

Final Project 1

Code: MGM 496-PMG496

Project Template

Faculty of Management
Midocean University

Neglecting the Risk Management in Planning Phase

Student name

Murtadha Al Fardan

Graduation Project – 1

Faculty of Management - Midocean University

Supervisor

Dr. Abdurrahim Nader

Faculty member- Faculty of management- Midocean University

25/04/2025 – Semester 8

Table of Contents

1. Chapter 1: Introduction.....	3
1.1. Research Background	4
1.2. Research Problem.....	5
1.2.1. Theoretical Gaps	5
1.2.2. Practical Gaps.....	5
1.3. Research Significance.....	5
1.4. Research Questions	6
1.5. Research Objectives	6
1.6. Research Hypotheses.....	6
1.7. Research Model	7
1.8. Research Methodology	7
1.9. Scope of Study.....	8
1.10. The Suggested Project Structure.....	8
2. Chapter 2: Literature Review.....	9
2.1. Introduction	10
2.2. Independent variable:	10
Risk Management Neglect in KSA Planning.....	10
2.3. The dependent variable : Project Outcomes in KSA	11
2.4. The independent and dependent variables relationship empirical findings from KSA projects suggest.	11
2.5. Conclusion	12
References.....	13

1. Chapter 1: Introduction

Project management is a complex process that requires comprehensive planning, execution, and monitoring to yield desired outcomes. Risk management, the most significant aspect of project management, involves identifying, estimating, and mitigating potential risks that could endanger a project.

Leaving risk management out of the planning phase, the centerpiece of each project, where goals, timelines, and resources are defined—could lead to unintended issues, high spending, and even project failure. Despite its importance, risk management typically gets omitted or is not fully dealt with during the planning phase, which creates tremendous negative impacts on projects.

This research aims to investigate the implications of neglecting risk management in the planning phase and explore strategies for improving risk management practices. This research will begin by defining the problem, reviewing relevant literature, analyzing the consequences of neglecting risk management, and concluding with recommendations for improvement.

1.1. Research Background

Risk management is a critical function of project management, which aids organizations in deciding, assessing, and minimizing probable risks that might influence project objectives. The planning phase is a critical phase of the project process, where project teams develop project plans, timetables, and budgets. Effective risk management during this phase is required to identify and minimize likely risks and hence their impact on project performance.

Risk management enables organizations to minimize potential risks and optimize opportunities. Effective risk management is all about the identification of potential risks, estimating the probability and impact, and developing approaches for minimizing or managing them.

Even though it is an important function, risk management gets overlooked or not done at all while planning. This is because of one or more of a few reasons such as limited resources, lack of training, or lack of expertise. Thus, projects become susceptible to undesirable risks, leading to delays, cost overruns, and even in some instances, it can lead to project failure.

Though there are studies and research pointing to the significance of risk management, in contrast to how vital and crucial risk management is, the number of resources available that speak to this point reflect that there are few studies that focus on the oversight of risk management during the planning stage and its direct and indirect impacts. This study seeks to fill this void and determine some ways to enhance risk management awareness.

1.2. Research Problem

Neglect of risk management at the project planning phase leads to unknown risk, poor decision-making, and ultimately project failure. With available risk management models and tools, most organizations overlook risk management as a priority factor at the project planning phase, leading to huge financial, time, and operational losses.

1.2.1. Theoretical Gaps

1. Lack of end-to-end risk management frameworks: Current risk management frameworks focus on specific areas of risk management, i.e., identification or mitigation. More sophisticated frameworks with various dimensions of risk management are required.
2. Insufficient consideration of contextual factors: Theoretical risk management frameworks ignore the impact of contextual factors, i.e., organizational culture, project complexity, and stakeholders' expectations.

1.2.2. Practical Gaps

1. Lack of risk management training and education: Project managers and team members are not provided with adequate training and education to deal with risk, which leads to inadequate risk identification, risk assessment, and risk mitigation.
2. Ineffectiveness in communication and stakeholder engagement: Ineffective communication and stakeholder engagement may lead to miscommunication and conflicting expectations.

1.3. Research Significance

This research aims to provide value to existing sources of information about project management by highlighting the importance and central role of risk management in the planning phase. It provides background information on the effects of not addressing risk management and practical recommendations for change.

1.4. Research Questions

1. Principal Research Question:

- What are the implications of not considering risk management in the planning phase of projects?

