

# THE IMPACT OF EFFECTIVE RISK MANAGEMENT ON PROJECT SUCCESS

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**Abstract:** *The regular perspective of project success in light of cost, time and quality is not any more adequate. The principle target of the exploration work that supports this paper was to examine the effect of powerful risk management processes on project success. In this paper, two contextual analyses of effectively executed projects have been considered to investigate the effect of their risk management processes on the project result. Project 'A' had no visible risk management process actualized along these lines every one of the risks distinguished at the definition organize happened amid the project execution. Project 'B' then again, had some risk management process actualized yet the project still overran plan because of absence of progression in the risk management. The two projects acquired tremendous measures of lost profit for the associations because of their calendar invade. It has been presumed that the reason for the projects disappointment can be specifically identified with the degree of risk management embraced. Additionally, the level of risk management process embraced amid a project impacts straightforwardly on the success or generally of the project. Moreover, powerful risk management ought to be consistently embraced all through the project lifecycle to improve project success.*

**Keywords:** *project management, project success, risk management.*

## I. INTRODUCTION

Moderate evaluations put the cost of project disappointment at £97bn over the European Union (Boddy, 2006). Numerous projects endure invade in cost, postponed timetable, disappointment and even deserting. They may similarly not meet the quality particulars or may not accomplish the advantages for which they were set out upon. The cost of disappointment makes it imperative to comprehend what makes a project successful. Generally, successful project management is investigated on the criteria of execution/quality, spending plan and time of consummation. Two more criteria to decide the successful project management were included by Kerzner (2001). Right off the bat, the project would adequately and effectively use the assets and, besides, it ought to be acknowledged by the client. Projects encompass us as can be affirmed with the development of the Project Management train. Society wants that all projects ought to be successful and has turned out to be less tolerant of disappointment (Edwards and Bowen, 2005). Weight is applied on project supervisors to limit the shot of project disappointment. This expanding weight for successful project conveyance recommend that it is judicious

for anybody engaged with a project to be worried about the related risks and how they can be viably overseen. As per APM (2006), all projects are inalienably risky in light of the fact that they are one of a kind, compelled, mind boggling, in view of suppositions, and performed by individuals. Subsequently, project risk management must be incorporated with the management of projects and ought to be utilized all through the project lifecycle. Numerous projects fall flat since associations accept that every one of the projects would succeed and they in this manner don't recognize, break down, and give moderation or possibilities to the risk components engaged with the project. This is particularly valid with the quick change and expanded rivalry. In this paper, the effect of compelling Risk Management processes on project success is researched inside the setting of two contextual analyses. In the accompanying segment, the idea of project success and its connection to risk management is considered in some detail. At that point, the information accumulated from two contextual investigation projects is dissected. At long last, the examination work is outlined, conclusions are drawn and proposals for future research are presented.

## II. PROJECT SUCCESS

### *Success Factors*

In light of the looks into of different creators (APM, 2006; Turner, 2002; Turner and Simister, 2001; among others), it was resolved that the customary perspective of project success in view of cost, time and quality targets were not adequate. The different partners associated with a project may each have an alternate perspective of what decides the successful project. Kerzner (2001) added two more criteria to decide the successful project. To begin with, the project would viably and proficiently use the assets. Furthermore, it ought to be acknowledged by the client.

Turner (2002) ruins this ordinary perspective of the project success in light of time, cost and quality goals similar to a viewpoint from the perspective of the project group. He distinguished an extensive variety of success criteria, reflecting different partners' advantage and judged over various time scales. These perspectives however varying should be adjusted with a specific end goal to accomplish a successful project (Turner and Simister, 2001)

### *Critical Success Factors*

Critical Success Factors are components inside the project setting/condition which ought to be controlled to build the likelihood of a successful project result. The nearness of these factors in a project does not ensure a success but rather their nonappearance may add to disappointment. Numerous

creators (e.g. Rozenes et al., 2006; Dooley et al., 2005; Maylor, 2003; Turner, 2002; Kerzner, 2001) have recognized the accompanying as critical factors to the success of a project:

- Definition of clear goals.
- Management support.
- Detailed project plan.
- A defined control mechanism.
- Communication- client consultation and acceptance throughout the project lifecycle.
- Competent and technically able project team.
- Flexibility of the Project Manager to deal with uncertainty.
- The project owner should take an interest in the performance.

