Chapter 1

Introduction

Background and Significance of Research Problem

Effective risk management is critical to the profitability and sustainability of China's building industries. Construction projects are fraught with uncertainty, and failure to identify, assess, and manage risks can result in project delays, cost overruns, safety incidents, and reputational harm. Organizational variables have a crucial impact in establishing risk management methods within construction organizations. Therefore, knowing the effects of these elements is vital for improving risk management effectiveness and promoting corporate success. The purpose of this research is to look into the impact of organizational characteristics on risk management in the Chinese construction industry, with a particular emphasis on improving risk management procedures for Company B.

1) Industry-wide Risk Management Improvement:

The outcomes of this study will add to the body of knowledge on risk management in the Chinese construction industry. By identifying the organizational characteristics that drive risk management practices, the study can provide insights and recommendations for improving risk management strategies and processes across the industry. This can lead to more efficient project execution, lower costs, more safety, and superior project outcomes.

2) Company B's Business Situation:

Company B, as a representative construction firm in China, has a number of risk management problems. These obstacles may include ineffective risk identification, insufficient risk assessment procedures, inadequate risk mitigation measures, and limited organizational support for risk management efforts. By studying the organizational characteristics that effect risk management, this study can provide Company B with important insights into areas of improvement and offer specific recommendations for increasing risk management procedures.

3) Problem Faced by Company B:

One of the primary problems faced by Company B is the lack of a comprehensive risk management framework and a supportive organizational culture. This might lead to reactive rather than proactive risk management procedures and impair the identification and mitigation of possible problems. The research will look into how organizational characteristics including leadership commitment, employee engagement, risk communication, and organizational structure affect risk management at Company B. Understanding these aspects will aid in addressing the company's specific difficulties and providing meaningful ideas for change.

4) Advantages of Better Risk Management for Company B:

Improving risk management techniques can benefit Company B in a variety of ways. For starters, by proactively identifying and addressing potential hazards, it can help reduce project delays and cost overruns. Second, improved risk management can improve safety outcomes, resulting in a safer workplace and fewer accidents and injuries. Third, effective risk management can boost a company's brand and credibility, which leads to improved client trust and commercial potential. Furthermore, effective risk management can help Company B with resource allocation, optimal decision-making, and overall operational efficiency.

Adeleke, et.al. (2018, pp. 115-124) contend that organizational external factors have a major impact on risk management in construction firms. According to Dionne (2019, pp. 7-34), knowing risk management principles and techniques is critical for improving overall organizational performance. Gravitt (2013, pp. 45-57) highlights the importance of risk management in the construction sector, as well as its impact on project success and performance. Hofmann and Scordis (2018, pp. 309-333) examine the obstacles faced in adopting risk management ideas in practice and the need for a greater understanding of organizational elements influencing risk management outcomes. Kousky and Kunreuther (2018, pp. 181-204) discuss the responsibilities of the public and private sectors in risk management, emphasizing the significance of collaboration and coordination in risk mitigation. Zhao, et al. (2013, pp. 1199-1214) identified important success elements for enterprise risk management in Chinese construction enterprises, which can be used to influence future research on organizational factors influencing risk management in the Chinese construction industry. These citations offer a look into the existing research and literature that supports the necessity for more research into the impact of organizational characteristics on risk management in the construction sector. By addressing the specific issues faced by Company B and presenting ideas for improvement, this study can contribute to advancing risk management methods and enhancing company performance in the construction sector.

Research Objectives

1. To investigate the influence of factors on risk management among construction industries in China.
2. To suggest the construction organizations to avoid risks in the future.

Research Hypothesis

1. Rules and regulations has a significant influence on risk management;
2. Risk impact has a significant influence on risk management;
3. Risk nature has a significant influence on risk management;
4. Strategy priority has a significant influence on risk management.

Scope of the Study

1. This study will be limited to the overall situation of comprehensive risk management for Company B in 2023.
2. This study will be limited to the attitudes and personal views expressed in a scientifically constructed questionnaire from a sample generated by random sampling method of the entire personnel of Company B.

