

Workforce-related risks in projects with a contingent workforce



Karen Becker*, Michelle Smidt

Queensland University of Technology, 2 George St, Z Block, Level 9, Brisbane 4000, QLD, Australia

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Abstract

Our research examined how projects can draw together the fields of human resource management (HRM) and risk management (RM) to consider workforce-related risks on projects; particularly those with a large contingent workforce. It is argued that RM frameworks could be enhanced by a more comprehensive understanding of the specific potential non-technical “people risks” in projects. The study focussed on the Oil and Gas industry and undertook interviews with experts in the field. The findings are considered within the framework of key HRM areas; Management Practices, General Employment Practices, Staffing, HR Development, and Compensation and Benefits, along with Project Completion. Drawing together RM and HRM in a project environment, our research provides a unique opportunity to identify critical workforce-related risks. Such identification is the first step towards a more comprehensive approach to risk assessment and planning for mitigation of such risks in projects.

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1. Introduction

Risk management (RM) is increasingly recognised as a critical activity for all organisations, and in the project management (PM) arena it has certainly been a focus of research (Bowers, 1994; Carr and Tah, 2001; Chapman, 1997; Chapman and Ward, 2003; Dey, 2002; Floricel and Miller, 2001). Potential risks cover a wide range of areas, from operational and financial risks, to less tangible risks referred to as internal non-technical risks, organisational risks or personnel risks (Belout, 1998; Dey, 2002; Jaafari, 2001; Pinto and Prescott, 1988). Likewise, the important role that human resource management (HRM) can play in projects has also been a subject of interest to those in the PM sphere (Bredin, 2008; Huemann et al., 2007; Keegan et al., 2012; Popaitoon and Siengthai, 2014). Whilst effective HRM is critical for all organisations, it has been argued that a project-oriented organisation may face additional and unique challenges in relation to its workforce (Huemann et al., 2007), particularly because operational HRM activities in project-based

organisations often occur without a formal HRM function (Bredin and Soderlund, 2011).

Typically these two fields, RM and HRM, have co-existed without necessarily recognising the potential intersection and unique perspectives that could result from drawing them together. In fact, there have been calls for the “forging” of these two fields with one author arguing, “Risk management is about mitigating risk and protecting resources. What is the most valuable resource of any company? Its people.” (Nickson, 2001, p.25). Therefore our research aimed to study how HRM could be considered through a RM lens, and how RM frameworks could be enhanced by a more comprehensive understanding of the potential “people risks” in projects.

The mainstream HRM discourse, and even the literature focussing specifically on HRM in PM, typically focusses on the added value HRM practices can bring, emphasising their critical importance to organisational success (Belout and Gauvreau, 2004). We argue however that a deeper understanding of the risks inherent in ineffective or inappropriate management of human resources will provide further imperative for managers to consider the critical nature of human factors within their projects. Our intent is to use

* Corresponding author. Tel.: +61 7 3138 2743.

E-mail addresses: Karen.Becker@qut.edu.au (K. Becker),
M.Smidt@qut.edu.au (M. Smidt).

the lens of RM to address this gap and to analyse the critical workforce-related risks in a project environment. To allow for an in-depth analysis of risks within projects, the Oil and Gas industry was chosen as a focus for the research. This industry represents a large and growing international industry (International Energy Agency (IEA), 2013a) built largely on projects, comprised of a tiered system of international oil companies, national oil companies and a range of contracting organisations and individual contract workers. This heavy reliance on a contingent workforce raises the potential for workforce-related risks beyond those in projects with a predominance of full-time employees. Therefore, the research question that guided our research was, “*What are the potential workforce-related risks in Oil and Gas projects that rely on a contingent workforce?*”

2. Literature review

The literature critical to this research relates to two key areas: risk management in projects and HRM in projects. Each research area in its own right offers insights into the issue of workforce-related risks in projects however very few authors have drawn together these two areas in a comprehensive way. Prior to an in-depth exploration of the literature in these two fields it is necessary to articulate the focus of our research and the definitions applied; particularly in relation to projects and project-based organisations.

