PROJECT RISK MANAGEMENT
PRACTICE GUIDELINE ©

DOCUMENT SUMMARY/KEY POINTS

- This document provides guidance to project teams and project stakeholders on the application of the risk management process to the Sydney Children's Hospitals Network (SCHN) projects.

- This guideline is aligned with SCHN's Risk Management Policy and Framework.

- This guideline does not provide details of the specific actions to be taken regarding risk management for a project, as these will vary according to the project and other organisational circumstances.

- The guideline describes how to manage risks that are associated with a project and the project lifecycle – from concept to eventual disposal or implementation.

CHANGE SUMMARY

Not applicable – new document.

READ ACKNOWLEDGEMENT

- Read Acknowledge Only – staff seconded to work on specific SCHN projects, staff who are members of projects groups or staff who are key project stakeholders.

This document reflects what is currently regarded as safe practice. However, as in any clinical situation, there may be factors which cannot be covered by a single set of guidelines. This document does not replace the need for the application of clinical judgement to each individual presentation.

Approved by:	SCHN Policy, Procedure and Guideline Committee	
Date Effective:	1st June 2019	Review Period: 3 years
Team Leader:	Network Manager Risk, Insurance and Governance	Area/Dept: Finance and Corporate

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1   Introduction

Risk management is an essential component in the successful management of any project, whatever its size that assists managers at all levels to make informed decisions. It is a process that begins from the inception of the project and continues until the project is completed and its expected benefits realised. Project risk management is a continuous process of identifying, analyzing, prioritising and mitigating risks that threat the likelihood or success of a project in terms of cost, schedule, quality, safety and performance.

Risk management needs to focus on the areas of highest risk within the project as well as continually monitoring other areas of the project to identify any new or changing risks.

The success of a project's risk management strategies is dependent on the following:

- commitment of the sponsor and senior management to the risk management process; skills and experience of the project team in the assessment of risks and the development of effective risk treatments;

- project team, the business and other stakeholders working closely together to identify and manage all risks affecting the project;

- use of an appropriate risk management process, methods and techniques continuously throughout the project; and

- regular reporting of performance against risk treatments, with this reporting provided by the project team and through appropriate independent quality assurance processes.

Risk management can be challenging because it requires thinking that may be seen as detrimental to a project. Risk identification sometimes requires 'negative thinking' and looking for potential problems which may be seen as a contradiction to the 'can do' attitude and expectation with projection completion. However, looking for difficulties and then managing them so that there are very few no surprises for senior management leads to successful projects.

2   Objective and Scope

This document provides guidance to project teams and project stakeholders on the application of the risk management process to the Sydney Children's Hospitals Network (SCHN) projects. This guideline is aligned with SCHN's Risk Management Policy and Framework where further information can be found regarding the risk management process and procedures, including SCHN's risk management plan.

The objective of project risk management is to understand the project risks, minimise the likelihood of negative events and maximize the likelihood of positive events on project outcomes or objectives. Project risk management is a continuous process that begins during the planning phase and ends once the project is successfully commissioned and turned over to operations.

All projects have risks and the cost-effective management of risk is essential if a project is to achieve its business outcomes. These typically include cost, schedule, quality and the fulfillment of functional and non-functional requirements.

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Risk management starts at the inception of a project, which means that risk must be addressed when the project's scope and justification are documented in the business need proposal and initial business case.

3 Risk Management Concepts for Projects

When managing project risks, it is also important to consider and manage the risks the project may place on the business. For example, if a project replaces a key system that support services to patients, families or consumers, then the non-delivery of the system or the provision of a system that is difficult to use could negatively impact on SCHN's operations and service delivery capabilities.

Project risk management is governed by a risk management plan and documented in the risk register for the project. Effective project risk management requires an understanding of the organisational context, an investment in resources and a positive risk culture to cultivate support from staff and other stakeholders who may not have a direct business interest in the actions and resources needed to treat risks.

