Towards integrating construction risk management and stakeholder management: A systematic literature review and future research agendas

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Abstract

We propose that integrated management of construction risk and stakeholder is feasible and can promote the effectiveness of both risk management (RM) and stakeholder management (SM). A systematic literature review is conducted on the current construction literature involving both RM and SM, through which we identify four linkage modes between risk and stakeholder management. We further suggest future directions that enable integrating risk and stakeholder management to benefit the management process and/or management outcome of RM and SM. These linkages and directions shed light on enhancing the effectiveness of RM and SM through new ways of thinking about, analyzing, and then managing risks and stakeholders in a holistic and integrated way, but not the traditional endeavor in individual areas. Integrating risk and stakeholder management is challenging, but can be a novel way for improving project performance for which this research conceptually justifies its feasibility and benefits, which merits further study.

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1. Introduction

“No construction project is risk free” (Latham, 1994, p. 14). To pursue the success of construction projects, risk should be managed effectively (Chapman and Ward, 2004; Du et al., 2016; Zou et al., 2007). Construction projects are also frequently faced with complex problems related to stakeholders, including conflict among project team members such as clients and contractors (Hwang and Ng, 2016; Lehtiranta, 2014), as well as protest from external parties such as the affected community (Mok et al., 2015; Olander, 2007). Meta-analyses of stakeholder theory applications in a project context have shown that management of stakeholders is vital to the successful implementation of various kinds of projects, among which the construction industry is a dominant sector (Achterkamp and Vos, 2008; Littau et al., 2010). Despite the salience of both risk management (RM) and stakeholder management (SM) in construction projects, there are still numerous project failures resulting from poor management in risk and stakeholder (Flyvbjerg et al., 2002; Mok et al., 2015). It thus calls for much more effort from the theory and practice on these two critical issues.

Efforts have been devoted to promoting the effectiveness of both RM and SM. However, these efforts are largely undertaken in isolation, with little crossover between the two areas. That is, the existing literature mostly endeavors to improve either RM or...
SM in individual areas, whereas integrated management of risks and stakeholders is an overlooked and under-researched area, impeding theoretical and practical developments of an overall approach to risk–stakeholder management. We propose that integrated management of construction risk and stakeholder is feasible and can promote the effectiveness of both RM and SM. We distinguish that both RM and SM comprise a process domain and an outcome domain, and the effectiveness of RM and SM covers the process and outcome domains. Integrated management in the project and the organization context has been demonstrated to reduce objective conflict, achieve more efficient resource allocation, improve mutual management effectiveness, and bring new perspectives for managerial practices, sustainable development, and so on (Bernardo et al., 2015; Kerzner, 2001; Loushine et al., 2006; Love et al., 2016; Rebelo et al., 2016). Hence, risk–stakeholder integrated management, if feasible, will be of benefit to project managers who, in many cases, have to concurrently manage complex, multiple tasks.

We first conduct a systematic literature review to better understand whether and how RM and SM might be connected, namely, the possible linkage modes between construction risk and stakeholder management. After the identification of possible risk–stakeholder linkage modes, we aim to identify two-way benefits for construction RM and SM effectiveness through thematic analysis and discussion on each linkage. Finally, we propose future research directions for each risk–stakeholder linkage and an overall research roadmap for enabling mutual effectiveness in RM and SM and ultimately the establishment of IMSs for construction stakeholders.

With the research framework outlined in Fig. 1, the overall goal is to address the following two unanswered questions in the literature: (1) how do RM and SM connect according to the literature; (2) is risk–stakeholder integration feasible in construction and if feasible, can integration produce mutual benefits to the effectiveness of construction risk and stakeholder management in their management processes and/or management outcomes.

2. Risk, stakeholder, and their similarities in the construction context

In the construction project context, the current state-of-art research defines risk as an uncertain event that, if it occurs, has a negative (threat) or positive (opportunity) impact on one or more project objectives (Chapman and Ward, 2003; Lehtiranta, 2014; Olsson, 2007; PMI, 2013). Following this definition, the purpose of project RM is to increase the likelihood and impact of positive events, and reduce those of negative events in the project (Arashpour et al., 2017; Hwang et al., 2014). To fulfill this aim, RM in construction projects is normally characterized by a systematic process of collecting documents and making plans for RM, identifying and classifying, analyzing and assessing, responding, and controlling project risks (Lyons and Skitmore, 2004; J. Wang et al., 2016; Zou et al., 2007). By providing information for risk decision-making, risk analysis and assessment is the core of RM process (Aven, 2016) and this RM stage often involves analyzing the causes and consequences of risks and making judgments about how large or small the risk is. Various metrics were used for assessing risk among different domains, for example, in finance risk management, metrics include both moment-based (e.g., expected loss functions and quantile-based (e.g., Value-at-Risk (VaR)) metrics (Alexander and Sarabia, 2012; Aven, 2016); in the construction industry, the dominant metric is the multiplication of the risk’s probability and severity (Taroun, 2014).

Compared to the widely acknowledged risk concept, a clear definition of stakeholder in the project context is lacking (Achterkamp and Vos, 2008). The stakeholder concept originated in 1963 at the Stanford Research Institute (now SRI International, Inc.) (Freeman, 1984). A fundamental question in the stakeholder literature is “who are the stakeholders” (Littau et al., 2010; Mitchell et al., 1997) and there have been two general directions for developing the stakeholder concept. The dominant direction is the broad stakeholder perspective, which argues that the ignorance of any entity can prevent the achievement of organizational purpose, and so encompasses all potential stakeholders (e.g., Freeman, 1984). From this perspective, Freeman (1984) defined stakeholders as “any group or individual who can affect or is affected by the achievement of the organization’s objectives.” The other direction adopts a narrow stakeholder perspective by contending that organizations should or can only deal with finite stakeholders due to limitations in factors such as resources and capability (e.g., Clarkson, 1995). As argued by construction studies (Oppong et al., 2017; Xia et al., 2017; Yang et al., 2014), a broad stakeholder definition seems to best fit construction
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