Appropriate planning of the project determines a baseline which outlines a course to steer in the execution of the project. In project execution, actual progress usually deviates from the baseline plan. Rozenes *et al.* (2006) stated that the deviations can be due to the following:

- Owner Interference/ Scope creep.
- Inadequate constructor experience.
- Financing and payments.
- Labour Productivity due to learning curve, sickness, absenteeism.
- Slow decision-making.
- Improper planning.
- Subcontractor's late deliveries.

#### *Project Benefits*

Benefits management then again is the distinguishing proof of the benefits at an authoritative level, observing and accomplishment of those benefits (APM, 2006). Project benefits can be estimated either subjectively, e.g. as far as consumer loyalty, or quantitatively e.g. as far as benefit or increment in piece of the overall industry. The accomplishment of the project success criteria can be estimated at the project closeout and handover period of the life cycle while the benefits must be inferred after this stage. This thusly implies the responsibility for advantage acknowledgment rests with the project support instead of the project supervisor. Key Performance Indicators (KPIs) are quantitative measures of success criteria and following of the KPIs would guarantee the project is adjusted towards success.

#### *Risk Management and Project Success*

To expand the odds of a proposed project succeeding, it is vital for the association to have a comprehension of potential risks, to deliberately and quantitatively survey these risks, expecting conceivable circumstances and end results, and afterward pick proper techniques for managing them (Mobey and Parker, 2002). To guarantee that any potential risks are overseen successfully, the risk process should be unequivocally incorporated with the basic leadership process. Risk management is in this manner a vital apparatus to adapt to such significant risks in projects by: (an) evaluating and finding out project feasibility; (b) breaking down and

controlling the risks with a specific end goal to limit misfortune; (c) easing risks by legitimate arranging; and (d) staying away from dissatisfactory projects and accordingly improving net revenues (Lam et al., 2007).

Applying standards of risk management underpins the quality change and enhances cost estimation by distinguishing and alleviating potential risks previously a project starts. Risk management sets up processes to guarantee management gets sorted out risk data sufficiently early to apply restorative activities that will permit sensible timetable and cost assesses and guarantee successful culmination of the project (Tinnirello, 2000). Risk management standards increment group inclusion by giving a component to the announcing of potential issues and expanding the group's stake in the general success of the project. The implanting of risk is a long-term exercise to guarantee that risk thought is at the core of the basic leadership process (Hodge, 2002). Inability to acknowledge risk issues may offer ascent to genuine results (Fraser and Henry, 2007)

### III. CASE STUDIES

In this area, two contextual analyses of the beforehand executed projects are examined in detail in light of their pre-determined and pre-concurred success criteria set by partners. In accordance with the classification concurrence with the interviewee, the contextual analysis projects would be called Project 'An' and Project 'B'. The two projects were attempted in the Oil and Gas Industry.

#### *Investigation of Case Study Method*

To guarantee that the information acquired is a genuine illustrative of the contextual analysis projects, different records identified with the projects have been gathered and investigated. A 'logical' approach is received for the understanding of the information. This information was gotten from organized meetings and audit of the contextual analyses reports. Plus, the Risk Management Consultant has been met to pick up an understanding into what the risk components associated with the projects were. Other key project management faculty engaged with the contextual analysis projects have moved outside UK and even Europe following the disband of the project groups. They along these lines were not open for the meeting as endeavors reached them demonstrated unsuccessful.

