



Cultural sense-making integration into risk mitigation strategies towards megaproject success

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Abstract

Megaprojects have been described as extremely large-scale infrastructure projects typically costing over \$1 billion (Brookes, 2015). They are complex, take many years to develop and involve a multiplicity of stakeholders (public and private) to effect the proposed transformational benefits which impact millions of people (Flyberg, 2014). The nature of megaprojects depending on their management have either positive or negative impact on stakeholders and strongly influence megaproject success within the context of the iron triangle (cost, quality & time) (Atkinson, 1999). Consequently, social responsibility initiatives to better manage stakeholder risk and support successful execution of projects are often deployed. However, such initiatives often backfire and further challenge project delivery resulting in stereotyping and utilization of one size fits all approaches.

This paper explores the implementation of megaprojects and their risk associated with social responsibilities (SR) in megaprojects through the lens of cultural sense-making. The paper propositions that a requisite understanding of the socio-cultural context of stakeholders through sense-making can act as a lever in stereotyping reduction thus improving risk management associated with megaproject success. The paper applies a problematization (Alvesson and Sandberg, 2011) perspective challenging underlying assumptions regarding existing risk management approaches in megaproject management and closely examining existing gaps as it relates to successful implementation.

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1. Introduction

Brookes (2015) described megaprojects as extremely large-scale infrastructure projects typically costing more than \$1 billion. They range from power-plants to transportation, are complex in nature and traditionally have a track-record of cost overruns and poor delivery. Historically, megaprojects have represented an economic flagship for implementing countries as they flaunt the perceived prosperity of executors and symbolize economic dominance. The development of megaprojects represents a valuable proposition due to the specificity of their characteristics as identified by the six “C” (Frick, 2008), which characterize megaprojects as follows: *colossal, complex, captivating, controversial and having control issues*. These “C’s” present varying degrees of complexity requisite for both theoretical comprehension of the nature of megaprojects as well as methodological assessment and empirical analysis for practitioners, academics and novices towards a better understanding of the megaproject phenomenon. Moreover, as (Flyberg, 2014) stated the impact of

megaprojects have significant impact on the development of society and its structures. Hence, interest between public and private stakeholders as it relates to the need for socially responsible behaviour should not be an afterthought but ingrained in the psyche of megaproject planners to ensure that public interest are adhered too as well as yield the required benefits (social or economic) inherent with their development.

Megaproject operate within a defined framework. Greiman (2013) defines the megaproject framework as consisting of three main elements. The first is “concept and strategy” which is a direction in a project that contributes to a project’s survival and success in its environment and aligns with the project’s parent organization’s goals. The second is “Theory” which results from concepts and casual relationships related to these concepts (Whetten, 1989); thus contributing to understanding and predictions for future behaviours. The third is “Practice” which is a type of management activity that employs tools and techniques. This is further broken down into policy, process and structure (Greiman, 2013). The structure is a framework

which consists of policies as well as procedures to break down projects into manageable activities. The structure is divided into financial, organizational and governance. The financial structure deals with how a project is financed: from sponsors to revenue stream. The organizational structure defines the responsibility of people and who reports to whom. The governance structure acts as an oversight and a function for decision-making. [Guangshe et al. \(2013\)](#) further explain that governance ensures that there is coherence between realizing organizational objectives and the resources and processes used in the project.

However, while these structures exist the drivers behind megaprojects are often propelled by factors which do not always take stakeholders into consideration. [Kolk and Pinkse \(2006\)](#) alluded to the many corporate social responsibility scandals (Enron, Worldcom, Vivendi Volkswagen etc.) where companies have failed to take care of varying stakeholder interest. These companies for the most part demonstrated a lack of moral duty to account to its stakeholder focusing primarily on shareholder interest. To illustrate an example of stakeholder neglect in megaprojects the Pascua Lama Gold and Silver mine represents an important example. This project was a collaboration between the Chilean & Argentinean borders located in the Atacama Desert region ([Gordon and Webber, 2008](#)). Barrick Gold, a Canadian-based company and one of the world's largest gold miners commissioned construction of the mine in the mid-1990s with an estimated capital expenditure on the project of approximately \$1.2 billion USD. Since its inception the project has been plagued by issues (environmental & social) which eventually cause the project to cease activity for a significant period. Central to the argument on the role of cultural sense-making in megaprojects some key issues emerged. The failings of this initiative demonstrated the impact a lack of cultural sense-making can have on megaproject success. The evidence is demonstrated not only through the profit maximization approach above all else of Barrick (ignoring key requirements such as environment impact) which exacerbated risk, created significant cost-overruns and put the project at a standstill but also factors such as:

