

Yes, But Will It Work?

by Dr David Hillson, director, Risk Doctor & Partners

This is the third article in our new Risk Doctor series written by Dr David Hillson. Last month he dealt with the concept of risk and opportunity, this month he looks at how to give your risk management a triple A rating.

Three things are essential if risk management is to work: Awareness, Assessment, and Action.

Awareness

Awareness is the first step, realising that every project, programme, business decision and enterprise is affected by risk, but that risk can be managed proactively. Too many organisations and individuals are fatalistic about the circumstances and context within which they operate, thinking that they are powerless to influence their risk exposure. We need to understand that we live in a world of risk, and that we can do something about it.

Assessment

Seeing the risk is just the first step, and awareness needs to be followed by assessment. Not all risks are equally important, so we need a process to filter and prioritise risks for further attention. We might be able to ignore some risks if their probability and/or impact are sufficiently small. Other risks might be so likely or have such a major impact that they demand urgent and radical attention. It is vital that we know which risks to accept and which to attack.

Action

Unfortunately, after assessing their risks, many people stop, believing that knowledge will protect them. However, awareness and assessment do not change risk exposure, unless they lead to action. This is why every risk management process includes a step where responses to risks are developed and implemented. Only then can threats be avoided or minimised, and opportunities can be exploited or enhanced.

It is easy to understand why some people think that the risk response development phase is the most important part of the risk process. This is where we get the chance to make a difference to the risk exposure of our project. If we design and implement good risk responses to address

the risks we have identified and assessed, we will be able to minimise threats and maximise opportunities, and so optimise the likelihood of achieving our objectives. But if our risk responses are ineffective (or not implemented), the level of risk exposure remains unchanged – or may even get worse!

When designing responses to risks, whether threats or opportunities, it is important to consider whether they will have the desired effect. How can we ensure that we develop the best possible responses? How can we know that our planned responses will work? The following 'Seven A's' criteria can be used to test whether your planned risk responses are likely to work. To be effective, all proposed risk responses should be:

- **Appropriate.** We need to choose the correct level of response, based on the 'size' of the risk. This ranges from a crisis response where the project cannot proceed without the risk being addressed, through to a 'do nothing' response for minor risks. In some cases it might be entirely appropriate to stop the project until a particular risk has been dealt with, and other risks can be completely ignored. Clearly it is vital to distinguish between these two categories, so that major threats or opportunities are not ignored while the project wastes valuable time and resources on tackling minor ones.
- **Affordable.** We must determine the cost-effectiveness of responses, so that the amount of time, effort and money spent on addressing the risk does not exceed the available budget or the degree of risk exposure. Each risk response should have an agreed budget which is affordable within the overall project budget.
- **Actionable.** We must identify the action window within which responses need to be completed in order to address the risk. Some risks require immediate action, while others can be safely left until later. It is important to identify

whether action is possible in a timeframe that allows the risk to be tackled effectively.

● **Achievable.** There is no point in describing responses which are not realistically achievable or feasible, either technically or within the scope of our capability and responsibility. For example the threat of reduced productivity rate might be tackled by a proposed response to cancel all holidays and enforce weekend working; however, if this is not possible given working terms and conditions, the response is useless. Similarly a response to capture the opportunity of including additional functionality by immediately recruiting ten world-class engineers to the team can probably not be implemented.

● **Assessed.** We need to be confident that all proposed responses will work and be 'risk-effective'. This is best determined by making a predictive 'post-response risk assessment' of the risk assuming effective implementation of the response, and comparing this with the 'pre-response' position. For threats the aim is to decrease probability and/or impact, whereas these should be increased for opportunities. We should also predict the level of residual risk (ie, what remains after planned responses have been implemented).

● **Allocated.** There should be a single point of responsibility and accountability for implementing the response. It is important to nominate a response owner for each response, who will be accountable for its implementation, although they may choose to delegate actions to others. It is recommended

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that each response should have a single owner to focus this accountability.

● **Agreed.** We must obtain the consensus and commitment of stakeholders before agreeing responses. It is particularly important to gain the buy-in of response owners who are expected to implement planned actions, so that responses are not imposed on people who are unwilling or uncommitted. One way of maximising buy-in is to involve proposed response owners in development of the response.

Each proposed response should be tested against these seven criteria before it is accepted for implementation, to ensure that it is likely to be effective and achieve the intended result.

Risk management will never deliver the promised benefits unless effective risk responses are both planned and implemented. Testing our proposed risk responses against the 'Seven A's' criteria will maximise their effectiveness and ensure that we can properly tackle the inevitable risk exposure on our projects.

About the author

Dr David Hillson, PMP, FAPM, FIRM, is an international risk management consultant, and Director of Risk Doctor & Partners (www.risk-doctor.com). He is a popular conference speaker and award-winning author on risk. He is recognised internationally as a leading thinker and practitioner in the risk field, and has made several innovative contributions to improving risk management.

David is an active member of the global Project Management Institute (PMI) and received the PMI Distinguished Contribution Award for his work in developing risk management over many years. He is also a Fellow of the UK Association for Project Management (APM) and a Fellow of the UK Institute of Risk Management (IRM).



david@risk-doctor.com
www.risk-doctor.com

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