The Risk Management Consultant accessible for the meeting has been addressed so as to get a goal reaction. He similarly gives a target conclusion of the risk management mistakes made amid the project execution and how they influenced the project result. 'Open inquiries' have been utilized to empower the interviewee develop his answers. Extra data is acquired from the documentation looking into it think about projects. The subjective information acquired from the organized meeting are gathered under particular inquiry headings for simplicity of investigation.

Contextual investigation 'A'

#### Project Overview

Project 'A' was executed in West Shetland on the Atlantic Ocean. It was a piece of a \$600 stage project for the advancement of a boring module, generation module and convenience. The association contracted a Risk Management Consultant to dissect the risks engaged with a part of the stage project. This part of the project is the thing that would henceforth be known as Project 'A'. It was a \$200 project including the supply of 11KV energy to the Drilling Systems Module (DSM) and Derrick Equipment Set (DES) through the reentry of the 10Z tie back well. The Drilling Modules would be mechanically finished and snared to the stage. The 10Z tie back well is a raised module that conveys the oil being penetrated up to the stage. The extent of this project was the attach and commission of the penetrating frameworks commission and Integrated Assurance Test (IAT) as it were.

This project included the boring office of a motorized apparatus between the confirmation periods of the authorizing and Integrated Assurance Test (IAT). The appointing stage is the confirmation of outline and usefulness of gear and coordinated frameworks. The IAT stage is the check that the comprehensive idea of the boring apparatus and team meet the required operational standard. As a result, the authorizing period of the project is as essential to the IAT just like the skill level of the group. It affirms the boring module is in a sheltered condition following development (drops overview, lifting gear affirmation, and so on).

#### Predetermined Success Criteria

The success criteria for this project were in accordance with the conventional project targets of time, spending plan and quality. Be that as it may, the accentuation was more on time and accomplishing the boring of the 'principal oil' by a pre-determined date of 07/01/2005. On the off chance that the planned time for project consummation was not met, the association remained to lose income on the barrels of oil they would have bored every day. This was around 60,000 barrels/day at \$50/barrel.

This accentuation on time as a success foundation was similarly reflected in the kind of agreement the association had with its work constrain. The agreements with specialists were the 'reimbursable' sort where laborers were paid hourly in view of their profitability and information.

#### Contextual investigation 'B'

##### Project Overview

Project 'B' was a \$30m project for the redesign of the Mobile Offshore Drilling Unit of an Oil and Gas organization by Contractors. For simplicity of portrayal and furthermore in accordance with the secrecy assention, the Organization would be alluded to as 'ABC' while the Contractors are 'XYZ'. 'XYZ' was to overhaul the apparatus and on finish, rent it out to 'ABC'. It was to experience a pre assembly updating and alteration program at a Brazilian Shipyard to meet ABC's agreement necessities. The boring unit was to be transported from Brazil to Angola where it would be utilized.

'XYZ' was to complete the redesign before the apparatus is towed to Angola. The extent of Project 'B' was from the time 'XYZ' began the move up to the start of the travel time frame from Brazil to Angola. It additionally incorporates the ocean trials

The Risk Consultant was appointed by 'ABC' Project Team to give autonomous project management affirmation audit, checking and approval of the 'XYZ' Upgrade Project's quality, specialized respectability, advance estimation and turning point figure fruition. The expert additionally determined whether the proposed yard remain of 85 days was a sensible span for all redesigning errands 'XYZ' has wanted to execute. Similarly as with Project 'An' over, the Risk Management Consultant checked on the approach their Client was taking in dealing with the project in order to give a decent examination of what may happen. They distinguished key risks through conceptualizing, meeting the project group and audit of comparable projects. Utilizing likelihood programming they anticipated a 10% likelihood of accomplishing the 85 days plan on 27/04/2005 and a half likelihood of 6days span overwhelm to 03/05/2005 in view of un-relieved calendar (Appendix 7a). They additionally recognized the assignments for the most part influenced by the risks as appeared in Appendix 7b joined. In view of moderated plan, the advisor anticipated a 10% likelihood of a 82days span under-keep running on 24/04/2005 and a 90% likelihood of a 84days length under-keep running on 26/04/2005. Appendixes 8a and 8b joined demonstrate the risk evaluation forecast and the undertakings prone to defer the project finishing. The objective of finishing the dock remain inside the booked culmination date of 27/04/05 was achievable and can be surpassed by fruition before the date. This must be conceivable if 'XYZ' completely actualizes its intends to alleviate and deal with the distinguished project risks. The advisor prescribed approaches to relieve the risks and in this way increment the project success. This suggestion was somewhat clung to as 'XYZ' mitigated a portion of the risks recognized.

