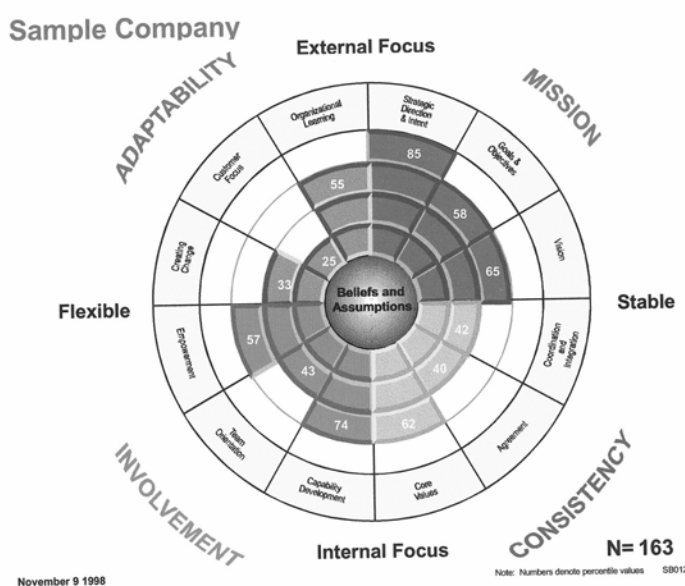


Figure 3: The Denison Model (Denison, 2002)

SURVEY RESULTS

The survey population was restricted to contractors on the HKHA’s List in the Building (New Works) Category – i.e. some 53 companies. Of those companies, some 29 returned a total of 146 countable scripts¹. The data is now undergoing statistical analysis and a

detailed correlation exercise will shortly be carried out to determine if there is any significant relationship between PASS results and OC scores and the degree of such significance. Denison’s own research (together with subsequent research carried out in the USA and elsewhere) has indicated that there is a relationship between OC and organizational effectiveness.

¹ ‘Countable scripts’ refers to individual questionnaires where a company has returned a minimum of 4 or more questionnaires.

VALUE MANAGEMENT TO THE RESCUE!

O.K., so in the future I still have some way to go yet in completing my statistical analyses and evolving firm conclusions from the data (and of course to completing my thesis, submitting it and hopefully being able to add ‘Doctor’ in front of my surname), but what has all of this got to do with value management you may be asking? Good question! I mentioned that one of the major outcomes from a DBA thesis should be to add to the pool of business knowledge and I pondered quite long and hard on how I could best use my research to achieve this outcome. So based on a very preliminary data analysis, there appears to be a correlation between various organizational culture factors/traits and measurable business success, how can knowing this be beneficial to the HK construction industry, particularly those who had been enthusiastic enough to return my questionnaires? It was at this point that I thought about my VM training and in particular the statement that, “VM evolved from VA and VE to include management and higher order activities, so that whole entities and systems

could be looked at in a broader context”.....Hmmm! Sounds good so far, but do I need to go the whole Job Plan ‘nine yards’ in this instance, my answer to my own question was ‘no’, probably enough would be gained by just undertaking the Information/ Analysis stages of the JP (with some features drawn from Judgement/ Development stages) and leaving the companies involved to handle the bulk of Creativity/ Judgement/ Development (from their own individual commercial viewpoint), if they felt so inclined. As I thought further into the logistics of how I could set up my discussions, I consulted the ‘soft research’ books on my shelves and the concept of ‘focus group discussions’ caught my eye. As I read on, it became increasingly clear that the techniques for setting-up and operating focus groups was almost identical to setting-up and running a VM workshop and if this was so, what else could I use from the VM arsenal of tools to assist in my current objectives?

Table 2 shows a list of the equivalent VM stages I considered appropriate, linked back to the research tasks I have planned for myself:

Research Task	Tool Used	VM Stage
Obtain OC profiles	Denison OC Model	Information Stage <ul style="list-style-type: none"> • Confirm objectives • Clarify assumptions • Provide information base • Set scope of study
Examine meaning of OC profile	SPSS statistical software Analyze survey data using	Analysis Stage <ul style="list-style-type: none"> • Rationalize data • Clarify functions • Understand system links • Test parameters • Select high result functions
Discuss results with respondents and attempt to gain further insight into relationships between OC/Performance of companies Record/analyze discussions Conclusions modified and industry ‘norm’ model evolved	Undertake Focus Group	Judgement Stage <ul style="list-style-type: none"> • Rating of important outcomes of discussions • Common corporate sense/agreement on use of information achieved
Suggest future areas of research	Conduct further research (possibly longitudinal studies to measure effects of change or improvements, using OC Model)	Development Stage <ul style="list-style-type: none"> • Action plan and follow up by company • Instigate change programme (if appropriate) VM Stage Source: Applied Facilitation & Training (2002)

Table 2: Possible Links between Research and VM (AFT, 2002 and Coffey, 2002)

The intention is to carry out the focus group interviews with around five to six of the respondent firms (successful and unsuccessful as measured by PASS) and exhibiting 'strong' organizational cultures (as measured by the Denison model).