Conceptual Framework

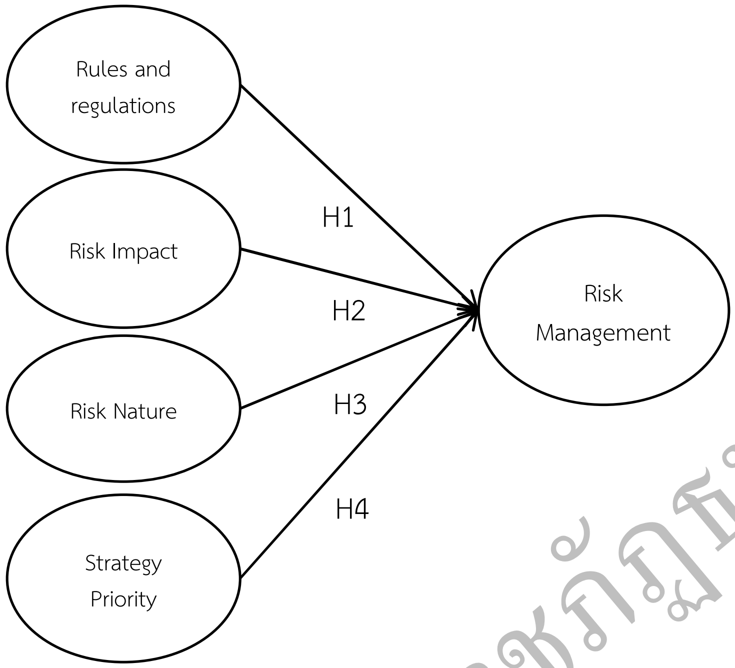

Figure 1.1 Conceptual framework

Definition of Terms

1. **Risk Management**

Because risk management is ubiquitous in all aspects of enterprise production activities, managers must devote a lot of effort to identify and control risks. The study of risk is becoming increasingly difficult since the concept of risk can vary from person to person depending on their perspectives, attitudes, and experiences. The process of detecting, evaluating, and controlling the financial, legal, strategic, and security risks that an organization faces in order to protect its capital and earnings is referred to as risk management. These dangers, often known as risks, could originate from a broad variety of different places, such as unpredictability in the financial sector, legal responsibilities, mistakes in strategic management, accidents, or natural disasters.

In the case that an unexpected incident takes your business by surprise, the repercussions may be relatively mild, such as having a modest effect on the overhead expenditures. The worst-case scenario, on the other hand, is that it will be catastrophic and have substantial repercussions, such as a significant increase in your financial load or perhaps the termination of your organization.

An organization needs to allocate resources to minimize, monitor, and control the impact of negative occurrences while simultaneously increasing the number of favorable events in order to reduce risk. If risk management is approached in a way that is consistent, systemic, and integrated, it will be possible to establish how to best detect, manage, and reduce serious risks (Adeleke, et al., 2018, pp. 115-124).

2. Rules and Regulations

The definition of rules and regulations is "a statement, standard, or procedure of general applicability adopted by the board of an organization to address certain issues related to the types of construction materials to be used, process and steps involved before project execution, and employee safety." In the jargon of the law, we refer to the process through which laws are enacted, sometimes known as "acting," as "legislation." The legislative mandates are carried out by the executive branch of the government. And in order to accomplish this goal, rules governing the implementation of these acts — that is, how they would be applied to the entire population — are drafted. At the time that an act is being drafted, there are certain concerns that are not taken into account or addressed in any way. In addition, the power to draft legislation in the form of laws to address these concerns rests with the central government. Therefore, at the central level, whenever parliament creates a new act, the central government is the entity that is entrusted with the authority to set rules for the new act. On the other hand, if a state legislative assembly passes an act, then the state government has the authority to draft rules to control the implementation of that act (Adeleke, et al., 2018, pp. 115-124).

3. Risk Nature

Risks with a natural asset loss component are known as risk nature in risk management. They could have an effect on businesses or economies directly via operations or negatively through social effects that lead to market hazards. These mechanisms of risk formation are shared both hazards associated with nature and risks associated with climate change. That is to say, both parties are concerned with the repercussions of a threat being material as a result of exposure and vulnerability in the face of a (unexpected) change in the operational conditions. By incorporating the risks posed by natural phenomena into their decision-making processes, businesses can improve their ability to foresee potential dangers and better prepare themselves to deal with any resulting fallout. This preparation provides better response times, the availability of resources and increased efficiency, the optimization of products, and decreases in additional fines or costs in a world that is constantly changing (Adeleke, et al., 2018, pp. 115-124).

4. Risk Impact

The projected harm or unfavorable outcome that may result from exposure to the risk is known as risk severity (also known as risk impact). In other words, it assesses the potential severity of a situation should a certain Risk come to pass.

Expected Benefits

1. It can analyze the risk of making risk management decisions within the construction industry. Improved project outcomes: Effective risk management practices can significantly reduce the impact of risks on project outcomes. Investigating the factors that affect risk management can help construction companies develop effective risk management strategies to improve project outcomes.

2. Be able to design the most suitable solution for comprehensive risk management in the construction industry. Cost savings: Poor risk management practices can lead to cost overruns and delays, which can be detrimental to project success. Investigating the factors that affect risk management can help construction companies identify cost-saving opportunities by implementing effective risk management practices. Improved safety: The construction industry is inherently risky, and effective risk management practices are critical in mitigating safety risks. Investigating the factors that affect risk management can help construction companies identify and mitigate safety risks to improve worker safety on construction sites.

3. Get a guideline for risk management in the construction industry. Competitive advantage: Construction companies that implement effective risk management practices can gain a competitive advantage by improving project outcomes, reducing costs, and improving worker safety. Investigating the factors that affect risk management can help construction companies develop effective risk management strategies to gain a competitive advantage in the industry. Overall, investigating the factors that affect risk management can lead to improved project outcomes, cost savings, improved safety, and a competitive advantage for construction companies in the industry.