CHAPTER 1

INTRODUCTION

1.1 INTRODUCTION

Construction industry is one of the significance contributors for the growth of GDP Malaysia (Sambasivan & Soon, 2007). It contributed to register a growth of 14.3% during the first half of 2014 (January – June 2013:12%) and expected continue to increase to 10.7% in 2015 (Economic Report 2014/2015). However, not all of the construction projects can be successfully deliver on time, within budget and quality. There are construction projects which had been terminated or abandoned due to the critical success factors like tight project schedule, limited resources, complicated process, change of scope and other external factors. These problems have come into issues and make chronic effect to construction project.

In order to overcome the issues and effects in the construction projects, it is imperative to evaluate and apply effective ways in the construction projects. Risk management and value management are recognized as best practice management tools in construction industries past few decades (Karim, Berawi, Yahya et al., 2007). Both of the management tools have their own significant and specification, yet they have the common factors like the management style, workshop format, tools and techniques and management structure.

The similarities between the risk management and value management showed that both of management tools have the potential to be integrated. Implementation of the risk management and value management in the construction project individually is time consuming and waste of resources. The integration of risk management and value
management can manage the project effectively. Thus, there is an aspiration to integrate both of the management tools in order to satisfy the requirement of stakeholders and increase the performance of the construction industries.

This research intends to provide a clear direction of the topic to be studied by focusing to the integration of risk management and value management in construction projects. This research also discusses about the potentiality and benefits of the application to the construction projects.

1.2 PROBLEM BACKGROUND

This research is to express the idea of the integration between risk management and value management in construction project. The objectives of the research are to determine the potentiality and the benefits of the integrated of risk management and value management in construction projects.

Based on the previous researches which done by Hiley & Paliakostas (2001); Dallas (2006); Project Management Institute (2008); Cole (2010), there were a positive result against the research of the integration between the risk management and value management. The positive result indicated that the risk management and value management can be applied in parallel in the same time. So, the similarities and the common factors between the risk management and value management had justified the potential to integrate both processes. For instances, the methods, tools, management style and process existed in both disciplines enhance the integration process. This is because the integration always results in duplicated efforts. It can improve the performance of the construction project and reduce the negative impacts like cost overrun, delay to the construction projects.

Furthermore, the previous research (Ranesh & Zillante, 2012) had proved that how the integrated of risk management and value management had increased the success of construction projects. It helped to achieve the project objectives by satisfying the customers' need. The main purpose for the integration of risk management and value management is to reduce the occurring of risk and maximize the value of the
project. Therefore, there is an increasing need of the integration of risk management and value management, especially in construction projects.

There is a finding that the integration of risk management and value management framework will come out with a better value for money to all stakeholders in the Public Private Partnership project (PPP) (Ranesh, Zillante et al. 2012). They achieved the best value for money in Public Private Partnership project by integrating the risk management and value management. The integration of the risk management and value management effectively assist project manager to minimize the likelihood and probability of risk occurrence while optimize the value and return of investment (Dallas, 2006). Both of the management techniques are interconnected and should be applied concurrently (OGC, 2003) because it can save the time and cost.

Most of the project manager may concern about the value and the risks that involve in the construction project, but few of them could apply the appropriate management to balance the value and risk effectively to increase the project performance. The project managers always apply the risk management and value management separately. Throughout this study, there is a view on the potentiality and the benefit for the integration between the risk management and value management in construction project.

1.3 PROBLEM STATEMENT

In construction project, the process is complex and require large amount of capital to invest. It is important to reduce the risk associated, while at the same time, improving the value of the project to meet the customers’ need are increasingly undertaken by many construction industries. Instead of manage the risk in the project, the value of the project need to be optimized as well. Othman (2005) stated that the risk management and value management are two complimentary disciplines, the best value could not be optimized only if the key risks have been managed. In order to obtain the balance between risk and value in the construction project, integration of risk management and value management are inevitable to be implemented in the construction project.