



DELIVERING SUSTAINABLE SOLUTIONS

RISK MANAGEMENT

All information contained within © BusinessMinds B.V. 2007-2009

The Globe Urban Offices
Waldorpstraat 13E
2521 CA The Hague
Netherlands
KvK: 272721280000



www.businessminds.eu
[e]: info@businessminds.eu
[t]: +31 70 392 78 94
[f]: +31 70 392 78 95
BTW: NL8139.46.074.B01

RISK MANAGEMENT

RISK MANAGEMENT

Our approach is to make Risk Management an integral part of project and value management. This may sound obvious, however our experience is that often Risk Management is executed as a stand-alone activity, independent from the project exercise and not as something that is an active part of the decision making process. Risk management is a key driver to maximise the realisation of sustainable value from projects. When it is done badly it will erode value by under-mitigation of certain risks, over-mitigation of others and by missing some entirely.

WHY SHOULD I BE INTERESTED?

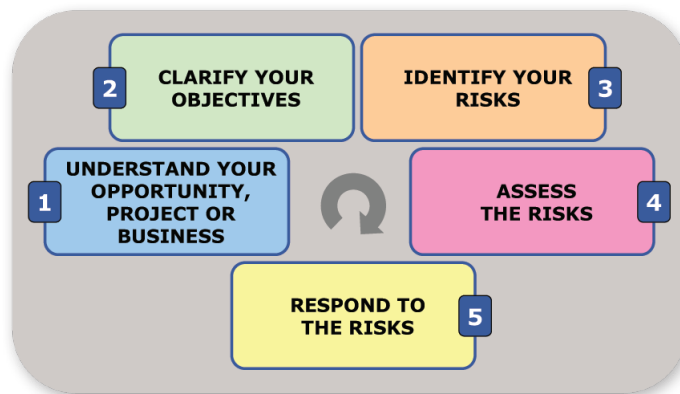
Have you ever had unexpected things happen in your projects that with hindsight and better planning you may have been able to anticipate and possible even prevent? Are you and your project team frequently “fighting fires”? Has uncertainty become accepted as a fact of life? True uncertainty exists in any project environment and while it may not be possible to predict outcomes with 100% certainty, you can influence the outcome, avoid many potential risks and be ready to respond to unavoidable challenges. Risks are those factors which could influence the achievement of your objectives. Risks can be identified, assessed, planned for, and controlled. Risk Management includes both value creation (seeking the upside and grasping opportunities) and value protection (moderating the downside and safeguarding assets).

WHAT ARE THE TYPICAL COMPLICATIONS?

Usually project teams are focused on one or two dimensions of risk. Frequently teams are technically driven and the other dimensions, such as commercial or political risks, are underestimated. Risks can and will change during a project’s life and effective management of risk demands processes and controls that can monitor the status of risks and quickly adapt to change. Mismanaged issues will cost money and valuable management time. They will damage reputation and can lead to difficult situations to manage retrospectively such as stakeholder opposition. In the worse case scenario, mismanaged risks can cause a project to fail.

HOW CAN BUSINESSMINDS HELP?

BusinessMinds can help your team go through a structured Risk Management process which will give you a clearer view of uncertainties and how to manage them. It will help you to understand future options and allow you to allocate resources in a more efficient ways, optimising the chances of project success.



RISK MANAGEMENT

Our approach is a 5-step process towards risk management. This provides the framework for developing a tailored approach, designed for the specifics of your project. We ensure that the process is fully embraced by your project team and that it includes the mechanism to regularly review and update the overall framework. A risk management framework will only remain meaningful if it continuously improves and evolves over time.

HOW DO WE DO THIS?

As a start we will guide your team in a structured and rigorous manner through the 5-step process:

1. The first step is to answer the generic question of “what is your opportunity, project or business and what is the context that you operate in?”
2. Directly linked to this are your objectives, “what do you want to achieve?” Your objectives have to be clearly defined, in order to later quantify the impact of the identified risks on these objectives. Normally these first two steps are addressed as part of “framing”¹ your opportunity or project.
3. The next step is about identifying your risks by asking the question: “what are the uncertainties associated with achieving your objectives?” It is important to take a multidimensional perspective of the potential risks and we use the BusinessMinds “SEFCOPT” approach (Social, Environmental, Financial, Commercial, Organisational, Political and Technical) to ensure nothing is forgotten.
4. Once all the risks have been identified, we need to answer the following questions that will help us filter the risks and focus on the ones that are key: “which risks are the most significant?” and “what can we do to manage them most effectively?”. In this step, the team has to make an assessment of the likelihood of each risk occurring and the impact each would have in order to define the significant risks. Once we have selected the high impact and high probability risks, we can focus on the ones we can influence. We continue to monitor the others to ensure they don’t become significant or to anticipate if they are becoming significant so we can incorporate them into our management programme.
5. The final step is to determine what strategies to undertake to manage the key risks. After understanding the significant risks the team needs to first set its boundaries for risk management (i.e. what is it practicable to try and influence) and then apply fit-for-purpose risk responses. In most cases, it is not possible (or affordable) to prevent, or to entirely eliminate, risks. Risk responses typically fall in the following generic categories:

Avoidance: identifying and implementing alternative procedures or activities to eliminate a risk.

Contingency: having a pre-determined plan of action to come into action as and when the risk occurs.

Prevention: having countermeasures to stop a problem from occurring and having an adverse impact.

Transference: transferring the risk to a third party, for example with an insurance policy.

Acceptance: tolerating the risk when its likelihood and impact are relatively minor, or when they are acceptable considering the cost of mitigation.

All the information from the 5-step process will be captured in a risk register. A key element of this risk register is that for each of the risks and response actions a single point responsible person will be defined – the risk owner. The risk responses will also be included as part of your project activity plan, including regular milestones for reviewing these. Management commitment will be sought for the process and its implementation, including their agreement to conduct rigorous ‘health checks’ on the adopted plan.

¹ Framing is a BusinessMinds tool usually applied in combination with other tools like Risk Management

RISK MANAGEMENT

WHAT ARE THE BENEFITS?

If the approach is adapted at the start of your project, you will be able to detect early rumblings of important trends while the process also makes the link between the project risks and the stakeholders that can influence the outcome or those that are the key reason for the risk to exist.

Having a good project Risk Management process will also give investors more confidence about the robustness of the overall project execution plan.

The risk owner approach delegates responsibility across the organisation and provides better buy-in to the Risk Management process and the project as a whole.

WHO DO I TALK TO?

If you are starting a project and you want to better understand your uncertainties and define how to manage them, call *BusinessMinds* on +31 70 392 7894 or send an email to info@businessminds.eu



BUSINESSMINDS B.V.

www.businessminds.eu

All information contained within © *BusinessMinds* B.V. 2007-2009