Tackling Risk to Control Project Outcome

All projects have risks. This is a fact that applies to all projects, even those that would seem to be "risk-free."

Risk Management is the management of risk in a project or initiative. It is considered a discipline of project management and, if done well, can greatly increase the probability that a project will successfully accomplish its objectives within the desired timeline and budget.

There are many theories and methods to manage risk that may cause any project manager to pause or become intimidated by the existence of risk and their means to manage them, but this need not be the case. Risk Management can be very straight-forward and effortless. Not to say any specific risk itself will be straight-forward and effortless to mitigate but the management of risks can be.

Starting with the Project Charter and moving into the Project planning phase, the FourHorseman should always have front and center attention: Assumptions, Risks, Constraints and Dependencies. We will focus on risk and the management thereof.

First of all, risks need to be identified. Essentially, what can go wrong with the project? Common risk could be available resources, pre-set due date, lacking or non-existing project sponsorship, funding, etc. It is the responsibility of the Project Manager to move the project team through a risk assessment exercise during the kickoff to begin pulling out risks.

Then continually, the project team will need to monitor the project for risks that may develop throughout the project. Once a risk is identified, it must be defined, given a probability of it occurring, a weight of its impact to the project if it is not mitigated and the action items to mitigate or at least reduce its impact.

The continuing monitoring of all identified risk is required by the Project Manager and team members.

While processes will be different among organizations, there are some activities that should take place in almost every risk management program. The first of these is the risk register. This is a living repository, reviewed and updated as part of the project status meeting. Each risk should have:

- **Name**—an individual and easily understood name for each risk.
- **Identification number**—each risk should have an individual number for easy tracking. This could be as easy as 1,2, 3… or have a <Date><Number> sequence to aid in identifying the age of the risk.
- **Description**—a write-up to adequately and accurately describe the risk.
- **Date**—the date that the risk is identified and accepted as a risk. Not needed if included as part of the identification number.
- **Person responsible for managing**—the person responsible to address the risk and report on status.
- **Probability of occurrence**—usually general categories like high, medium, and low, or a specific estimated probability from 0 to 1.
- I**mpact**—How will it impact the project and to what extent will the project be impacted? This could be a tangible dollar figure, a specific business objective not met and/or more general areas such as morale or effectiveness. Like the probability of occurrence, this could be a low to high category or a 1 to 5 rating with 1 being low impact and 5 being high impact.
- **Severity**—this can also be general categories or a specific numerical value.
- **Overall Weight** – to prioritize risks, often organizations will multiply the Impact and Severity (if using numeric ratings) to provide an overall weight of the risk.

- **Mitigation strategies**—how the project will avoid, reduce, or mitigate the risk. This should include who is involved, action items, cost, and a timeline.

The most common strategies to address a risk are:

- **Eliminate/Avoid**. Some risk may be able to be eliminated or avoided completely. Having proper executive sponsorship of the project would best be used to move through specific risk to negate their possibility.
- **Transfer**. Some risk may be able to be moved to another area or component that would lessen its impact on the project. This may not necessarily mean the risk can be considered closed and monitoring may still be required.
- **Accept/Monitor**. Some risk will need to be accepted and closely monitored. For those risks that are accepted, a contingency plan should be developed if possible when the risk turns into an issue and begins impacting the project.
- **Reduce/Mitigate**. Most risk will most likely be reduced or mitigated by some determined strategy. These risks will be monitored throughout the project until such time they are irrelevant and can be considered closed.

An organization with a strong risk management culture has policies and procedures they are strictly adherent to and do not consider risk management as a separate process but is tightly integrated to the daily management of the project overall.

Risk Management:

- Identificaion
- Assessment
- Weighting
- Response
- Monitoring