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VALUE MANAGEMENT IN MALAYSIA'S KLIA AND LCCT INFRASTRUCTURE PROJECTS

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This case was written by Faisal Zulhumadi, Azhar Ahmad, Herman Shah Anuar, Wan Nadzri Osman, Che Sobry Abdullah and Zulkifli Mohamed Udin, UUM College of Business. It is intended to be used as the basis for class discussion rather than to illustrate either effective or ineffective handling of a management situation.

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Opening

In May 1992, Ir. Jamilus Hussein (TSJ) was given a 24-hour notice to shoulder the titanic task of carrying out the biggest projects of his life as a managing director, the Kuala Lumpur International Airport (KLIA). In front of him on the desk, lies mountains of paperwork including a detailed quotation outlining the price for constructing such an airport provided to him by an international consortium of builders; "Total cost: RM20,000,000,000" the document had stated resoundingly. One could only guess what was going through his mind, but with the confidence and trust placed upon him by the then visionary Prime Minister, Dr. Mahathir Mohamed, and all the stakeholders of this mega-project, he set about to infuse the very essence of his underlying philosophy of project management into this mammoth task, which is all about delivering value through value management (VM).

KLIA since then has been one of the greatest stories in construction project management, not only because it was completed ahead of schedule, but also because of the way the management, led by TSJ, had made decisive and crucial decisions especially regarding the VM. According to TSJ,

projects are projects, whether they are small or mega—project lifecycle is more or less the same. The difference lies in the complexity of scope, size, and scale. When time is a factor (always is!), the complexity increases even for small projects.

Therefore, the emphasis here is on the planning in order to manage the complexity of the project, especially the time factor. In comparison to the smaller scale Low Cost Carrier Terminal (LCCT) project, where TSJ and his team played the role of a consultant, it was nevertheless a success of sorts since it was quickly built within nine months.

However, the role one plays in the project would definitely affect the outcome of the VM exercise. Taking the two cases of the KLIA and LCCT, where TSJ and his team played different roles:

KLIA we drove the project as clients. LCCT we assisted as consultants. The success stories between the two are extremes ... in LCCT, it was a cost-cutting exercise ... KLIA we do VM.

Kuala Lumpur International Airport (KLIA)

Kuala Lumpur International Airport (KLIA) is one of Asia's major aviation hubs and is a destination in itself. It is located at the top of the southern corridor of Peninsular Malaysia, bordering the states of Selangor and Negeri Sembilan. Situated in the Sepang district, it is approximately 50 km from the capital city, Kuala Lumpur.

The KLIA project was initially established for construction on a green field site of approximately 25,000 acres that consisted mainly of peat soil, palm oil plantation, and secondary forest (Exhibit 1 – Page 16). This had meant that significant earthworks were required to transform the land in order to safely position the airport at this location.

Beginning in 1992, a start-up capital of RM1 billion was allocated by the Malaysian government for initial start-up costs including land acquisition in Sepang. KL International Airport Berhad (KLIAB) was a newly formed wholly government-owned entity under the Minister of Finance and was given the responsibility of seeing this project to completion. TSJ sat at its head as the Managing Director.

A project of this magnitude and complexity had never been undertaken in Malaysia and would normally take 10 to 12 years to complete. Covering 100km² of land, Kuala Lumpur International

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