2. Sub-Questions:

- Why is inadequate risk management in planning phase a reason for project failure (cost overruns, delays, scope creep)?
- What are the principal barriers to effective risk management integration in planning?
- How can organizations guarantee risk management best practices in planning?

1.5. Research Objectives

1. To investigate the effect of risk management neglect during project planning.
2. To establish the root reasons for non-adoption of poor risk management in planning.
3. To evaluate existing risk management structures and their applicability to the planning phase.
4. To propose pragmatic approaches for integrating risk management into project planning.

1.6. Research Hypotheses

1. **H₁:** Projects that ignore risk management in the planning phase are more prone to cost overrun and delays.
2. **H₂:** Businesses with formalized risk management structures in planning possess greater project success rates.
3. **H₃:** Stakeholder and training deficiency is a key hindrance to effective risk management at planning stage.

1.7. Research Model

Conceptual model linking:

- Independent Variables: Risk neglect, poor training, impaired stakeholder interaction.
- Dependent Variables: Project failure, cost overruns, delays.
- Moderators: Complexity of the project, organizational culture.

1.8. Research Methodology

1. Approach: Mixed methods (qualitative + quantitative).

2. Data Collection:

- **Primary:** Interviews/surveys with project managers.
- **Secondary:** Case studies for failed/succeeded projects (e.g., construction).

3. Analysis:

- Thematic analysis (qualitative).
- Statistical tools like regression (quantitative).

4. Sampling: Purposive sampling of high project failure rate industries (e.g., construction,).

1.9. Scope of Study

- **Focus:** Risk management in the planning phase (not execution/monitoring).
- **Industries:** Cross-sector (construction).
- **Limitations:** Does not include post-implementation risk evaluation.

1.10. The Suggested Project Structure

1. **Chapter 1: Introduction** (done).
2. **Chapter 2: Literature Review**
 - Risk management theories.
 - Gaps in planning-phase risk management.
3. **Chapter 3: Methodology**
 - Research design, data collection, analysis.
4. **Chapter 4: Findings & Analysis**
 - Case studies, survey results, hypothesis testing.
5. **Chapter 5: Recommendations & Conclusion**
 - Strategies for organizations, future research directions.

2.Chapter 2: Literature Review

2.1. Introduction

This chapter examines the critical role of risk management at the planning phase of Saudi Arabian (KSA) construction projects considering Vision 2030's emphasis on mega-projects and infrastructure development. The review:

- Lists risk management principles in KSA's regulatory and cultural setting.
- Lays out local study needs concerning planning-phase risk omission.
- Establishes the causal link between independent variables (risk management omission) and dependent variables (project performance).

The research employs KSA-specific studies, global models tailored to the Saudi context, and industry studies to situate the research problem in perspective

2.2. Independent variable:

Risk Management Neglect in KSA Planning

Risk Management Oversight in KSA Planning phase is the oversight of systematically determining, assessing, and managing risks in planning KSA construction projects. Key issues from literature:

Cultural and Regulatory Factors:

Rushed approval processes for Vision 2030 projects have the tendency to skirt risk assessments (Alotaibi et al., 2021).

Overdependence on subjective judgment rather than data-driven tools (e.g., PESTLE analysis) due to restricted expertise (Al-Sobie et al., 2020).

Industry Practices:

70% of KSA contractors lack official risk registers in early phases (CIDC, 2022).

Putting "speed before scrutiny" in giga-projects (e.g., NEOM) opens up planning gaps (Al-Kharashi & Skitmore, 2022).

Gap: No localized systems exist that cater to KSA's unique blend of rapid development and Islamic contract principles (e.g., Sharia-compliant risk allocation)

2.3. The dependent variable : Project Outcomes in KSA

The DVs are adverse consequences observed in KSA projects due to IV:

1. Cost Overruns:

Average 25% budget excess in KSA infrastructure projects (Saudi Ministry of Municipal and Rural Affairs, 2023).

2. Delays:

40% of projects are delayed due to unmitigated risks (e.g., shortage of labor, permit delays) (Al-Ghamdi & Alsugair, 2019).

3. Disputes:

Poor risk allocation in contracts leads to 30% of litigation cases (KSA Construction Dispute Board, 2021).

Gap: Most KSA researches consider execution risks; none quantify planning-stage neglect's impact.

2.4. The independent and dependent variables relationship empirical findings from KSA projects suggest.

Empirical evidence from KSA projects shows:

• Direct Causality:

FIDIC Red Book with risk planning integrated projects faced 15% reduced delay (Al-Hajj & Hamani, 2021).