Many contemporary organisations make use of projects however the extent to which an organisation’s work is based on projects versus more permanent structures is of key concern. For the purpose of this paper, we adopt the term project-based organisation (Hobday, 2000; Project Management Institute, 2013; Sydow et al., 2004), to denote organisations that carry out the majority of their work through projects in order to meet client demands.

It is suggested that in project-based organisations “knowledge, capabilities and resources are built up through the execution of major projects” (Hobday, 2000, p.875) and that such organisations are most typically found where “complex, non-routine tasks require the temporary employment and collaboration of diversely skilled specialists” (DeFillippi and Arthur, 1998, p.125) and therefore many of those individuals working on the projects are contract workers who move amongst different employing firms (DeFillippi and Arthur, 1998, p.125). Oil and Gas is one industry that relies heavily on projects and often employs a large number of highly skilled contract workers who move between projects and employers; referred to by Redpath et al. (2009) as contingent knowledge workers. In particular, our research focusses on projects as the unit of analysis rather than on the organisation that may be managing a range of major projects, recognising that there may be variation in workforce-related risks even between projects managed by the same organisation.

2.1. Project risk management

RM has predominantly focussed on managing potential threats to organisations’ operations and costs by taking a very

technical approach to strategy, tactics, operations and compliance requirements (Culp, 2001; Elahi, 2013; Hopkin, 2013). This is not surprising, as technical risks have typically been viewed as having the biggest influence on profitability and ultimate success. The importance of RM in the overall management of projects is increasingly being recognised (del Caño and de la Cruz, 2002; Zhang and Fan, 2014), most likely due to the increase in project-based work (DeFillippi and Arthur, 1994). In the field of PM, one important source of information is the 2013 Project Management Body of Knowledge (PMBOK) guide 5th edition (Project Management Institute, 2013). This guide outlines ten knowledge areas for PM, one of which is PRM (Project Management Institute, 2013). Because projects operate in an ever-changing and complex environment, the need to systematically and formally identify risks and uncertainties is critical to ensure cost, schedule, and quality targets are met (Zhang and Fan, 2014). Although not always explicit, the primary reason for the adoption of PRM appears to be first and foremost to prevent budget overruns (Williams, 1995). Whilst managing financial risks is fundamental to ensuring project continuity, there is growing recognition that other risks may also present significant challenges to the ongoing viability of projects.

Even with the growing recognition of the significance of RM, there is some disagreement between practitioners and academics concerning the definition of risk. In reviewing the many perspectives on RM, there appear to be two predominant approaches to defining risk (Lehtiranta, 2014). The first (and most traditional) definition describes risk in terms of the possibility of negative impact and outcomes (Barber, 2005; Chapman and Cooper, 1983; Dey, 2002; Lehtiranta, 2014) and aligns with the dictionary definition of risk (Ward and Chapman, 2003). The second, and more recently advocated definition takes a broader perspective and includes both negative and positive sources of impact also referred to as opportunities and threats (Lehtiranta, 2014; Ward and Chapman, 2003). For this research we have defined risk, in line with the traditional approach, as any threat to the planned project outcomes whilst recognising that risk often co-exists with a level of uncertainty that may lead to either positive or negative consequences.

The majority of publications relating to PRM focus on methodologies and processes available, the calculations, scales and theories behind these, and how these should be used or adapted by organisations (Raz and Michael, 2001; Ward and Chapman, 2003; Williams, 1995). Most of these PRM methods consider a range of risk types including: external (market, environmental, political), technical (operating), legal (integration, force majeure) and internal non-technical (organisational, schedule, cost estimate, financing) (Jaafari, 2001; Wideman, 1992). Although the last variable (internal non-technical risks) often includes management issues, when specified this often encompasses a broad range of challenges and inadequacies including inadequate coordination or PM, or changes to senior staff (Wideman, 1992). Whilst this variable could be assumed to also include risks relating specifically to the workforce, these have not been detailed sufficiently to provide a clear understanding of the

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