1. The lack of due consideration by Barrick for the damage that their proposed mining activities caused from an environmental and agricultural economic perspective.
2. Violation of the [Equator-Principle \(2015\)](#) whose objective is to assess projects for social and environmental risk, a key component of the region's emphasis on protecting communities & the environment.
3. The long-term impact on local farmers and the indigenous communities given that the proposed operations would run for approximately 20 years and provide significant employment opportunities to the community ([Wadi, 2014](#)).
4. The failure by Barrick to successfully engage NGOs and environmental groups on sensitive issues such as the impact of glacier removal and aquifer destruction created by mining activities.

These factors significantly impacted this megaproject's failure. However, the metrics attest to a larger issue regarding Barrick's to properly engage communities in good social

responsibility by ignoring their concerns and disregarding key cultural pain-points that local communities perceived as critical to the projects implementation and continuity. ([Freeman and Hasnaoui, 2011](#)) discussions on the proposed role of companies to act responsibly and ethically towards their stakeholders and not just shareholders, reinforces theoretical views requiring companies to balance capital investment decisions with larger stakeholder impact factors such as culture. Barrick's disregarded of stakeholder input (i.e. indigenous communities, NGOs & Environmentalist) in favour of box checking exercises such as conducting an Environmental Impact Assessment simply to appease illustrates the organization's inability to both address critical stakeholder risk as well as assess the larger negative impact of image perception which continues to plague them today. Their failure to take into account external stakeholder influences and value of the indigenous community plays into the preconceived perceptual schemas of institutions utilizing their own lenses and failing to make sense of individual pieces and how they fit with the larger picture. It further highlights the dangers of a lack of understating of the interrelationship amongst values and/or how they relate to one another in given context of megaproject development.

[Flyberg \(2014\)](#) introduces three "sublimes" which have a significant impact on megaproject success and dependent on their management impinges on stakeholders negatively or positively as it relates to social responsibilities. The first is the political sublimes which assumes the delight politicians get from development of megaprojects for themselves and their various causes. These projects attract a lot of media attention and look like pro-activeness on the part of politicians. They are usually replete with ceremonious ribbon-cutting at the commissioning with the aim of aiding their re-election bid ([Flyberg, 2014](#)). The economic "sublime" is the glee businesses people get from making money from megaprojects. Their enormous budgets make such projects attractive to engineers, investors, architects, bankers and others all aimed at profit maximization for respective firms. Finally, the aesthetics sublime is the pleasure derived from a good design which is largely iconic. However, while the goals of megaprojects may be noble these sublimes at times have greater influence often at the expense of good social responsibilities and ultimately resulting in stakeholder neglect. Socially responsible drivers for megaproject implementations as described by [Bornstein \(2010\)](#), i.e. those in which megaprojects act as a tool e.g. urban development are a requisite for good stakeholder management and demonstration of social responsibilities. Megaprojects conformity to an urban development model which is favoured by many governments usually result in positive impact across all groups. They can be used to redefine a neighbourhood or a city as a whole creating multiple layers of value added. According to [Hudson \(2001\)](#), economic impact analysis of megaprojects does not consider alternative use of resources and as such socially responsible alternatives may not be sought or beneficiaries consulted to achieve better method of weighing options via conduct of activities such as cost–benefit analysis ([Preuss, 2009](#)), as such stakeholder suggested alternatives may be ignored. The primary focus of megaprojects and projects in general is successful completion. Project management

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