

6.2: Risk Management and Project Success

Successful project managers manage the differing perceptions of risk, and the widespread confusion about its very nature, by engaging in systematic risk management. According to the Financial Times (n.d.), **risk management** is “the process of identifying, quantifying, and managing the risks that an organization faces”. In reality, the whole of project management can be thought of as an exercise in risk management because all aspects of project management involve anticipating change and the risks associated with it.

The tasks specifically associated with risk management include “identifying the types of risk exposure within the company; measuring those potential risks; proposing means to hedge, insure, or mitigate some of the risks; and estimating the impact of various risks on the future earnings of the company” (Financial Times, n.d.). Engineers are trained to use risk management tools like the risk matrix shown in Figure 6.1, in which the probability of the risk is multiplied by the severity of consequences if the risk does indeed materialize.

		IMPACT				
		A	B	C	D	E
		Negligible	Minor	Moderate	Major	Severe
PROBABILITY	E	Very Likely	Low Medium	Medium	Medium High	High
	D	Likely	Low	Low Medium	Medium	Medium High
	C	Possible	Low	Low Medium	Medium	Medium High
	B	Unlikely	Low	Low Medium	Low Medium	Medium
	A	Very Unlikely	Low	Low	Low Medium	Medium

Figure 6.1: A risk matrix is a tool engineers often use to manage risk.

This and other risk management tools can be useful because they provide an objective framework for evaluating the seriousness of risks to your project. But any risk assessment tool can do more harm than good if it lulls you into a false sense of security so that you make the mistake of believing you really have foreseen every possible risk that might befall your project. You don’t want to make the mistake of believing that the tools available for managing risk can ever be as precise as the tools we use for managing budgets and schedules, even as limited as those tools are.

Perhaps the most important risk management tool is your own ability to learn about the project. The more you know about a project, the better you will be at foreseeing the many ways the project could go awry and what the consequences will be if they do, and the better you will be at responding to unexpected challenges.

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