EXAMPLES OF POSSIBLE OUTCOMES

And so what are the sought after outcomes from the focus group exercise and how can they be best used in conjunction with VM by the companies taking part in the research. Below, I have summarized some of the possible outcomes and suggested useful ways in which these can be taken further:

- It is possible using the data set obtained from the OC survey, to construct an organizational culture model representing the profile of the most successful companies, This then becomes a yardstick for less successful companies to aim for when considering ways in which they wish to undertake strategic change organizational change programmes; VM can assist them in investigating ways in which such changes can be achieved.
- Closeness of alignment between different factions within a company can be plotted, as often misalignment (i.e. seriously conflicting values) between similar traits/factors within the same organization can be an indicator of communication difficulties or misunderstanding of corporate objectives. The purpose of making such comparisons is not to trigger conflict, but rather just to expose differences in thinking so that problem areas can be worked and either a realignment agreed, or possibly it may indicate a need to reset objectives.
- Weak traits/factors (either obvious low scores, or scores which are below an established sector norms) can be further discussed, specifically targeted and worked on in subsequent discussion groups (VM workshops), in order to improve the OC profile. This would be particularly meaningful for those OC traits/factors

significantly related to successful performance effectiveness in the PASS score leagues.

- Graphical presentation of OC profile scores gives important corporate feedback information which indicates objectively the 'real' perception within management teams of how the company functions, rather than the more subjective perceptions which may be gained in standard progress or problem identification meetings. Used as an information base for subsequent problem-solving or brainstorming discussions, this powerful tool can assist in identifying the organizational functions and processes which maybe need changing and also can help VM teams to reach consensus on the 'what', 'why' and 'how' questions and to rate those significant factors which should be taken forward for further action.
- Coupled with the objective PASS information, two or three of the Balanced Scorecard dimensions can easily be filled in and continued investigation of these dimensions over time can be used as Key Performance Indicators to gauge improvement and corporate achievements and further develop the target profile for success.

CONCLUSIONS

The point of writing this paper has really been twofold; firstly I wanted to discuss the possible relationship between organizational culture and measured business success as components of a balanced scorecard approach to determining the direction of strategic focus in company improvement programmes and secondly, I wanted to share my belief that VM tools and techniques don't necessarily have to always sit within a rigid 'Job Plan', the JP should always be viewed as a flexible framework. So, attempting to utilize some of these value approaches to assist me with giving some structure to the qualitative data collection phase of my own research study will probably reinforce or dispel this belief. Whether any of the companies which formed my research population will wish to utilize the start I have made and conduct major VM studies using the OC profile and PASS scores is hard to say, but

at least, they will have a good basic information foundation on which to work, should they choose to do so.

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REPORT ON THE HKIVM 5TH INTERNATIONAL CONFERENCE

David Yau

Conference Director of HKIVM

The 5th International Conference was held on 23-24 May 2002 at the HK Convention and Exhibition Centre. The theme of the conference “Turning Crises into Opportunities – VM – The Art of Innovation” may have been a bit of a mouthful but nevertheless attracted the best turnout yet. We had a total of 151 delegates and speakers over the period of the conference from all over the world (Brazil, Canada, USA, England, Germany, China, Malaysia, Australia, New Zealand and of course Hong Kong). We had the privilege of having Sir Gordon Wu opening the conference with his keynote presentation on “Government by consultation or consultants?”



Keynote Speaker, Sir Gordon Wu from Hong Kong

We were also honoured to have Prof. Dirceu Maramaldo from Brazil as the Day 2 Keynote speaker. In addition, we were further honoured to have both the Presidents of UK and Australia IVM and a Vice President from SAVE at the

conference. The conference speakers spoke under the themes of: Partnering and collaboration, Reinvention and survival, Idea generation and innovation, Facilitation with a difference.



Keynote Speaker, Prof. Dirceu Maramaldo from Brazil

The Tony Toy Memorial Award was established to acknowledge and remember the outstanding services of HKIVM's founding president, Mr. Tony Toy. Three awards were presented for the first time at this conference to students who have provided their dissertations relating to VM. We were grateful to have Mrs. Tony Toy to present the awards.