When considering projects, it is usual practice to refer to risk events which has an impact on the project or organisational objectives, where there is often a one to many relationship.
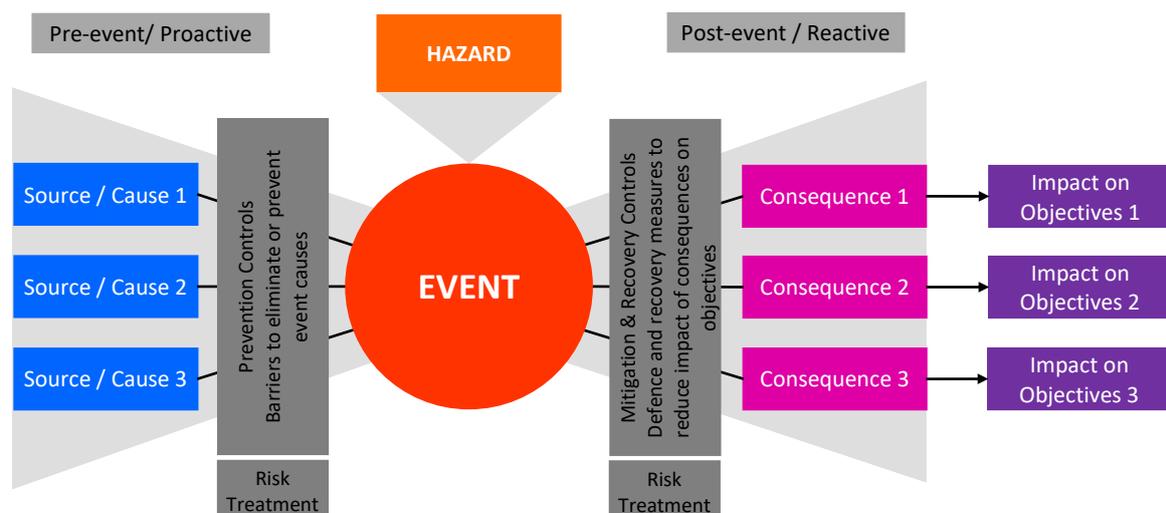
The consequences of an event can be negative or positive. While it is usual to focus on the negative consequences, positive outcomes or consequences can result in opportunities. Consideration of possible positive consequences enables projects to take advantage of these benefits.

The risks associated with a project can be:

- Inherent, which result from the nature of the project objectives and scope;

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- Acquired, which result from the selected organisation, approach, technology, methods, tools, techniques, skills and experience that are applied to the project; or

- Contextual, which result from events, circumstances or inter-relationships outside or across the project or system boundary and impact aspects of the project.

Inherent risks are more difficult to reduce but can be managed, often through a change in the nature or scope of the project. For example, a project may have a high implementation risk due to the wide scope of the new system. Breaking the project into increments that deliver successively more operational capacity may significantly reduce this risk, providing the system level architectural design is right.

It is normally neither feasible nor necessary to eliminate all the risks associated with a project. However, once they are identified and documented the risks can be cost-effectively treated. Effective management of risk will usually require a balance to be struck between the:

- Scope and quality of the project's deliverables and the extent to which they satisfy the needs of the business;

- Time-scale for the project; and

- Cost of the project.

3.1 Effective management of project risks

Effective management of project risks requires:

3.1.1 Commitment at all levels

The commitment to managing a project's risks must start with the agency's senior management and sponsor, and continue through all participants and stakeholders in the project.

3.1.2 Communication and consultation

The project must maintain contact with their internal and external stakeholders at every stage of the risk management process and concerning the process as a whole. Risks are prone to varying perceptions and it is important to reflect and reconcile these.

3.1.3 Effective system engineering and project management

The project must ensure that there are plans and processes for managing the project's risks. The project's management team should, through participation in similar projects, have a good understanding of the risks that the project may face and of appropriate methods for managing those risks.

3.1.4 Risk ownership

Each identified risk must be assigned to the person, role, team, unit or agency best able to manage it in terms of their responsibilities. They must have the overall responsibility and authority for managing the risk.

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3.1.5   A continuous approach

Risk management is a continuous process throughout all stages of a project. The project team must constantly monitor the project's risks to assess the effectiveness of the risk management measures, to identify any new or changing risks, and develop revised risk treatments as appropriate.

