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The Impact of Project Risk Management on Project Success: An Empirical Study

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1. Chapter 1: Introduction

1.1. Research Background

Projects are now a vital aspect of how organizations realize their strategic goals, create innovative products and services and ensure competitiveness in a dynamic business environment. In each of these sectors, whether it is construction, information technology, healthcare, manufacturing, education, or public administration, successfully implementing projects is crucial to organizations for providing value to stakeholders. Despite the ongoing improvement of project management practices and methodologies, however, project failure is a challenge faced by industries across the board. There are too many projects that are still on schedule, overshooting budgets, failing to meet quality specifications, and not meeting the expectations of the stakeholders. Organizations around the world have therefore made it one of the highest priorities to improve project success.

Project risk management is one of the important factors which affects the project performance. Uncertainty is a part of all projects. Financial, technology, resource, regulatory, communication and external environmental factors can create risks. If not properly identified and managed, these uncertainties can have negative impact on project objectives. Hence, project risk management is a vital knowledge area in project management as it helps organizations predict threats and opportunities before they are able to impact the project significantly.

According to Project Management Institute (PMI, 2021), project risk management is the systematic process of initiating, planning, identifying, analyzing, responding, monitoring and controlling project risks. The management of risk does not seek to eliminate risk altogether, but to reduce adverse risks, both in terms of likelihood and impact, and increase positive risks, in terms of likelihood to project objectives. The basic idea of structured risk management is likely to prove more effective in assisting organizations to respond to unforeseen crisis and maintain project performance.

In today's complicated projects, risk management is further highlighted. Organizations can no longer afford to use traditional planning methodologies

but need to implement a proactive approach to risk management to continually identify and monitor new risks.

The meaning of project success has changed significantly over the last few decades. The success of a project was traditionally judged primarily on the "iron triangle" of cost, time and scope. Today's literature, however, acknowledges that these traditional indicators of project success can be complemented by customer satisfaction, stakeholder satisfaction, product quality, organizational learning, business value, and long-term strategic benefits. Thus, there is a need for a multi-dimensional assessment of project success, which ought to take into account operational efficiency and organizational effectiveness.

Many researchers have suggested that an organization with a well-established project risk management system will have more successful project outcomes than an organization that has either an inadequate or inconsistent project risk management system. Identifying risk effectively will allow project managers to see any risk early in the project, and systematically identifying risk will allow project managers to prioritize risk based on their likelihood and impact. By implementing suitable risk response actions such as risk avoidance, risk mitigation, risk transfer and risk acceptance, an organization can reduce disruptions and enhance decision making during the life cycle of a project. Continual risk monitoring also helps to ensure that new risks are identified and managed in advance of becoming real problems for the project.

Although project risk management became more popular, it remains a challenge for many organizations to effectively manage project risks. Some organizations carry out risk management when they are planning the project, and never maintain a risk register during the life of the project. Some are not well organized, have insufficient staffing level or established risk management procedures. Poorly developed economies may also suffer from low resource levels and lack of organizational culture that will limit the effectiveness of formal risk management. However, many projects still fail, due to avoidable factors, even though standards of project management are known and accepted worldwide.

The past few years have also seen significant advancements in digital technologies, artificial intelligence, predictive analytics, and project management software that have made project risk management different. Data analytics, machine learning, and digital dashboards are becoming a standard tool in the toolkit of organizations to discover emerging risks, increase forecasting accuracy, and provide guidance for managerial decisions. These technological advancements offer project managers great opportunities to increase the resiliency of their projects and boost organizational performance.

Due to the strategic significance of project successful completion, project risk management has increased in uncertainty and investigating project risk management – project success relationship is still relevant and important. While previous research has shown positive relationships among these variables, they have shown different patterns at the industry, organizational level as well as geographically. In addition, organizations are still looking for actionable tips on what risk management practices have the greatest impact on successful projects.

This study is intended to explore the effect of project risk management on projects success through literature review and to develop conceptual framework to explain the role effective project risk management in successful project delivery. The results will contribute to the academic knowledge base and will give practical suggestions for project managers and organizations that would like to enhance the effectiveness of their projects.

1.2. Research Problem

Despite the development of various efficient project management methodologies and international standards, project failure is still a challenge. Many projects keep on suffering from delays, overspending, quality problems, and lack of satisfaction by stakeholders. Project risk management has been identified as an important factor that affects project success, but there is not a common agreement on the effect that various project risk management practices have on project outcomes in varying contexts.

1.2.1. Theoretical Gaps

The general consensus of the literature is that a positive relationship was found between project risk management and project success. But the relationship has been different in different industries and countries, with previous studies reporting mixed results. Furthermore, few studies have adopted a multi-dimensional perspective on project risk management, which includes the identification, assessment, response and monitoring of project risks together. This will leave a theoretical void that needs to be explored further.

1.2.2. Practical Gaps

In practice, there are still many organizations that have not successfully incorporated structured risk management into the project's daily activities. Risk Management is used to be considered a documentation process instead of a continuous management process. Organizations thus continue to have project failures, even when they have made huge investments of time and money in project management. Avoidable risk issues can be addressed by better project performance through understanding of effective risk management.

1.3. Research Significance

This study helps to advance project management literature by enriching the understanding of the project risk management and project success relationship. It also offers a new conceptual canvas that is grounded in recent academic research, and it will be a foundation for future empirical research into project management practices in various organizational contexts.

1.3.1. At the theoretical level

The results will help project managers, organizational leadership, PMOs, and decision makers to enhance the performance of their projects through better risk management. The study also offers practical recommendations that can help to minimize project failures, enhance stakeholder satisfaction, maximize the use of resources, and increase chances of attaining strategic organizational goals.

1.3.2. At the practical level

1.4. Research Questions

1.5. Research Objectives

1.6. Research Hypotheses

1.7. Research Model

1.8. Research Methodology

1.9. Scope of The Study

1.10. The Suggested Project Structure

2.Chapter 2: Literature Review

2.1. Introduction

Brief introduction for the chapter

2.2. The independent variable

2.3. The dependent variable

2.4. The relationship between the independent and the dependent variables

2.5. Conclusion

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