Please mark your diaries, the **HKIVM 6th International Conference** will be held on the **26-27th November 2003**. For a “World of Value”, be there!

VALUE CREATION IN PARIS

Dr Roy Woodhead

Senior Lecturer, Oxford Brookes University

In January 2003 James McCuish and I have a book coming out that links the act of Value Engineering (VE) to the aim of Value Creation¹. It seeks to explain how VE is linked to a systemic context in which Value Creation is taken as the main objective. As all manmade systems are made by men with a particular purpose in mind, then functions 'need' to be performed in order to achieve such a purpose. To position Value Creation in a wider body of knowledge we must see the global economy in terms of a collection of functions being performed to achieve the purpose of a manmade economic system. But what is that purpose? Is the goal of life simply to make money? I argue not and point to the use of money as a stimulus for another goal. Let me explain. As mankind's history is the story of advancing technological capability, from the Stone Age, through the Iron Age and beyond the Industrial Revolution, we can see that as a species we strive for progress. Innovation always has the intention of improving things. However, sometimes there is conflict between one person's view of improvement and another's. We can, for example, see political theories such as Adam Smith's "Invisible Hand" and Karl Marx's "Communism" in terms of a relationship between the directions technological development takes, as individuals and society derive benefits. Smith's view sees self-interest and the motivation for wealth creation as the means to set technological agenda; we invent things that are useful and that's why customers buy them. Marx promotes an alternative that is a kind of altruism based on the state's paternalistic planning to be met by industry with objectives set by a central committee. There are other political theories but that discourse is not relevant to the point I am making here. My point is that the inescapable goal is to achieve societal progress and so wealth acquisition must be seen as the rewards for the commitment of time, energy, and resources in today's capitalist/corporatist

system. It is from this aim that the endeavours of a successful enterprise makes a positive contribution to society even if the individuals within an organisation cannot see such intangible-value and focus on financial returns. The future development for Value Management is therefore to enable value-leadership with the aim of making things better and rewarding those that contribute to that end. So when Claude Jouineau sent an email to Veamac it struck a chord with our book and the relationship between value, functions and technology². I looked at his email and with a smile on my face threw my arms up in the air. Once again my colleagues in France had taken the debate to the public before I had. I knew this one-day conference would be an important step on the developing discourse for VM and decided I must attend Paris on November 7th. I arrived the evening before with rain lashing down; not even Paris can escape the British weather. The journey from Oxford to the centre of Paris took five hours and so this is a journey we British could easily make more often.

Whilst Wednesday night was wet, Thursday the 7th was sunny, and perhaps in more ways than just the weather. Christophe Gobin, President of AFAV, and Claude Jouineau, Past President and Colloquium organiser, started the day and the first session that explored the underlying concepts of Value Creation. Jean-Pierre Ponsard explained theories of Value Creation as used to direct the organisation's strategic decision making from an academic perspective. Then the first round table debate, focusing on economic-value, commenced and a number of people presented papers that then fuelled questions from the audience. As we all want a pension when we retire, the economic system needs to reward investors that take risks by lending capital to an enterprise today or no such feed capital would be so readily available to fund new ideas. The risk-reward relationship is at the heart of the private sector's view on the meaning and roles for Value Creation. Felix

¹ Woodhead, R.M & McCuish, J.D. (2003). "Achieving Results". London: Thomas Telford. ISBN: 0-7277-3184-X

² Technology being, that which is achieved by the performance of techniques.

Bogliolo made a strong case for the dominance of this widely held view of the economic definition of value in Value Creation. A number of people disagreed with this emphasis arguing other forms of value exist. Such views might be true in general but not in the case of the wealth creating enterprise; if a company does not deliver returns to investors then senior managers will lose their jobs. Through my lacking command of the French language, I felt a key structural distinction should have been made. The distinction between the private sector, with a clear mandate from shareholders risking their money and the public sector, with a broader mandate from shareholders each demanding equal consideration, could have been made clearer so that different understandings of the economic and social perspectives were considered as mutually inclusive as opposed to mutually exclusive³. They are essentially talking about different systems in which success is recognised and rewarded in different ways.

