Whole life risk monitoring and feedback

The issue of risk monitoring is essential for ensuring effective implementation of risk control measures. Active risk monitoring ensures that effective response measures to manage the risks are appropriately implemented. Since we are dealing with the life-cycle of projects, the initial decision conditions may change over time, which could lead to the change of risks. Hence, a feedback and continuous assessment of risk through the entire life span of the project is very important in the process of whole life-cycle costing. This process should include tracking the effectiveness of the planned risk responses, reviewing any changes in priority of response management, monitoring the state of the risks, updating the whole life-cycle analysis accordingly and reviewing the economic performance indicators to check whether the investment decision is still valid or otherwise. In this way risk monitoring not only evaluates the performance of risk response strategies but also serves as a continuing feedback or audit mechanism.

The application of the above framework should take place during the early stages of asset development as well as at every project milestone, and should continue throughout the whole life of the asset. The information generated from the WLCC risk management framework should inform decision makers on which input data has the most impact on the WLCC result and how robust the final decisions are.

Summary

Evidence from research and practitioners alike has indicated strongly why WLCC has been treated with mistrust – the failure of models to adequately deal with uncertainty. Forecasts by their very nature can be risky to varying degrees, and stakeholders will imperil investment in capital projects if they are not fully equipped with the facts surrounding this uncertainty. It is therefore the responsibility of the analyst to ensure that the WLCC framework deals effectively with risk and provides the necessary information required to make effective decisions. In later chapters of this book we will look at the techniques and procedures that are available to the analyst to develop well-rounded WLCC models that are reliable and accurate.