

# Chapter 9

## Reinvigorating Organizational Effectiveness and Sustainability Through Risk Assessment Tools Within the Construction Industry

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### ABSTRACT

*“Risk comes from not knowing what one is doing” is the what everyone believes in, and when it comes to business organisations, it is inevitable. In this modern set up, every organisation has to be vigilante towards the unforeseen risk factors and uncertain situation they tend to face as organisations grow. The landscapes of risks globally have become quite dynamic, making them hard to predict and identify, which calls for a reform in the risk management toolkit of every organisation so as to not just assess risk beforehand but also to mitigate it in time. The authors in the present study construct critical investigative insights regarding how these risk assessment tools (qualitative, quantitative, and hybrid) are effective in enhancing organisational effectiveness in view of their perceived benefits.*

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## **INTRODUCTION**

We live in a world of constant volatility, spread across all fields of human life where risk and uncertainty are common characteristics affecting all the components involved in these respective fields. Though risk and uncertainty are omnipresent, their presence within business activities is detrimental to a larger group of society which ultimately have an adverse effect on the growth and development of a nation. From the advent of the industrial revolution in the 18<sup>th</sup> century to contemporary digital transformation, the landscapes of risks globally have become quite dynamic making them hard to predict and identify. Therefore it has become crucial and inevitable to understand and assess the threats posed by ever-evolving risks, where knowledge about these impending risks will assist entrepreneurs, start-ups and other MSMEs in identifying them at their inception stage, to make well-informed decisions (Indian Risk Survey, 2018).

To be a pioneer in the journey towards success within this competitive global scenario, organizations are required to accept and manage risks in their business portfolios. Risk assessment is a prerequisite for all industries but when it comes to the present study, authors have selected the construction industry for the study in view of its significant contribution towards the nation's growth in the present and future to come. India's Gross Domestic Product is supposed to reach US\$ 6 trillion by the end of 2027 and achieve upper-middle income status through digitization, globalization, favourable demographics and reforms. With improvement in the economic scenario, there have been various investments that are directed towards various sectors of the economy.

With opportunities and investments multiplying in the construction industry, this industry is vulnerable to a plethora of risk factors arising in different forms. Thus organizations must view the bigger picture of managing these risks for the betterment of organizational activities.

## **CONSTRUCTION INDUSTRY**

The construction industry is one of the prime indicators of development and is a booming industry when it comes to attracting foreign direct investments and funding from international agencies. Indian construction industry constitutes a central part of the economy, as it accounts for almost 11% of India's GDP. As per the Indian Brand Equity Foundation (IBEF) the construction industry is attributed to a significant part of its development activities where it constitutes 40%-50% of India's capital expenditure on projects in various sectors such as highways, roads, railways, energy, airports, irrigation, etc. The Construction industry in India is expected to grow at 5.6% during 2016-20, compared to 2.9% during 2011-15.

The construction market in India is also expected to grow as the third-largest globally by 2025 and its revenue is estimated to reach \$5 billion by the year 2020. The construction sector is also assigned with the responsibility of propelling India's to become a hub of construction & development projects and eventually shape up the creation of world-class infrastructure within the country. With future opportunities and challenges that India is supposed to face in upcoming years, risk management becomes an important tool within the construction industry to analyze and manage risks within the projects which pose a threat to risk managers. In general construction projects are perceived to carry significant inherent risks as it involves different contracting parties, such as owners, designers, contractors, subcontractors, suppliers, etc. (PMI 2013). This phenomenon of the construction industry often affects project time, cost and quality.

In general construction projects operate in complex and dynamic environments with high uncertainty and risk, which are further entangled with time, cost and quality constraints. It is also vulnerable to the

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