

Risk Management

Risk Management helps to identify the things that could have a significant negative impact on your business. It is a process for evaluating the impact of these risks and developing a strategy for minimising their effects.

Typical steps in Risk Management

Establish whether Risk Management is appropriate

You will need to consider the benefits of risk management and its applicability within your company, or for a specific construction project. Normally, it will require the formation of a risk management team, which will need to be professionally facilitated. This stage will typically identify the majority of the significant risks (those that matter and over which you have some control) usually within a workshop environment. Essentially, this stage is the time for considering what can threaten success.

Company buy-in

The Company Board must understand the benefits of risk management and fully support its application in the company.

Develop a risk register

The risk register is a critical document within which a comprehensive list of significant risks are recorded, along with the benefits and costs associated with them. The development of the risk register may embrace a wider reference group than the core risk management team.

Monitor risk continuously

The risk register provides a place for logging feedback from the company or from a construction project. Risks may need to be added to or subtracted from the register as experience grows.

Benefits of Risk Management

When applied well, Risk Management (RM) will result in a number of benefits, including:

- Minimising uncertainty on projects or during changes in company organisation.
- Better decision-making; RM alone, or linked with a Value Management exercise, can ensure that strategic decisions are well-founded.
- RM gives a hard focus on critical problems. For construction projects these will include risks associated with design, construction and maintenance/operation. RM techniques will compliment a whole life costing approach.
- RM can contribute to a better briefing.
- In the planning of work, RM allows projects with high risk to be balanced with projects of lower risk.
- RM can help to ensure clear accountability – once risks are established, risk minimisation can be assigned to individuals within the team.
- In the partnering context, a RM exercise can help to give common purpose.

Risks that might affect a construction project

The following lists give an appreciation of some of the potential risks encountered during a project. A number of these have relevance to organisational changes too.

Particular risks for construction industry clients

1. Low quality of advice, leading to:
 - Inappropriate management tools used for the project.
 - Inappropriate procurement route chosen.
 - Systems fail to identify and secure the quality required by the client.
 - A project which is poor value for money.
2. Income/benefits from building or project lower than anticipated.
3. Delays in completion, caused by:
 - Disruption/delays/inefficiencies/lack of co-ordination in the supply chain.

- Disputes.
- Poor quality work.
- Bankruptcy.
- 4 Unforeseen project costs, including variations.
- 5 Higher than expected running costs resulting from:
 - Defective design.
 - Specifications not being met.
 - Defective construction.
- 6 Contractor not competent to carry out work.

Acknowledgment: This information was originally supplied by Construction Best Practice in 2003. As Construction Best Practice no longer exists the information has not been updated, however, much of it is still relevant. Construction Best Practice has been replaced by Constructing Excellence – visit www.constructingexcellence.org.uk

Particular risks for main contractors and specialist contractors

- 1 Poor tender/briefing documents:
 - Client won't commit.
 - Client inexperienced.
- 2 Non-standard contract documentation.
- 3 Quality and value for money not sufficiently well acknowledged and rewarded by ultimate client(s).
- 4 Poor design for construction eg buildability not properly addressed.
- 5 Unexpected problems related to the site e.g. contamination/unusual ground conditions.
- 6 Co-ordination problems (particularly for specialists).
- 7 Component/material supplier unable to meet delivery or cost targets.
- 8 Faulty components/materials.
- 9 Accidents and injuries to staff.
- 10 Weather interrupting work.
- 11 Delayed payments.
- 12 Poor documentation of records.
- 13 Lack of co-ordination of documentation.
- 14 Poor guidance for operatives.
- 15 Poorly trained/inadequately trained workforce.
- 16 Industrial disruption.

Particular risks for designers

- 1 The client does not have the necessary resources or experience to support the project.
- 2 The project is larger and/or more complex than the designer's previous experience.
- 3 Responsibility/role in non-traditional procurement may not be clear at outset.
- 4 Procurement route may restrict the level of design input.
- 5 Poor tender/briefing documents.
- 6 Non-standard contract documentation.
- 7 Poor/inadequate/inaccurate/inconsistent product information.
- 8 Delayed payments.
- 9 Poor documentation of records.

Further help

Visit the Constructing Excellence website at www.constructingexcellence.org.uk