Short Guide to the Risk Management Process

What is it?

The risk management process is a clearly defined methodology, enabling individuals and teams to understand what risks (threats and opportunities) are present that may impact on their defined objectives, the extent to which they could affect them, and how best to respond to them. The process typically involves the following steps:

- <u>Establish the Context</u>: Understand the objectives associated with the project or programme.
- <u>Identification</u>: Allocate time with your team to identify key risks (threats and opportunities) in relation to the scope you're delivering.
- <u>Assessment</u>: Consider the probability and impact of each item to determine the exposure and risk profile.
- <u>Response</u>: Select the appropriate response to each risk.
- <u>Monitor and Review</u>: Regular review of all risks and response plans.
- <u>Escalate and Communicate</u>: All risks to be captured correctly to enable escalation, communication and reporting as required.

Purpose & Use

The risk management process is implemented to provide a consistent way in capturing, analysing, responding to, and communicating risk information. Regardless of the risk management sector that you are working in, a formal risk management process is necessary in order to ensure that all involved understand the steps to be taken in order to successfully manage risk. Having a formalised and documented risk management process will assist a project or programme in the following:

- Avoiding catastrophic events: By identifying and mitigating potential risks, the project or programme is better placed to avoid significant impacts on its defined objectives.

- Enabling value: A defined risk management process can help projects or programmes take calculated risks, enabling increased value to be generated during the delivery of the objectives.

- Improving delivery and design approaches: Risk management forces projects and programmes to carefully examine their delivery and design approaches and decide what can possibly go wrong. This detailed what-if analysis helps teams become more proactive and forecast likely events.

- Increasing awareness of risk: Effective risk management processes can increase awareness of risk across projects and programmes, helping teams understand potential risks they face and how to mitigate them.

- Better quality data for decision making: Risk management processes enable better quality data for decision making, helping projects and programmes make informed decisions based on accurate risk data.

The risk management process can help projects and programmes achieve their objectives and ensure long-term success.

Rules / Context / Background

When it comes to designing and implementing a risk management process tailored to your risk management sector, there is not a single process that works for all. However, any well-defined risk management process will share a series of fundamental principles aligned to the processes defined in ISO31000, Risk Management – Guidelines. However, the key to ensuring maximum benefit being obtained from your risk management process is to then tailor the details and content of your risk management process to suit the needs and objectives of your project, programme, or organisation.

References / Other Useful Links

[ISO 31000, Risk Management - Guidelines](#)

[Association of Project Managers: What is Risk Management?](#)

How To

Establish the Context

A helpful precursor prior to Identification is to 'set the scene' providing focus, insight, and ideas to understand the world that the project or programme lives in, and the types of risk we should be identifying. There are four areas recommended to explore and assess when identifying risks in relation to the context:

- The internal context such as organisational constraints and obligations
- The external context and landscape
- Governance timeframes and expectations
- The specific project or programme scope

It is crucial within these early stages that key stakeholders and subject matter experts are engaged that hold essential information of the delivery of similar pieces of work. The benefits of having the correct stakeholders to help establish the context are:

- Accelerated discussions on risks and risk validation.
- Reducing the potential for follow-on meetings.
- Confidence that all risks have been identified reducing the likelihood of risks occurring that have not been previously identified.
- Confidence that all risk information available has been discussed and challenged.

Identification

The next step in the risk management process is Identification, the key objectives of which are to:

- Establish and maintain a comprehensive risk register, which includes all identifiable sources of risks.
- Use the knowledge of all team members to identify risks and other prompts and aids.

- Ensure that any identified risks are placed at the correct level of any risk hierarchy that may exist.

Risk identification should be approached methodically to ensure that all aspects of a project or programme have been evaluated, and all potential sources of risk explored. Risk identification is a continuous activity through the lifecycle of the project or programme. Sources of identification can include any of the following:

- Review of objectives
- Work breakdown structure, schedule, and critical path identification
- Risk libraries
- Risk breakdown structure or categories
- Risk hierarchy
- Lessons learnt observations
- Surveys and questionnaire
- Formal conversations with key stakeholders
- Assumptions and dependencies
- Review of Early Warning Notices (EWNs)

Assessment

The next step in the risk management process is Assessment which analyses and evaluates the risk for its importance and urgency.

The objectives of Assessment are to:

- Assess the probability of the risk occurring and the potential impact and proximity of the identified risks.
- Analyse the risks using qualitative and quantitative methods (as required).
- Ensure a thorough cost benefit analysis is undertaken to assess the current and residual (target) values.
- Understand how risk information is generated, and where that information is used.
- Use risk scoring (from the qualitative assessment) to prioritise the response to risks.

The assessment should consider realistic probability and impact categories, so as not to include impractical or extreme values, increasing scope unnecessarily.

Assessment of risks generally involves an assessment of the following components which are set out below. However, this list is not exhaustive and can be tailored accordingly to the organisation and the project or programme being delivered:

- Current and residual (target) assessments
  - Quantitative assessment
  - Qualitative assessment
- Start and end dates
- Risk scoring

Response

This is the step within the risk management process that enables you to select the correct response in relation to mitigating and managing risks.

The objectives are to:

- Determine the most effective approach and strategy to respond to each risk and its causes.
- Define any actions to implement the mitigation strategy.
- Provide appropriate level of ownership and detail for each action which are then reflected in the project plan.
- Ensure the residual (target) assessments of risks reflects the response strategy and any associated mitigation actions.

When selecting a risk response strategy, the risk owner must consider the appropriate response, response actions and the best placed action owner. Note that the risk owner is accountable for the risk, but a different stakeholder may be responsible for the response actions. The risk owner is to ensure that the timescales to complete are in line with the risk exposure and the associated cost of the response are captured.

Monitor and Review

Monitor and review stages within the risk management process is a key stage whereby key stakeholders, inside and outside the project and programme, receive regular updates in relation to risk performance.

The objectives are to:

- Continuously monitor active risks using a regular review process.
- Confirm the latest risk register represents the current and assessed residual (target) exposure.
- Ensure the risk register and is robust, timely and accurate, including ensuring that any updates agreed in the regular review process are reflected in the latest risk register.

Escalate and Communicate

The objectives of risk escalation are to:

- Identify the risks that need to be escalated.
- Ensure these risks and associated actions are understood and managed by the appropriate owner.
- Communicate all relevant risks and risk information as part of the regular reporting cycle in the appropriate reports and dashboards.