



## Critical Success Factors for Effective Risk Management

Presented by

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## Risk management ...



- ▶ ... THE key driver for project & business success
- ▶ Why?
  - ▶ Projects & businesses are **risky** – must be managed
  - ▶ Emphasis on **objectives**
  - ▶ **Proactive** not reactive
  - ▶ Creates **space to manage**
  - ▶ Ensures **consensus & focus**
- ▶ How?

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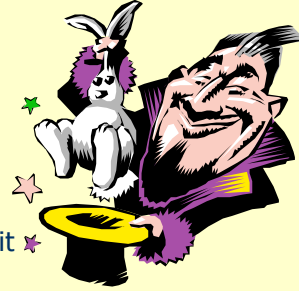




## How to make it work?



- ▶ The three T's :
  - ▶ *Techniques* ?
    - ▶ Yes, we need to know what to do
  - ▶ *Tools* ?
    - ▶ Yes, techniques need supporting
  - ▶ *Training* ?
    - ▶ Yes, we need to know how to do it
- ▶ Are these enough ?
  - ▶ No – necessary but not sufficient
- ▶ Need to implement "best practice"
- ▶ Need to understand Critical Success Factors



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## What is "best practice" ?



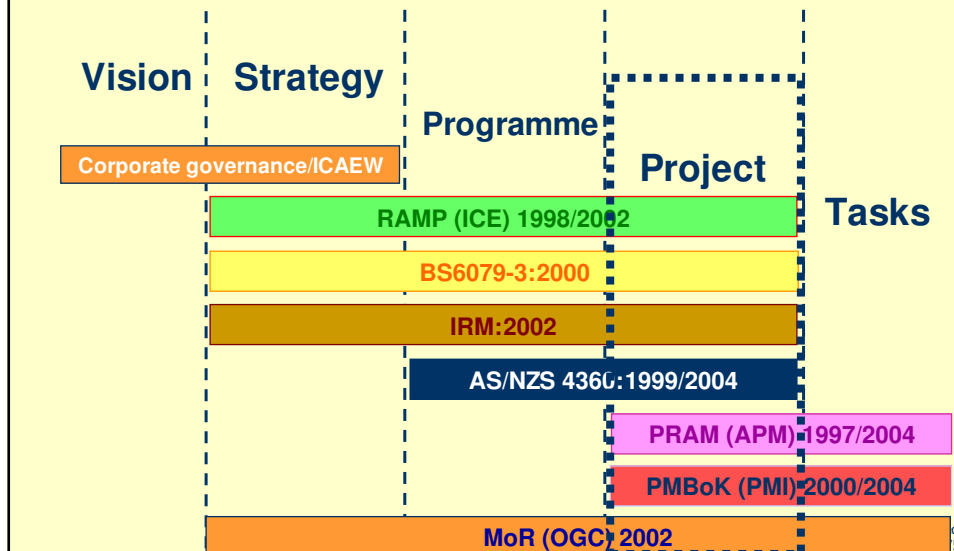
- ▶ "Routine activities that lead to *excellence*"
- ▶ Not "*what everyone does*" ...
  - ... but "*what everyone should do*"
- ▶ Accepted by leading professionals
- ▶ Implemented by leading practitioners
- ▶ Widely accessible
- ▶ Scalable, easily tailored or modified

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## Various approaches



## How to make it work?



- ▶ Effective risk management =  
3 T's + BP + CSFs
- ▶ Critical Success Factors include :
  - ▶ Clear definitions
  - ▶ Simple scaleable process
  - ▶ Appropriate infrastructure
  - ▶ Supportive culture

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# CSF1 : Risk definition First principles



**Risk ≠ Uncertainty**

True or **False**?

**Risk = Uncertainty that matters**  
(i.e. can affect *objectives*)

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## What is a risk?



**apm** "An **uncertain** event or set of circumstances that, should it occur, will have an **effect** on achievement of project **objectives**"  
(APM PRAM Guide)

**Risk connects uncertainty with objectives**

**irm** "The combination of the **probability** of an event and its **consequences**"  
(IRM/AIRMIC/ALARM RM Standard)

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## Two-dimensional risk



- ▶ Uncertainty estimated as “probability”
- ▶ “Impact” assessed against objectives
  - ▶ But what kind of impact?
  - ▶ Could be either **positive** or **negative**
  - ▶ Uncertainty that **helps** as well as uncertainty that **harms**
  - ▶ **Opportunities** as well as **threats**

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## Definition debate



- ▶ Current debate :
  - ▶ Risk is neutral, with undefined impact
  - ▶ Risk only has negative impacts, i.e. same as threats
  - ▶ Risk can include both threats and opportunities



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## Implications of broad definition

- ▶ If **risk** includes **opportunity** ...
  - ▶ Need to change *thinking*
  - ▶ Need to change *language*
  - ▶ Need to modify *process*

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## New thinking

- ▶ Not only
  - “What could go wrong?”
  - “How bad could it be?”
  - “Things can only get worse”
- ▶ But also
  - “How could we do better?”
  - “What would we do if we got lucky?”
  - “Can we make our own luck?”