The next session discussed applications of the Value Management (VM) methodology. Djemil Chafai explained what happened on a construction project in Boulogne Sur Mer and another project in which the inclusion of stakeholders was necessary. The justification of value here was made in a kind of Cost Benefit Analysis approach. The other speakers also picked up the theme of inclusive decision-making in the session and Michel Thiry adapted the project-based focus to one that could fit within the demands of the New Economy. During this session I could not help wonder if the need for so many stakeholders to be involved in setting objectives was not a reflection of the way designers and architects have become alienated from the preferences of the general public. With this view in mind I pondered whether the case for inclusive decision-making is an example where VM recognises a particular lacking in a macro-system and adapts services to address the 'needs' such dysfunctionality causes in micro-systems.

After a spectacular lunch the afternoon started with an adaptation of Miles' formula of "Value = Function/ Cost". The speaker made the case

for risk to be included in the formula and a role of confidence in the achievement of ideas coming out of a VM study. This is something I have seen James McCuish and Jerry Kaufman do using Decision Analysis software for an Oil project off the coast of Africa; here uncertainty surrounding a deterministic view of the economic value of ideas was modelled so that we could plot Net Present Value (NPV) against the probability of achievement under varying levels of uncertainty. Guy Planchette furthered such consideration of risk-reward, which was offered to the audience as risk-value approaches. He did so by exploring a functional enquiry alongside the consideration of risk arguing the case for their joint inclusion in the pursuit of Value Creation. Rolande Marciniak discussed the management decision of when, and when not, to pursue a project. I felt the speakers in this session were offering insights into the difficulties VM practitioners have when translating project views of value to senior management and explaining how risk considerations could improve the value of VM itself. As such, their focus was embedded in a middle management type of thinking that so often positions practitioners of VM in subservient roles to project managers rather than senior managers. Indeed Rolande talked of emergent strategies⁴ which suggests to me that the decision making process is being conducted before a clear view of what success will look like has been articulated; as such, the leadership function is being performed by the team that is to be led. Wrformr bat so

³ This economic duality is evidenced by the mixed economies that we have all over Europe.

as customers control revenue then best-in-class leadership will achieve success. The enterprise should not need standards for good management set by external agencies. I could see that all the speakers in this session were dealing with views of management that are currently changing. This is not surprising as things like the Internet suddenly present the enterprise with both millions of potential customers as well as rivals. Francois Perrin started the final session with an excellent presentation, in English, of how the financial markets are promoting sustainable development via specific funds. Such moves are essentially attacking the short termist pressures that force many CEOs to look no further ahead than the next quarter's results expected by the stock market and fund managers with large share ownership. In focusing on the short term many CEOs are sacrificing medium and long-term Value Creation. If we see this effort, which Francois reports, as an investment in a new way of strategising then we will recognise that the competitive advantage of such slow strategies will flourish in the medium and long term and be built around trusted brand values that rivals will find difficult to imitate quickly. Trust and brand integrity will thus become an entry barrier to protect margins of the enterprise which addresses valued 'needs', achieves sustainable development, and cost control.

The last paper considered Value Creation in terms of societal value. Charles Lagaronne examined the relationship between economic value, technological progress, moral values and their collective impact on the society we live in. He argued for a deontological view of value in which we must become fully responsible for our own actions. This is an important point and one that VM has often shied away from. Mr. Lagaronne not only confronted a difficult subject but he did so in a way that was very engaging. His subject matter belongs to a very long discourse spanning Aristotle, Spinoza, Kant and Satre to name but a few key moral philosophers. We must examine the relationship between progress, technology, ontological value and deontological value to understand his arguments within the context of Value Creation.

When cars were first mass-produced one of their main selling points was that they did not

foul the roads as horses did. That is, they were a better alternative to horses because they were cleaner. As people enjoyed the mobility function cars performed it did not take long before many were owned. As the number of cars expanded, the 'need' for other systems emerged. So we can make a clear argument that the invention of the car has led to traffic lighting, traffic management systems, roads and auto rues, car parks, traffic wardens and sadly pollution. There is now a 'need' to keep all the functions of a car as they are, except for those that are currently performed by techniques that cause pollution. We therefore need to seek new ways of performing the energy functions that propel cars with different techniques such as hydrogen fuel cells. The key point is that the functions remain constant but the techniques by which they are performed can be changed.

