Managing Risk in Projects

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FOREWORD

When I started in risk management – coming on for over 15 years now – what we called 'risk management' was in reality the management of *insurable risk*, mainly through insurance, while project managers had an established set of tools to identify and manage *project risk*. Both groups of people knew there should be synergy, but there it tended to stop. Worse, the separation created an element of competition between the worlds of project management and risk management. It was not unknown for project managers and risk managers in the same organisations to have no real contact – or even purposefully avoid each other. In some cases they attempted to recognise each other's contribution to the management of risk within the organisation, but failed to see how to make a real connection between their respective roles.

As risk management and related disciplines such as internal audit and business continuity evolved, more territorial struggles followed. Business continuity managers felt that risk management was their domain. Following the introduction of *The Combined Code on Corporate Governance* in 1998, audit managers saw risk management coming within their ownership.

But the development of risk management has also led to an appreciation of the need to adopt a consistent and planned approach to the management of all risk – a so-called 'enterprise risk management' approach. Enterprise risk management is a concept that embraces the management of all business risk across an organisation. It has however only been recognised comparatively recently as something that can add value for an organisation by providing effective business tools to manage risk.

This probably has something to do with how the concept of risk has evolved: from the initial idea of an event which was inevitably negative and could damage operations, through to a broader understanding that risk reflects uncertainty which can have a detrimental or positive effect on strategic objectives. The first chapter of this book explores this connection between risk and uncertainty in a very simple way. Reading this chapter alone will clarify a lot of unresolved thoughts and debates among the risk, project and other related communities.

Now we find that risk management has created a connection between the project manager and the risk manager because it provides a common language for dealing with uncertainty. In fact it enables all professionals from different functions to communicate better with each other on the subject of risk – and since most projects bring a range of professionals together, this leads to more effective management of risk within the project.

Risk managers and project managers need to be professional best friends. Working in separate towers will only lead to frustration for each of them, while if they understand each other's roles and support each other's purpose, the result should be a win-win situation. Both are focused on the success of the organisation that they work for, and collaboration in the effective management of risk is a great contribution to organisational success. This must surely be beneficial at a personal level, as well as in today's working environment where increasing importance is placed on being able to demonstrate the difference that you are making to value and that you can work as part of a team.

To be successful in delivering the benefits it envisages to its stakeholders, an organisation needs a coherent, aligned and hierarchical set of objectives that provides a common thread from the strategic level to tactical delivery. Having established these objectives, the organisation needs to achieve them, despite uncertain operating environments. Projects do not exist in isolation within an organisation; they are one of the ways by which organisations make their intentions material.

To use David's words, risk is 'uncertainty that matters' – from whatever source. To overcome any conflict between the management of risk at project level and at strategic level, an enterprise risk management approach ensures that risk is managed consistently at all levels of the organisation across the hierarchy of objectives. Otherwise, important risks that occur in the gaps or that result from correlation between apparently separate exposures will be overlooked or ignored. This is certainly the case if business risk and project risk are identified and managed in isolation.

Done in this way, enterprise risk management offers an integrative framework for the business that leads to successful project delivery and ultimately to realisation of strategic benefits and value. There is a bigger picture, and David explores this in Chapter 6. The contribution of project risk management to this overall success requires it to be integrated fully into the wider hierarchy of enterprise risk management, with particular attention to the interface with the next level up, namely programme risk management. Only then can project risk management play its full part in delivering value to the organisation.

Finally let's turn to behaviour. A project manager needs to understand their own influence and that of the project team on the response to uncertainty resulting from attitudes to risk. *Managing Risk in Projects* explores what often can be a missing link in such reference texts, the important behavioural side of the people involved in the project and that of the organisation itself in terms of its culture and ability to learn. Wherever there are people there is risk, and no organisation would exist without people.

This book sets out to discover why risk management is important in the context of projects, how it should be implemented, how risk outputs should be used both within and outside the project, and what is necessary to maximise risk management effectiveness. For newcomers to the project or risk professions, it provides a practical overview of risk management practice within the specific context of projects, and how this relates to enterprise risk management. More experienced project managers and risk managers should question developed thinking and practice from time to time and, as David mentions in his Preface, they may find themselves rehearsing first principles in order to develop their take on innovation and best practice. *Managing Risk in Projects* provides a fast track to both. Essential reading for either audience, the book takes current thinking in risk management and creates the necessary links to show the possibility of a joined-up approach. The important point for all readers, whatever their level of experience, is to take the key messages from each chapter and consider how to apply them within the context of their own organisations.

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