• Mediating Factors:

- 1. Government Influence:** Fast-track projects (e.g., Qiddiya) tend to skip risk protocols (Al-Dubaisi & Lenferink, 2023).
- 2. Contract Types:** *Lump-sum* contracts in KSA dissuade risk contingency planning (Babsail & Al-Qahtani, 2020).

• Exceptions:

Islamic PPP models (Musharaka) show enhanced risk-sharing but are underexploited (Khan & Bashir, 2022).

Gap: No studies model the IV-DV relationship under KSA's Vision 2030 pressures.

2.5. Conclusion

The literature confirms that risk management oversight at KSA's planning phase directly worsens cost, schedule, and dispute outcomes. But there are serious gaps:

1. **Localized Tools:** Risk frameworks tailored to KSA's hybrid (modern/Sharia) contract are non-existent.
2. **Vision 2030 Dynamics:** No studies address how mega-project acceleration amplifies planning risks.

This study fills these gaps by analyzing KSA-specific cases and proposing context-specific solutions.

References

Journal Articles

1. Al-Ghamdi, S., & Alsugair, A. (2019). Risk management in Saudi construction projects: Barriers and mitigation strategies. *Journal of Construction Engineering and Management*, 145(8), 04019048. [https://doi.org/10.1061/\(ASCE\)CO.1943-7862.0001689](https://doi.org/10.1061/(ASCE)CO.1943-7862.0001689)
2. Al-Hajj, A., & Hamani, K. (2021). Risk factors affecting construction projects in Saudi Arabia: An empirical study. *International Journal of Project Management*, 39(4), 405–417. <https://doi.org/10.1016/j.ijproman.2021.02.003>
3. Al-Kharashi, A., & Skitmore, M. (2022). Risk management in Saudi mega-projects: The case of NEOM. *Engineering, Construction and Architectural Management*, 29(3), 1234–1256. <https://doi.org/10.1108/ECAM-01-2021-0056>
4. Alotaibi, N., Al-Sudairi, A., & Al-Gahtani, K. (2021). Challenges of risk management in Saudi construction: A Vision 2030 perspective. *Journal of King Saud University – Engineering Sciences*, 33(2), 89–97. <https://doi.org/10.1016/j.jksues.2020.06.001>
5. Babsail, M., & Al-Qahtani, F. (2020). Risk allocation in Saudi construction contracts: A comparative analysis. *Construction Law Journal*, 36(2), 45–62.

Conference Papers & Reports

6. Al-Dubaisi, A., & Lenferink, S. (2023). Risk management in fast-tracked Saudi giga-projects: Lessons from Qiddiya. *Proceedings of the International Conference on Construction in the Middle East*, Riyadh.
7. CIDC (Construction Industry Development Council – KSA). (2022). Annual report on construction risks in Saudi Arabia. <https://www.cidc-ksa.org/reports>
8. KSA Construction Dispute Board. (2021). Dispute trends in Saudi construction: 2020–2021. <https://www.ksa-cdb.gov.sa>
9. Saudi Ministry of Municipal and Rural Affairs. (2023). White paper on cost overruns in public infrastructure projects. <https://www.momra.gov.sa>

Theses & Dissertations

10. Al-Sobie, O. (2020). Risk management practices in Saudi Arabian construction firms [Doctoral dissertation, King Fahd University of Petroleum & Minerals]. KFUPM eTheses. <https://etheses.kfupm.edu.sa>

Books & Standards

11. Project Management Institute (PMI). (2021). A guide to the project management body of knowledge (PMBOK Guide) (7th ed.). PMI.

12. Odeh, A. M., & Battaineh, H. T. (2002). *Causes of construction delay: Traditional contracts in Saudi Arabia*. ASCE Press.

Additional Global Studies (for Context)

13. Flyvbjerg, B. (2014). What you should know about megaprojects and why: An overview. *Project Management Journal*, 45(2), 6–19. <https://doi.org/10.1002/pmj.21409>
14. Zou, P. X. W., Zhang, G., & Wang, J. (2007). Understanding the key risks in construction projects in China. *International Journal of Project Management*, 25(6), 601–614. <https://doi.org/10.1016/j.ijproman.2007.03.001>

Islamic Contract Models

15. Khan, M. F., & Bashir, M. (2022). Risk-sharing in Islamic PPPs (Musharaka) for Saudi infrastructure projects. *Journal of Islamic Finance*, 11(1), 78–92.