#### Predetermined Success Criteria

Apparatus overhaul projects regularly have two principle drivers/success criteria. These are Cost and Schedule. The driver that outweighs everything else relies upon the period of time the project can be arranged and executed in. As a rule, if the apparatus is being moved up to go quickly onto an agreement, the project can be portrayed as a calendar driven project. Along these lines, Project 'B' can be depicted as a calendar driven project as it would have been rented to 'ABC' quickly after the redesign.

#### Examination of the Project Success

The Upgrade Risk Review authorized by 'ABC' distinguished a few zones of risk and included suggestions for 'XYZ' to finish a coordinated calendar and formal Risk Review. The consequences of the Consultant's survey were issued to 'XYZ'. With regards to the estimation of the project, the greatness of the work and its significance to 'XYZ', it is hard to comprehend why 'XYZ' overlooked proposals made by the

Consultant's report and neglect to finish a more careful Risk Assessment.

#### Discoveries from Structured Interview

As he would like to think, the Risk Management Consultant recognized the reasons for the project disappointment as "absence of a risk management process in Project 'An' and absence of a nonstop risk management process in Project 'B'." He broke down that there was an immediate connection between powerful risk management and project success. In his words, "Viable risk management upgrades project success. It distinguishes the key risks, evaluate them and plan an alleviation or possibility for them. Without a compelling risk management, the Project Manager would 'respond' to the risks as they happen against the alternative of being 'proactive' and deal with the risks previously they happen."

The Consultant prescribed a constant viable risk management in project management. In his words, "Successful ceaseless risk management monitors risk components, what is being done about them and distinguishes new risks."

From the reactions by the interviewee, the disappointment or generally of Projects 'An' and 'B' were straightforwardly identified with the risk management process embraced amid the project lifecycle. In Project 'A', there was no apparent type of risk management embraced amid the project lifecycle. The project director did not hold fast to the risk report submitted nor did he have a visible risk management design of his own. Project 'B' was distinctive in that there was some risk management attempted amid the lifecycle. The reason for the calendar overwhelm was that the Project Manager did not persistently attempt the risk management process all through the project life cycle.

#### IV. CONCLUSIONS AND RECOMMENDATIONS

A literature review of project success and risk management has been embraced. It has been discovered that the customary perspective of project success in view of cost, time and quality goals isn't adequate. In addition, project success has been believed to be relative in light of the pre-determined and pre-concurred success criteria set by every one of the partners. A point by point examination of the risk management processes actualized amid two already executed projects has been attempted to build up the connection between the level of risk management and the project result. It has been set up that there was an immediate connection between the compelling risk management and project success in view of the contextual analyses. Moreover, it can be contended that the more powerful persistent risk management executed in a project, the higher the odds of project success. While the discoveries point to general territories that could profit by advance examination, there exist two confinements which may have a heading on the result of the exploration. Initially, the little example size of two contextual analysis projects would not give a dependable and legitimate information to make a distinct conclusion, especially with inaccessibility of most key project management work force engaged with the contextual investigation projects. This

implied an assortment of assessment through organized meeting was not got. Additionally examine into all components of the manner by which projects were run would need to be embraced to determine in the event that one component enhanced the project success rate essentially.

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