One popular technology, that is a collection of techniques, thus causes the need for other technologies comprising other techniques. The source of 'need' itself is often the product of innovation itself; new solutions cause the 'need' for new solutions in an evolution that we casually refer to as 'progress'. We must see that our knowledge, and our deontological values, are formed through our inadequate senses and as we are unaware of our ignorance, that we can have wrong inner values that lead to poor choices and malfunctionality in external systems. Thus the role of science, done properly, is to discover truths in an ontological reality and the product of such research taken inside our collective knowledge to inform our deontological values. As electrons do not negotiate we in VM must be very clear about the dangers of thinking reality is socially constructed within a vacuum. It is not and we are part of a complex reality that is affected by us just as we are affected by it. Whilst positivism is limited by the human condition and our inability to truly 'know' in its fullest sense, we must accept that it is still probably the best way to direct the scientific search for truth today; but we must always remember it is a tool that does not always guarantee truths and so continually examine it and suggest modifications in it (This is the work of the Philosophy of Science community). With the above in mind I was able to discuss this relationship between inner and external values with Mr. Lagaronne and even at the very

end of a busy day the enthusiasm for new thinking was still vibrant. I hope he pursues this theme further for it opens a deeper understanding of VM than the common ones that focus on the performance of VM and the promotion of training programmes; VM is capable of being far more than a craft, it is a way to shape the future responsibly and ethically. On reflection we can see a day comprised of many different foci. Some looked at macroeconomics, some microeconomics and some at the drive to develop a consensual view that is persuasive. Whilst some speakers became caught up in the dialogue and disagreed with each other, at a structural level they were all right but about different aspects and levels of abstraction. The view of Return On Investment (ROI) from the private sector talked about a relationship between fund managers and enterprises and how progress can be stimulated by way of financial rewards. Those from the public sector, with projects involving many stakeholders to represent a single view of the plural customers, talked about the relationship between action and persuasion as individuals try to set project objectives. Those who looked at senior management thinking talked about clear strategy and the clear mandate to deliver tangible value. Others viewing the world from

within management tiers lacking power and autonomy discussed models to achieve consensus in the hope an emergent strategy will evolve and be supported by more powerful managers. Thus Value Creation is, in all forms, essentially about how progress will be encouraged and should be seen as the stimulus from within which societies are developed. The goal of all Value Managers should be to become value leaders and enable society to progress through the accumulated achievements of individual enterprises and their projects.

In conclusion, we need institutes such as AFAV to organise more conferences where new ideas can be shared and interrogated in a positive and friendly atmosphere. It is from such constructive episodes that new insights and movements are caused. The friendliness of the people at the conference must be stressed as it made the event a wonderful day. As it helped me to 'progress' my thinking I can only say "The Value Creation conference produced real value for me in the form of knowledge and understanding". Well-done Claude Jouineau and everyone else. A special thank you to Maca Jamin for making such a productive day so enjoyable. I recommend such one-day conferences to others.

REPORT ON VM CONFERENCE IN CHINA

Dr. Geoffrey Q.P. Shen

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The 2002 Annual Conference of the Value Engineering Institute of Tertiary Institutions in China was held in Guangzhou on 8-10 November 2002. Our Secretary and Editor, Dr. Geoffrey Shen, was invited to give a keynote presentation on the applications of value

management in Hong Kong at the conference. Around 100 delegates from various provinces across China attended this conference, and 20 papers were presented. At the event, Dr. Shen was elected as the Vice-President of the Institute to recognise his contribution in the field.



Keynote Speaker, Dr. Geoffrey Shen from Hong Kong



Delegates from all over China at the Conference

HKIVM NEWS

- ♣ **Value Management - Improving capabilities**, written by Woodhead and Clive Downs, has been published by Thomas telford Publishing (ISBN 0 7277 2989 6). Please contact orders@thomastelford.com for further information.

FORTHCOMING EVENTS

- ♣ 27 Nov. 2002, a seminar entitled **Value Management: Adding Value to Project Management** will be organized at Anglia Polytechnic University, Chelmsford. This seminar will provide an overview of the principles and process of Value Management, when it should be used in project management, identifying issues that require consideration for successful implementation. Please visit http://www.ivm.org.uk/vm_events_27nov2002.htm/ for further information.
- ♣ 11 Dec. 2002, the Scottish Branch of the IVM will hold an event entitled **Measuring Value** at Edinburgh, U.K. This event covers financial and non-financial measures of value with reference to case studies at post project evaluation stage. Please visit http://www.ivm.org.uk/aboutivm_branches_scot.htm#11dec2002scot/ for further information.
- ♣ 17 Dec. 2002, the **HKIVM 6th Annual General Meeting and Christmas Lunch Meeting** will be held at 12:00 noon in the Hong Kong Club, 1 Jackson Road, Hong Kong. For registration, please contact Ms. Leona Tsang at Tel: 2867 3798, Fax: 2524 7981.