Project Risk Management: A Proactive Approach

As we get better at project management — through a better understanding of team operation and by employing computerized scheduling, budgeting, and work breakdown tools, for example — the “surprises” (risks) that occur in any project become more frustrating.

Project risk arises especially in product development projects by their very nature. In product innovation, we are attempting something never done before, so risk is naturally higher.

The surprising thing about these risks is that they are often not so surprising. Similar problems have occurred before on another project, or someone suspected that something similar would happen — but they didn’t voice their concern or take action.

Project risk management, then, is simply the process of consciously and aggressively identifying these “surprises” and making plans to do something about them before they happen and while we have attractive options for resolving them.

So, how does one manage project risk? The normal process is remarkably consistent across many books, articles, and trainers. The Project Management Institute’s body of knowledge, PMBOK®, provides a common process used across many types of projects. We suggest a process that varies somewhat from this one but is basically similar:

![Diagram of project risk management process]

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Although this process can be applied broadly to projects, we focus here on product development.
projects, for two reasons:

- Such projects are our specialty
- As stated, the innovative nature of product development presents greater challenges in identifying and resolving risks, and the payback is likely to be greater in this less predictable arena

However, there is much more to effectively mitigating risks than the process involved. A key to effective execution of a process is an efficient means of identifying problems beforehand and an inescapable methodology for taking action proactively against your most serious risks.

We accomplish these critical activities with the help of a very useful tool — a model of a risk, which allows you to put compelling facts behind your risk (we call them “drivers” in the diagram below) so that you can determine how serious a risk is (see our article, “A Portrait of Risk”). Even more importantly, these facts lead you automatically toward effective, proactive resolution plans (see our column, “Just the Facts, Ma’am”). Below is the Standard Risk Model, which is the one we use most often:

![Risk Model Diagram](Adapted from Fastrak Training Inc. training material. Used with permission. Copyright ©1996)

For more about using this model as the core of your process, in product development or other fields, refer to our book, Proactive Risk Management, or download our articles or our book chapter on the subject.

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