

Manage Risk, Don't Let It Manage You!

Your Risk Management Process - A Practical and Effective Approach

By Vicki Wrona, PMP

Some experts have said that a strong risk management process can decrease problems on a project by as much as 80 or 90 percent. In combination with solid project management practices—having a well-defined scope, incorporating input from the appropriate stakeholders, following a good change management process, and keeping open the lines of communication—a good risk management process is critical in cutting down on surprises, or unexpected project risks. Such a process can also help with problem resolution when changes occur, because now those changes are anticipated and actions have already been reviewed and approved, avoiding knee jerk reactions.

Defining “Risk”

Before one can embark on a risk management process, one must have a solid understanding of some key definitions. Project risks as defined from a PMI[®] perspective are, at their core, unknown events. These events can be positive or negative, so that the word “risk” is inherently neutral. That said, most of the time and focus is spent handling negative project risks, or “threats”, rather than positive project risks or “opportunities.”

Often, companies that do perform a risk management process on a fairly typical multi-month project (no longer than 12 months) will identify and manage possibly five to ten easily recognized project risks. However, that number should in fact be much higher. With a high number of project risks identified early on, a team’s awareness of what to look for is increased, and potential problems are recognized earlier and opportunities more readily.

It may seem that project risks cannot be managed without taking away from the actual work of the project. However, this can effectively be accomplished with a seven-step risk management process that can be utilized and modified with each project.

The Risk Management Process

Step one of the risk management process is to have each person involved in the planning process individually list at least ten potential risk items. Often with this step, team members will assume that certain risks are already known, and therefore do not need to be listed. For example, scope creep is a typical problem on most projects. Yet it still must be listed because even with the best practice management processes in place, it could still occur and cause problems on a project over time. Therefore, it should be addressed rather than ignored.

Step two of the risk management process is to collect the lists of project risks and compile them into a single list with the duplicates removed.

Step three of the risk management process is to assess the probability (or likelihood), the impact (or consequence) and the detectability of each item on the master list. This can be done by assigning each item on the list a numerical rating such as on a scale from 1 to 4 or a subjective term such as high, medium, or low. Detectability is optional, but it can be simple to assess – if a risk is harder to see, such as with scope creep, then it is a riskier item. If it is easier to catch early, such as loss of management support or loss of a key resource, then it is lower risk.

Step four of the risk management process is to break the planning team into subgroups and to give a portion of the master list to each subgroup. Each subgroup can then identify the triggers (warning signs) for its assigned list of project risks. All triggers should be noted, even minor ones. Normally there will be at least three triggers for each risk.

Step five of the risk management process is for those same subgroups to identify possible preventive actions for the threats and enhancement actions for the opportunities.

Step six of the risk management process is for the subgroups to create a contingency plan for most but not all risks. This plan should include the actions one would take if a trigger or a risk were to occur. The plan will be created for those risks scoring above a certain cut-off point, which is determined after looking at the total scores for all risks. This keeps the risk management process manageable. The risk management process is not effective if it is so time-consuming that it is never done.

Step seven, the final step in planning the risk management process, is to determine the owner of each risk on the list. The owner is the person who is responsible for watching out for triggers and then for responding appropriately if the triggers do in fact occur, by implementing the pre-approved and now established contingency plan. Often, the owner of the risk is the project manager, but it is always in the best interest of the project for all team members to watch for triggers while working on the project.

Rather than start this risk management process from scratch for every new project, it can be followed once to establish a list of generic project risks and triggers, skipping step three. Then, a team simply has to add project-specific project risks and triggers and assess the probability, impact, and detectability for each risk, saving a great amount of time and helping to ingrain a risk mentality into your project culture.

Creating a Risk Register or Risk Matrix

Upon completion of the risk management process, a master document, known as a risk register or risk matrix, is created. The most effective format for this document is a table, because it will allow a great deal of information to be conveyed in a few pages. If the information is instead presented in paragraph form, it may not be read by people and will be rendered ineffective. The columns in the table can include risk description, probability, impact, detectability, triggers, preventive actions, and contingency plan. Other columns, such as quantitative value, can also be added where appropriate.

Important Things to Remember

Often, the steps in which triggers and preventive actions are identified are overlooked. However, these are vital to the entire risk management process. After a team has completed this exercise once, the members will be better conditioned on what to pay attention to while managing the project so they are more proactive in catching changes or issues early. If these steps in the risk management process are skipped, the team can find themselves in constant reaction mode, simply implementing a contingency plan for each risk after that risk catches them by surprise. They could also ignore a seemingly overwhelming list of project risks, which is why narrowing the list down to the most important risks is critical for making sure the list is used.

Once the risk register is complete, it is easy to maintain. It can be reviewed during regular status meetings, with as little as 15 minutes spent making sure the list is still current. Determine if any project risks can be closed (but not removed completely), if any risks have increased or decreased in value, and if there are any new project risks to add. This will ensure that the list is continually seen as relevant and useful throughout the life of the project.

Conclusion

A risk management process does not have to be complicated or time consuming to be effective. By following a simple, tested, and proven approach that involves seven steps taken at the beginning of each project (fewer if a generic list of project risks has already been established), the project team can prepare itself for whatever may occur. Of course, there will always be changes and there may still be surprises, but the end result is that they are fewer, that the team feels prepared and that the project is not taken off course.

About the Author

Vicki Wrona, PMP, is the founder and President of Forward Momentum, LLC, a PM Training Alliance® (PMTA) Certified Training Provider (CTP) and a woman-owned small business (WOSB) offering Project Management and Instructional Design services.

She has over 20 years of leadership and project management experience, and more than 15 years public speaking and learning / development experience. She has presented at a number of conferences, trained over 40,000 people, has mentored individuals and organizations, and has authored multiple white papers, blogs and eBooks.

She was invited to serve on PMI's committee to write and review the PMBOK® Guide 4th edition, and co-developed the program that won PMI's Professional Development Product of the Year award and Perspectives Program of the Year award. She was the #1 downloaded speaker for Compaid in 2018 and 2016, and #2 in 2017. She has served on the Board of Directors for the Texas Soaring Association.

Her passion is equipping individuals and organizations with practical knowledge and tools so that results – and bottom-line impact – are consistently achieved. You can contact her at vwrona@forwardmomentum.net.

About Forward Momentum, LLC

Forward Momentum, LLC is a woman-owned small business (WOSB) specializing in project management training/consulting, instructional design services, and custom learning solutions for commercial, government, and non-profit organizations. Since 2000, Forward Momentum has grown to develop, manage, and deliver award-winning Instructor-Led Training (ILT), virtual Instructor-Led Training (vILT), eLearning, and blended learning programs physically on five (5) continents and virtually to all seven (7) continents. Our eLearning is rigorously tested by DHS Certified Trusted Testers for Accessibility and is Section 508 compliant.

To date, we have trained over 40,000 people, including over 6,000 on the Project Management Professional (PMP®) certification exam preparation. We co-developed the innovative blended learning PMP® exam preparation program that earned PMI's Professional Development Product of the Year award in 2007. We are a PM Training Alliance® (PMTA) Certified Training Provider (CTP), and Project Management Institute® (PMI) Global Registered Education Provider (REP).

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