Practical Project Risk Management[1]

Risk Management Plans: A brief guide [2]

Purpose

Document the means by which a project will implement its risk management process.

General Points

Risk Management Plans enable:

- managers to consider how the process should be shaped to the project in question,
- project team members to understand what is expected of them and
- contractual responsibilities for risk management to be recorded and agreed.

Risk Management Plans should be designed to be useful and to be used. They should be concise, short and readable. Aim for no more than six pages.

Typical content

1. Key project objectives related to the management of risk.
2. A record of the project phases to fall within the scope of risk management activities.
3. Process-specific responsibilities for risk, including those of the project sponsor, project manager, the risk manager, risk owners and risk response owners.
4. Risk identification tools and techniques.
5. Risk analysis tools and techniques.
6. The maintenance of risk management information and production of reports.
7. The nature of risk-related information required at project gate reviews.
8. Arrangements for risk reviews and responsibilities for arranging and chairing them.
9. Frequency / periodicity with which risk information will be reviewed and updated.
10. Arrangements for the periodic assessment of risk management capability.
11. Flow down of the contractual obligations for risk management.

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[1] This series of articles is by Martin Hopkinson, author of the books "*The Project Risk Maturity Model*" and "*Net Present Value and Risk Modelling for Projects*" and contributing author for Association for Project Management (APM) guides such as *Directing Change* and *Sponsoring Change*. These articles are based on a set of short risk management guides previously available on his company website, now retired. See Martin's author profile at the end of this article.

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Pros and Cons of Template Plans

The availability of template risk management plans within an organisation can help to reduce the time required for projects to develop their own bespoke plans both by providing exemplars of best practice and by providing core structure that can be copied.

A disadvantage of templates is they may discourage people from shaping the process in a manner tailored to individual projects. This can be particularly important during the early phases of projects when common practice techniques such as the probability impact matrix are often inappropriate. See the *Risk in the Earlier Project Phases* guidance sheet (May 2024).

Is the process implemented as planned?

There is little point in spending time on developing a risk management plan if the actual implementation of the process fails to live up to what is planned. As with all plans, a key test is whether or not the relevant people working on the project actually use it. Failure to implement process as planned is more common in some cultures than others. If the initial plan proves to be unrealistic or inadequate, the solution is to amend it rather than ignore it.

A risk management plan also provides a baseline for internal audit or an independent process assessment See the *Assessing Risk Management Capability* guidance sheet (March 2024).

Contractors' risk management plans

It may be in the interests of the project for one or more key contractors to be contractually obliged to produce and implement an agreed risk management plan. Contractors can also be required to disclose their associated risk information during both a tendering process and the course of the contract. However, this approach can be counterproductive if a contractor's disclosure is disingenuous e.g. if it is focused mainly on risks that could be caused by its customer and are thus a source of future contract claims. This issue may be addressed by introducing a contractual obligation of candour. The contractor can then be held to account if risks occur with consequences that could have been reasonably identified beforehand.

Common mistakes

1. Taking too much time to develop and approve the risk management plan, thus delaying the process implementation.
2. Duplicating the organisation's standard guidance rather than referring out to it, thus lengthening the plan and making it less project-specific.
3. Allowing contractor's to avoid candid disclosure of risk information, including the identification of risks that they could cause, together with realistic risk estimates.

About the Author

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Martin Hopkinson, recently retired as the Director of Risk Management Capability Limited in the UK, and has 30 years' experience as a project manager and project risk management consultant. His experience has been gained across a wide variety of industries and engineering disciplines and includes multibillion-pound projects and programmes. He was the lead author on Tools and Techniques for the Association for Project Management's (APM) guide to risk management (*The PRAM Guide*) and led the group that produced the APM guide *Prioritising Project Risks.*

Martin's first book, *The Project Risk Maturity Model*, concerns the risk management process. His contributions to Association for Project Management (APM) guides such as *Directing Change* and *Sponsoring Change* reflect his belief in the importance of project governance and business case development.

In his second book *Net Present Value and Risk Modelling for Projects* he brought these subjects together by showing how NPV and risk modelling techniques can be used to optimise projects and support project approval decisions. (To learn more about the book, click here.)