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## New language



- ▶ Not only
  - Avoid
  - Transfer
  - Reduce
  - Mitigate
- ▶ But also
  - Exploit
  - Share
  - Maximise
  - Enhance
- ▶ Not
  - “Risk is a potential problem, to be minimised or avoided”
- ▶ But rather
  - “Risk is the effect of uncertainty on objectives, to be managed appropriately”

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## New process



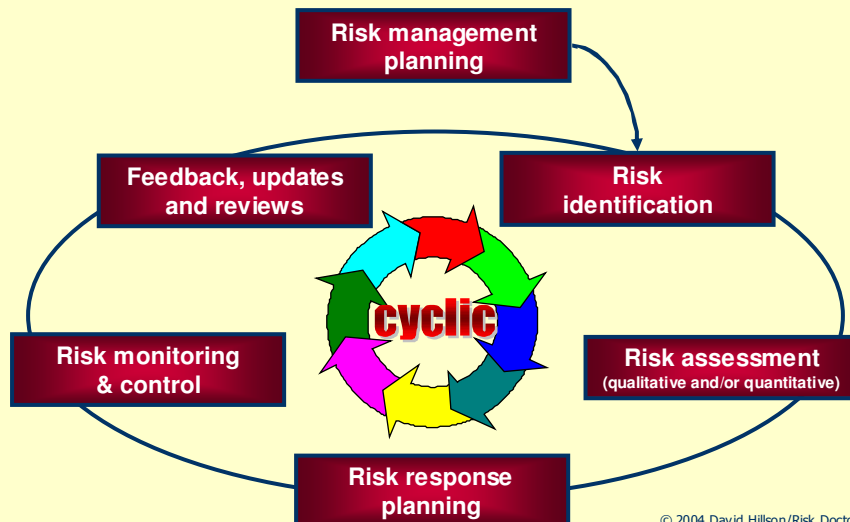
- ▶ Extend existing risk process to deal with opportunities explicitly
- ▶ Simple development from what is familiar
- ▶ Improved techniques for
  - ▶ Risk identification
  - ▶ Risk assessment
  - ▶ Risk response planning

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## CSF2 : Simple scalable process



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## CSF3 : Appropriate infrastructure



- ▶ Select *level of implementation*
  - ▶ Appropriate & affordable
  - ▶ Depends on project type/size/phase
  - ▶ From "Slippers & Pipe" to "The Full Monty"
  
- ▶ Provide *appropriate infrastructure*
  - ▶ Tools & techniques
  - ▶ Resources
  - ▶ Training
  - ▶ Procedures
  - ▶ Templates
  - ▶ External support

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## CSF4 : Supportive culture



▶ **People** are THE **critical success factor** !

- ▶ identifying risks
- ▶ assessing probability & impacts
- ▶ proposing responses
- ▶ supplying estimates
- ▶ implementing agreed actions



▶ People can **make or break** a project

- ▶ a **source** of risk exposure
- ▶ a **resource** for risk management

▶ **Risk attitudes** need to be managed



▶ **TRM**

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## Risk attitudes



▶ Range :

- ▶ Risk-averse
- ▶ Risk-neutral
- ▶ Risk-tolerant
- ▶ Risk-seeking



▶ Why does it matter?

- ▶ Attitudes create heuristics
- ▶ Heuristics influence judgement

▶ Need to identify & manage risk attitudes

▶ Personal and corporate

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## Conclusion



- ▶ If we have :
  - ▶ Clear definitions
    - ▶ "risk = uncertainty that affects objectives", including both threats and opportunities
  - ▶ Simple scalable process
    - ▶ define, identify, assess, plan, manage, update
  - ▶ Appropriate infrastructure
    - ▶ not "one-size-fits-all"
  - ▶ Supportive culture
    - ▶ managing attitudes & taking responsibility
- ▶ We will get :
  - ▶ focus on delivery of objectives
  - ▶ proactive management of threats & opportunities
  - ▶ more successful projects & business

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**Effective  
risk management  
delivers successful  
projects & business**

Thank you – any questions?

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