

## CHAPTER I

### INTRODUCTION

#### 1.1. Research Background

Competition in today's business world is getting tougher among companies in the same field of business, either a large or small company. Every company is competing to fulfill its intended purpose, namely customer satisfaction. To achieve customer satisfaction require planning strategies as well as right management regarding cost, quality, and time. Every work in a project will be considered qualified if during the execution it goes according to the plan, it means the work has been done perfectly. If the project has done perfectly, it would give many advantages to the company and also the customer. However, in reality, the perfect execution is excessively difficult to accomplish due to many barriers during the execution process. The barriers in the project execution could cause serious impacts, for instance, the delay of the project time completion that can cause the other major problem, such as high project expenses exceeded the project budget, complaints, and loss of trust from the customer, and the worst-case to the failure or inability of the company to finish the project. These failures could threaten the safety of the company and could cause enormous loss, to overcome these problems, good management is required.

Project risk is an uncertain event or condition that, if it occurs, has a positive and negative effect on at least one project objective, such as time, cost and quality (PMBOK, 2004). Due to uncertainty, focus on identifying risks and managing them before the event affect the business. Managing the risk helps facilitating company to act additional with confidence in future business selections. The knowledge on facing risks could help the company with numerous of option on how potential issues could be handled.

Risk management is an activity undertaken to respond to known risks, to minimize the risk that may occur. Furthermore, unexpected adverse events and can be developed response plans to solved the potential risks (Cooper and Chapman, 1993). Therefore, risk management analysis in the construction of buildings becomes important to do. By conducting risk management, it is expected that the development of infrastructure will be accomplished as a target with the right cost, right time and good quality.

Industries significantly change their system into proactive and aware in analyzing projects (Gajewka and Ropel, 2011), Risk management has become a timely issue widely discussed across industries. The company has an objective which both project and risk management has to be successfully facilitated. It is noteworthy that risk management need to be considered not as a method to ensure success, however, a tool which helps to increase the possibility of achieving success.

Plethora of previous studies could be found using risk management as a method which is stated by Kamane and Mahadik (2014), The core and success of every project affected on efficient and effective handling of the uncertainties, therefore risk management ensured risks must be effectively handled. Jaber (2015) stated that risk has a tremendous effect which could be shorten as cost, time, quality and operations could not meet the expectation. Therefore, the risk management has a notable function and process which is needed by the project in order to meet the target.

PT. Duta Arya Pratama is a contractor company moving in the field of construction services that make design and setting for interior and exterior construction of a building. PT. Duta Arya Pratama experienced in a period win and handle more than one project and in some other condition company exceed due date when finished the project, and automatically can influence customer's trust and satisfaction which cannot achieve by the company. During the project, execution from other parties, a supplier for instance, often delay. At first, PT. Duta Arya Pratama always undertakes customer orders achieving customer satisfaction without paying attention to risks or uncertainty that faced. Project, especially in the construction project constantly full of uncertainty, such as a cost uncertainty or time completion that can cause losses. The existing risk possibly can cause an impact on delays in customer order fulfillment. However, the risk of the project construction cannot be eliminated but can be minimized. Therefore, to minimize the risk impact, analyzing tools are needed.

Risk management can reduce unexpected events so that the project objective achieved. Management project based on Project Risk Management Body of Knowledge (2004) defined the process of planning, identifying, analyzing, responding, monitoring and controlling the project cover by project risk management.

PT. Duta Arya Pratama doesn't yet have any method to minimize the project risk, which affects the company negatively. These impacts could have existed as profit reduction, lack of project budget, overtime works, and conflicts between contractor and customer. Based on interview and site visit, PT. Duta Arya Pratama mainly experiences on lack of budget and overtime works because of additional work requested from the customer, delays in material delivery from supplier or cost material in the market increase.

During the identification problem process, the company suggested as study case a project that ever handled by the company which could present the problems related to project delay ever experienced by the company, the project named was Teleperformance Office project. Teleperformance Office Project was a construction civil, architectural, mechanical and plumbing works in one of Mall in Yogyakarta. During the execution, the company faced many problems that affected to project time delays, such as additional material requested by customer that sometimes need to import, design from customer which not fixed and always change after signed the contract, delays in material delivery from supplier, and many others. Therefore, the company experiences loss of time and cost, because the profit expected by the company decreased, and could not accomplish the expected target. The project delay also affected losing other job opportunities. The research focuses on analyzing the risk that causes project delay of a project. This research begins with risk identification, and then analyze and evaluates the values of the risk affecting the project negatively. The study's result expected as reference to help the company how to manage project risk and conclude a way out which the problem of project delays faced could be solved.

## **1.2. Problem Formulation**

Based on the background of the problems mentioned above, the problem that arises in this research is how to conduct the risk management process in the Teleperformance Office Project in PT. DAP.

## **1.3. Purpose of the Research**

The purpose of this research is as follows:

- a. Identifying the risk that causes delay during project.
- b. Prioritizing the major risks that cause project completion delay.
- c. Responding actions to anticipate and minimize the major project risks that would occur in the future.

#### **1.4. Scope and Limitation**

Limitation of problems from the research which includes:

- a. The research is conducted at PT. Duta Arya Pratama.
- b. The object of the research is Teleperformance Office Project.
- c. The research problem identifying only from a Contractor point of view.

