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"To be an effective Risk Manager you have to blend in"

Risk Managers – The Case of Unsung Heroes

We have wondered why project risk management often doesn't work in practice. The theory is understood and the process of project risk management is well documented in books, guides and procedures (e.g. APM's PRAM Guide, PMI's PMBOK® and Practice Standard, OGC's M_o_R®, ICE's RAMP and ISO31000:2009). Our observations are that the first four stages of the risk management process: 1) initiate or plan risk management; 2) identify risks; 3) assess risks; and 4) plan responses are generally performed well. Unfortunately, these stages are essentially just risk analysis with a bit of planning of what you intend to do. **Risk management really only starts when you implement planned risk responses such that overall risk exposure is reduced in a cost efficient and risk effective way. This is where we see the enthusiasm that was evident in risk analysis falling away.**

So, why is the implementation of risk responses all too often poor? Working with numerous clients over many years, we have some views.

In a few cases, responses are not implemented because they were never identified or planned. The two main reasons are:

The risk management process stops prematurely – risk management is implicitly, if not explicitly, seen as an awareness exercise. The project approach adopted is deemed to be the most appropriate (hopefully, though not always) incorporating lessons learned from previous projects. Analogous thinking, or presumption, leads the project manager and team to the belief that this project is similar to previous projects. The risks identified are conceived as residual risks, and so acceptable. No further action is needed.

Fingers crossed – perhaps through naivety or arrogance, and/or without any understanding of risk appetite, some organisations (or people in them) just hope that risks won't happen. The effort to consider, and need to secure additional budget to implement, responses conveniently disappears.

More often, we see that responses are identified but not implemented because of a lack of resources, or unwillingness to obtaining 'extra' funding:

Responses represent more work – this increases the project's scope and resource requirements. In many cases the contingency resources or funds to deal with risk are simply not available, or cannot be obtained, to implement the responses.

Responses require a formal change order or variation to a contract – although part of standard project management procedures this is sometimes deemed to be too difficult (or embarrassing) as it might be seen to be an omission from the original scope or too trivial a change. As a result the work doesn't get planned or implemented.

A less obvious shortcoming is that the very process of risk management, facilitated or managed by specialists, highlights and separates risks response-based work from other project activities. Once separated, risk responses are conceived as a different class of activities and not part of the 'true' or essential scope of the project. Paradoxically, this focus and attention, intended to make good decisions and protect planned value, jeopardises the actual implementation of risk responses.

Risk responses are planned, but regarded as low priority or optional activities - responses are sometimes over-arching and not linked directly to the work required to realise the project deliverables. Project team members may not perceive a tangible benefit in implementing responses, compared to doing the essential work on the project. Risk action owners (those supposed to implement responses) may regard responses as a second priority, or even optional. If something has to be cut out of scope, risk responses are the most likely to go.

If risk responses are implicitly seen as low priority or optional activities, in reacting to adverse variation or event (down-side risk that has materialised) the actions to prevent the project getting into more trouble in the future may not be taken. A vicious cycle is initiated - the chances of more adverse variations and events, and consequent severe project failure, increases.

The situation can be improved, and the key, we believe, is to make fundamental changes to the way we undertake the implementation part of risk management. Nothing less than the complete embedding of risk management within project management and risk responses into all project plans is likely to address the insidious perception of risk responses as somehow different and optional.

So how can we start to do this?

First, risk analysis and planning needs to be seen as part of project planning, not post project planning, and risk management and an integral part of, not an add-on to, project management. The worth of risk management and risk responses should be accentuated through closer alignment with deliverables.

Second, the work associated with risk responses needs to be undifferentiated. While monitoring and measuring the effectiveness of responses remains important, the provenance of the work should be invisible to those undertaking it. Risk responses should be included in planned budgets and in any formal progress measurement calculations, such as Earned Value Analysis.

Third, expectations need to be set that change orders or variations related to risk responses are normal and beneficial. Risks emerge, and changes in their probability and impact over the life of the project should be expected, so responses unplanned at the outset may be warranted later.

In all this, the risk manager (or whatever title you use to describe the person who is professionally enabling risk management) needs to become more transparent. **The more the role and activities of risk management are emphasised, the more they are separated from and seen as distinct from 'core' project processes and activities. To be truly effective, risk managers need to be true facilitators; enabling, not taking the up-front glory. Risk managers may have to be happy with being the unsung heroes.**

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