



WHAT COULD POSSIBLY GO WRONG?

Managing Project Risks Means Delivering Results

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The Project Management Institute (PMI) defines project risk as *“an uncertain event or condition that, if it occurs, has a positive or negative effect on a project’s objectives.”* Put another way, project risk is the possibility of deviation from expected project outcomes or results. Failure to proactively manage risk on enterprise transformation projects is the number one reason these projects fail or don’t deliver their anticipated results.

While elaborate models, tools, and methodologies for managing project risk are abundant, implementing and sustaining these can often be as challenging as the targeted change itself. Successfully managing project risk, however, can often be accomplished by implementing simple risk management practices. The solution need not be complex—a few direct actions and a sensible approach are all you need.

A Simple Approach

An alternative to elaborate risk management approaches is to follow 4 simple steps.

Step 1: Identify Possible Risks

In each risk category, identify possible risks that could impact the project. While you can’t identify every possible risk, by involving as many of the key stakeholders as possible, a reasonably comprehensive list can be generated. Project risks generally fall into three categories. Examples of Management Risks include varying management priorities, personnel changes, and resource constraints. External Risks are environmental or business-driven, typically out of the organization’s direct control. Technology Risks can result from technology changes, technology compatibility and, what is often a drag on successful transformations, technology enablement that is slower than required.

Step 2: Assess Potential Impact of Risks

For each identified risk, assign a probability of occurrence. This can be a percent likelihood or a simple 1 to 10 scale. Risks can be further categorized by identifying their potential impact. Will they affect the entire project, a phase of the project, or a specific deliverable? In addition, this assessment of how the occurrence would impact the project (time, money, staffing, etc.) can be catalogued, and a degree of impact established (Low, Medium, and High). A simple matrix is useful for capturing this information.

This quick analysis allows the project manager to prioritize risks so that mitigation strategies can be focused—targeting first those high-probability risks with the highest impact on the project.

Step 3: Develop Mitigation Strategies

The Boy Scout Motto puts it best: "*Be Prepared*". For each high probability/high impact risk, create a strategy for addressing it. Strategies may include tactics for managing the risk if it occurs, or avoiding the risk altogether. If the risk can't be completely managed away, strategies for minimizing the impact of the risk should also be developed. These contingency actions can be added to work plans.

Step 4: Monitor for Risk

Once risks are identified, an "advance warning" system is needed. Monitoring can be ongoing, as when conducted during phase reviews, and at key milestones in the project. By tracking conditions that increase the probability a risk probability, you can provide timely, effective interventions.

A Few Simple Disciplines

A few disciplines help manage project risk, and they are fundamental to mitigation:

Be Proactive. When it comes to project risk you have two choices: 1) meet each issue as it emerges and use brute-force project management to "manage" it away; or 2) anticipate risks and develop strategies to avoid them. While we may not be able to predict the future, people commonly underestimate their ability to anticipate possible outcomes. By exploring possible risks, we prepare ourselves for the unexpected and gain a broader understanding of the project as a whole.

Communicate. It is often said that it is impossible to over-communicate, and project communication is no exception. Research consistently demonstrates that most problems on projects have communication failures at their core. Because projects are increasing in complexity, with multiple internal and external stakeholders, clear and frequent communication is indispensable.

Involve Others. Even the best project manager is incapable of anticipating and sensing every possible project risk scenario. By involving multiple stakeholders in discussions about possible risks and outcomes, a more complete set of scenarios can be established.

Act. A frequent criticism of project risk management is that there is too much emphasis on analyzing risks and not enough on taking action to mitigate them. Adopt a bias towards action.

Iterate. Taking action to mitigate one risk factor can, and often does, modify the parameters affecting other risk factors. Expect project risk management to be an on-going effort, where risk profiles are frequently set and re-set. It is never a one-time proposition.

Summary

An approach to anticipating and managing project risk need not be elaborate or complex to be effective. By investing a little time and effort during project planning and at key milestones during the project, managers can head off problems that put project results at risk. In today's rapidly changing, multi-project business environment, attaining planned results is often the difference between gaining or maintaining a competitive advantage in the marketplace and surrendering it.

