

Project risk assessment

Successful project delivery is often critical to the continuing wellbeing of an organisation. However, project sponsors, managers and project teams are so involved in day-to-day activities that they are often blind to the likelihood and consequences of the risks that they face.

Tactical risks overwhelm a project manager; strategic risks blindside a sponsor. Systematic risk management helps treat risks appropriately so that projects succeed.



Quick, concise and precise analysis

Systematic risk management rests on a good understanding of the operating context and detailed, factual and impartial analysis. The purpose of the analysis is to draw clear pictures of projects so that Executive teams have the insight they need to commission, continue or kill projects.

Risk assessments should be conducted at any stage in a project's lifecycle to shape the future rather than reacting to it. Ideally, the diagnosis should be simple, rapidly applied and provide a quantitative, visual and easily understood report. Analysis should be:

Quick - results are published before the project has moved on from when the analysis started.

Convenient - data is gathered quickly and smoothly so that busy people don't get annoyed.

Useful - output is in a format that focuses on quality, not quantity.

Valuable - the return on investment is high.

Using assessments successfully

At any time risk assessments can describe the risk profile; assess project robustness, and help managers maintain control. Typical triggers for initiating an assessment are:

- Failing to deliver the expected business benefits;
- A frequently changing organisation structure (new sponsors, managers, team members);
- Timescale slippage or scope creep; and
- Escalating costs or deterioration of expected benefits.



Characteristics of a useful assessment

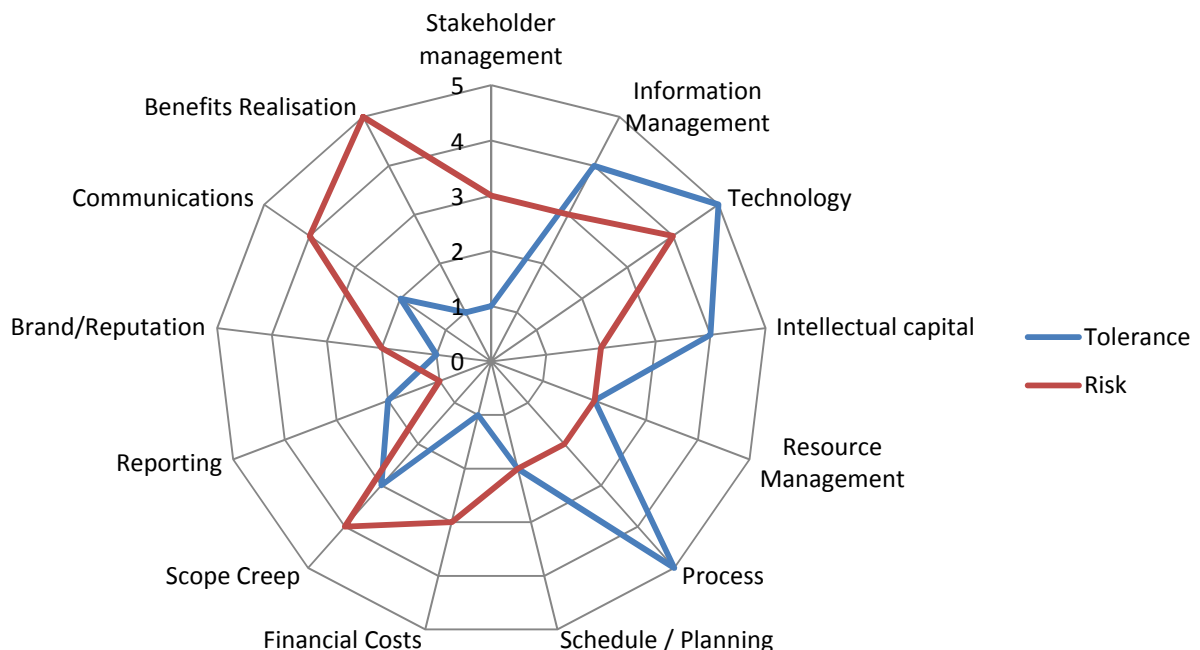
Project risk assessments should validate and inform the actions being taken to deliver projects from mobilisation through to handover into business-as-usual. The assessments should demand very little time of a project team and provides comparable measures across single or multiple projects to provide good practice benchmarks.

In practice this means that the risk assessment enhances the chances of project success:

- Major project risks and issues are identified early;
- The output is “action-oriented” (e.g. an action plan is rapidly put in place for both short- and long-term results);
- There is acceptance and commitment to the action plan from the project team;
- The process inspires confidence; and
- The final report does not apportion blame but gives objective and constructive feedback;

An example: comparing risk profile with risk tolerance

It is not often that the tolerance for risk is made explicit. It helps enormously when members of a project team know where they can pursue opportunities, and where they are expected to be cautious. Decision makers too find it helpful to compare the risk profile with the tolerance profile to prioritise action - and help everyone involved pinpoint the sources of their frustrations so that they can sleep more easily at night!



Summary

Projects often assume a life of their own. A momentum builds that can be difficult to stop or to divert, because nobody involved can quite put their finger on why they are uneasy about the way things are going. Risk assessments are a quick and efficient way to bring disquiet into the open.

For most impact, risk assessments need to be presented in a graphical and condensed form, clearly showing where action needs to be taken.

About the author



Adrian Sparrow has worked in senior management positions in a variety of industries. He was a consultant for Alexander Proudfoot, KPMG, and Deloitte. He has Masters degrees from Cranfield and Massey Universities. Adrian tries to bring insight and practical thinking to problems facing organisations.