3.1.6   A partnership approach

The project stakeholders, including project team (both in- house and contractor), the business and contextual influencers such as related projects must work closely together to identify and manage risks.

3.1.7   An appropriate risk management process

The use of proven methods can significantly increase the effectiveness of the risk management process. Appropriate methods and techniques, used by experienced managers and team members, will guide the identification and analysis of risks and will assist with the development of effective risk treatments.

4   Project Risk Management Roles

The key roles in managing project risks, including their responsibilities, are provided below.

4.1.1   Senior Management

Senior management endorse SCHN's risk management policy and framework, actively support the risk management actions required for the project and ensure that all project stakeholders and participants support those actions. The extent of their involvement in a particular project will depend on the project.

4.1.2   Project Sponsor

The Project Sponsor, is responsible for:

- ensuring that adequate resources are available to manage the project's risks;
- ensuring there is active participation in the risk management process by a wide cross section of stakeholders in the project;
- ensuring that risks that affect the project from outside the project's boundary are managed; and
- monitoring and reporting the progress and effectiveness of the risk treatments.

4.1.3   Project Manager

The Project Manager leads the project team and is assigned the authority and responsibility for meeting the project objectives including the overall management of risks within the project.

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4.1.4   Risk Owners

Risk owners include key stakeholders such as department managers and supervisors, team leaders or allocated departmental representatives who have the overall responsibility and authority for treating the identified risks. Within the project team the risk owners must have the resources necessary to treat their risks, and they also need to monitor risks that are not being treated.

4.1.5   Project Lead/ or Project Officer (Project Risk Manager)

The Project Officer is the person in the project with the overall responsibility, accountability and authority for ensuring that the risk management process is applied effectively, including:

- driving and managing all aspects of the risk management process;   ensuring all risks have an appropriate owner;

- maintaining the risk register, a template is included at Appendix 4;

- ensuring appropriately frequent risk reviews to identify new or changing risks;

- continually monitoring the cost-effectiveness and practicability of the risk treatments; preparation of regular risk reports in accordance with the risk management plan; and

- seeking and implementing continuous improvement to the risk management process and sharing lessons with other projects and stakeholders.

4.1.6   Business or Departmental Representatives

Business or departmental representatives assist with the identification, analysis and evaluation of risks and support the implementation of the selected risk treatments.

4.1.7   Project Team

The Project Team members are responsible for:

- assisting with the identification, analysis and evaluation of risks;

- assisting with the development of risk treatments; and

- risk management activities as set out in the risk treatments.

## 5   Sources of risk in project risk management

The following is a list (not an exhaustive list) of some sources of risk that may impact the project's objectives:

- inadequate resources causing ineffectively managed risks;

- risk management costs excluded from the business case and excluded from cost benefit analysis;

- no risk reserve budget to afford implementation of risk treatments;

- the wrong mix of skills and experience in a project team;

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- risk treatments are inadequately integrated with the other project plans which may cause conflict with project interdependencies and resources;

- late discovery of a risk resulting in increased cost and complexity;

- risks not being identified;

- there is optimism bias where risks are missed, ignored or inadequately treated;

- risk treatments become inappropriate or ineffective if not monitored and adjusted as the risks change; and

- risk treatments have knock on effects which cause secondary risks.

6   Risk management process for projects

A diagram of the risk management process is shown below.

