

Project Management Articles

Controlling Project Risks

The risk management process begins with identification ... to assess a project for potential risks that could threaten the project process itself, or the outcome. But identification is only the beginning.

Once probable risks are identified, they must then be assessed to determine the level of impact ... will there be a negative impact, and how serious will it be? If the impact is serious, that raises another question is the negative impact so serious as to warrant further action?

This is a critical juncture in the risk management process. Every effort to control and mitigate risk has a price - in terms of time, money or resources. Before any action is taken to accept, avoid, or mitigate risk, these costs must be carefully considered.

Once you have identified and categorized probable risks to your project, you can turn to the assessment phase of the risk management process.

The goal of the risk assessment phase is twofold:

- To determine the likely impact of probable risk.
- To evaluate that impact in order to determine the need for further action.

Determine the Impact:

Now is the time to take out that crystal ball. In order to properly manage any threats to project success, you must first anticipate and predict the likely impact of probable risk. There is no magic formula for this prediction, just knowledge, common sense and experience.

The starting point for this type of risk assessment is predicated upon the existence and quality of project scope and goals. If you have clearly identified your project goals and priorities, then you will be able to use that knowledge to assess the impact and consequences of any probable project risks. For example, if you view probable risk and likely impact in context of overall project priorities, you will be in a better position to evaluate the need for targeted action.

To that end, with your identified risks in hand, you will now need to consider the following types of questions.....

- Can this risk affect the quality of my product or project end-result?
- Can this risk affect project budgets and costs?
- Can this risk affect the project schedule?
- Can this risk affect the project planning and management process?
- Can this risk affect the stability of project work environment?

For each "yes", you can then proceed to the next series of questions

Does this risk pose a sufficient threat to my project so that further action is warranted?

THE ANSWER = NO

If the answer is "no", then the results of that analysis should be properly documented, thus declaring that no further action is warranted. Remember that the goal of risk management is not just to avoid risk, but to also apply logic and reality to any decisions and strategies for dealing with risk. If, at this point, you can acknowledge risks, and logically decide to take no further action, your goals in risk management will be realized.

THE ANSWER = YES

However, if the answer is once again "yes", thus acknowledging the need for further action, then continued assessment should proceed.

Once you acknowledge the possibility of impact, and the need for further action, you will then need to look at the issue of consequences. For example, you may know that a delay in network card delivery could impact a desktop installation project, but how will that delay affect the overall project will that one delay affect the entire schedule, or can other parallel activities help to make up for that lost time? The answers to these types of questions will help you to pinpoint the likely consequences of a given risk.

TAKE ACTION ...

With this information in hand, you can then evaluate the need for mitigation and control.

Determine the need for mitigation and control:

At this point, you may have taken steps to acknowledge the potential impact of risks, but awareness may not be enough. While you may choose to accept one or more types of risks, you may not be willing, or able, to withstand others. And, considering the time, effort and potential cost of risk control strategies, any such effort should be expended wisely.

Weighing the options....

Based on an analysis of probable risks, you may decide that you can withstand additional project expenses, but not schedule delays. As a result, you can focus your mitigation and control efforts onto timing risks, knowing that you could absorb certain increases in expenditures. Or, if your project schedule is aggressive, with limited time for risk analysis and control, you may decide to deal only with the most serious types of risks, taking your chances with others.

After completion of the risk assessment process, you will be prepared to tackle the next step ... the formation of specific strategies for risk management and control. These strategies can include acceptance, avoidance or mitigation.

Acceptance:

Where you acknowledge the risk, but decide that any actions to avoid or mitigate the risk can be too costly or time consuming. Or, it may just be possible that the risk cannot be avoided or mitigated in any meaningful way, and the benefits of the project far outweigh the risks.

Avoidance:

Where you take steps to eliminate the risk in entirety. Depending upon the circumstances, you may need to change project scope, modify project plans, hire additional resources, or adopt different technical solutions. Avoidance can be costly, but it may be the only way to achieve project deliverables.

Mitigation:

Where you seek to minimize the potential impact of any given risk through the analysis and consideration of alternative solutions. In essence, this is a combination of acceptance and avoidance. You can alter plans and schedules, and take specific actions to minimize the chance that a risk will occur. And, you can also develop alternate plans to be enacted should the risk actually occur "i.e. if this happens, I will do that, but until then, I will stick with the original plan". In other words, you can be prepared in either event. While mitigating strategies provide the best of both worlds, that benefit cannot be realized without some expense in terms of time, equipment and staff resources.

CONCLUSIONS.....

Whether you choose to accept, avoid or mitigate risks, you will need to carefully evaluate every risk presented, and make considered choices based on specific business needs, project circumstances, likely costs, and available time and staff resources. There is no one formula for risk management, but risk identification, assessment and control is a key element of successful project planning