

What Is Risk Management?



Risk Management is the process of identifying, analyzing and responding to risk factors throughout the life of a project and in the best interests of its objectives. Proper risk management implies control of possible future events and is proactive rather than reactive.

For example:

An activity in a network requires that a new technology be developed. The schedule indicates six months for this activity, but the technical employees think that nine months is closer to the truth. If the project manager is proactive, the project team will develop a contingency plan right now. They will develop solutions to the problem of time before the project due date. However, if the project manager is reactive, then the team will do nothing until the problem actually occurs. The project will approach its six month deadline, many tasks will still be uncompleted and the project manager will react rapidly to the crisis, causing the team to lose valuable time.

Proper risk management will reduce not only the likelihood of an event occurring, but also the magnitude of its impact. I was working on the installation of an Interactive Voice Response system into a large telecommunications company. The coding department refused to estimate a total duration estimation for their portion of the project work of less than 3 weeks. My approach to task duration estimation is that the lowest level task on a project whose total duration is 3 months or more should be no more than 5 days. So... this 3 week duration estimation was outside my boundaries. Nevertheless, the project team accepted it. It appeared an unrealistic timeline for the amount of work to be done but they were convinced that this would work. No risk assessment was conducted to determine what might go wrong. Unfortunately, this prevented their ability to successfully complete their tasks on time. When the 3 weeks deadline approached and it appeared that the work wouldn't be completed, crisis management became the mode of operation.