



RISK DOCTOR BRIEFING

TYPICAL RISK PROCESS PROBLEMS

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A recent Risk Doctor Briefing listed eight steps as essential components of a basic risk process. These are: (1) Getting started (risk process initiation), (2) Finding risks (risk identification), (3) Setting priorities (risk assessment), (4) Deciding what to do (risk response planning), (5) Taking action (risk response implementation), (6) Telling others (risk reporting), (7) Keeping up to date (risk reviews), (8) Capturing lessons (risk lessons learned).

Although logically this sequence of steps makes good sense, many organisations often do not include all eight steps in their risk process. There are three important ways in which the typical risk process is flawed.

The most significant problem is a failure to turn analysis into action. Despite agreeing risk responses and allocating actions to Risk Owners, it is common for nothing to get done. One reason for this lack of action is that most risk processes do not have any formal “Risk Response Implementation” (step 5 in the list above). Instead we just hope that Risk Owners will do what we ask and complete their agreed actions. One way to encourage action is to make a clear link between the work plan and risk responses. Risk actions need to be treated in the same way as all other tasks, with an agreed owner, a budget and timeline. Then they should be included in the plan, reported on and reviewed. If risk responses are seen as “optional extras” they may not receive the degree of attention they deserve. Without “Risk Response Implementation” it is likely that many risk responses will not happen and risk exposure will be unchanged.

Secondly it is common not to have a separate focus on “Risk Reporting” in the risk process (step 6), despite everyone saying that communication is really important. Instead the risk process produces its outputs, usually the Risk Register and one or more risk reports, and we hope that anyone interested in risk will find what they need in these documents. It would be much better to have a structured approach to risk communication. This should produce tailored risk outputs that present specific risk information to particular stakeholders, telling them what they need to know. This will also encourage each stakeholder to use the results of the risk process to help them do their job better, with risk-based decision-making and action. A specific “Risk Reporting” step will make sure that this communication happens.

A third equally vital flaw in most risk processes is the lack of a “Risk Lessons Learned” review (step 8). This is linked to the wider malaise of failure to identify lessons to be learned at key points such as the end of a project or after a significant business decision. Not capturing these lessons denies the organisation the chance to learn from its experience and improve performance in future. There are many risk-related lessons to be learned in each uncertain situation, and the inclusion of a formal “Risk Lessons Learned” review will help to capture these, either as part of a more generic review meeting or as a separate event. Such lessons include identifying which threats and opportunities arise frequently, finding which risk responses work and which do not, and understanding the level of effort typically required to manage risk effectively.

So perhaps there is still something new to be said about the risk management process. Despite our long history in attempting to foresee the future and address risk proactively, we would do better if we addressed these weak spots in the risk process. If your risk process is missing steps 5, 6 and 8, then you might like to consider including them. This will make sure that agreed risk responses are actually implemented, that each stakeholder receives useful information from the risk process, and that the organisation learns risk-related lessons to improve future performance. These simple and practical additions will enhance the effectiveness of your risk process, and help you succeed more often.