AS/NZS ISO 31000:2009
Risk management – Principles and guidelines
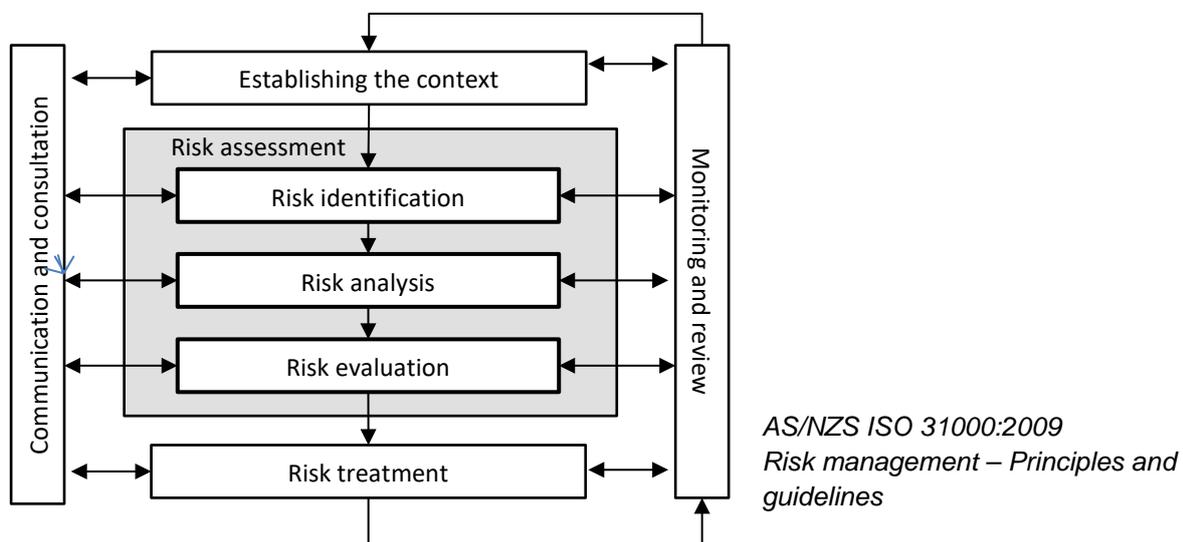
Refer to SCHN's Risk Management Policy and Framework for further details on the risk management process.

The steps involved in the risk management process are not one off events and are repeated throughout the project, including the post implementation phase.

6.1.1   Establish the context

Define and identify the organisation and project environments, characteristics, dependencies and stakeholders, their goals and objectives, and the scope and boundaries of the specific risk management process. Ensure all assumptions are recorded in the Project Charter or Assumptions List. When the context has been established then the risk management plan can be prepared.

6.1.2   Risk identification and definition

The project's risks are best identified through a collaborative approach involving a wide cross section of stakeholders in the project and recorded in the project's risk register. At the start of

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each project phase, the risks associated with that phase are formally identified through a similar process. All conceivable risks, including "show stoppers" must be considered. Ensure any certainties are identified as problems and addressed in the project processes.

- Effective methods of risk identification include:

- Brainstorming, with a facilitator and range of stakeholders;

- Interviews with stakeholders;

- Scenario, business analysis and event tree modelling;

- Dependency modelling;

- Experience from other projects, metrics and published data for norms;

- Reviewing project information, including plans, analysis and designs; and

- Checklists.

6.1.3   Conduct risk analysis

An analysis of the risks is conducted to determine their causes, and estimate their probability and consequences. Use the NSW Health Risk Matrix to assist with risk analysis.

6.1.4   Conduct risk evaluation

The risks are considered and prioritised according to their potential impact on the business and the project, and each risk is assessed to determine its level of acceptability. The risk register is updated with the outcomes of the risk analysis and assessment process and identifies the risks that require management and assigns owners to them. Use the NSW Health Risk Matrix to assist with risk evaluation.

6.1.5   Develop and implement risk treatments

Risk treatments are developed to cost- effectively reduce, contain and control project risk. Formal risk management reporting mechanisms are also defined.

6.1.6   Monitor, report, update and manage risks

As risks change during the project, the risk profile is continuously monitored, reviewed and updated. New risks may be identified as more information becomes available and existing risks may be eliminated through the effectiveness of the risk treatments.

7   Summary

Risk management is an essential component in the successful management of any project, whatever its size. It is a process that begins from the inception of the project and continues throughout the project until the project is completed (post-implementation) and its expected benefits realised.

Risk management requires continuous monitoring of all aspects of the project to identify any new, emerging or changing risks.

The success of a project's risk management strategies is dependent on the:

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- commitment of the sponsor and senior management to the risk management process;

- skills and experience of the project team in the assessment of risks and the development of effective risk treatments;

- project team, the business and other stakeholders working closely together to identify and manage all risks affecting the project;

- use of an appropriate risk management process, methods and techniques continuously throughout the project; and

- regular reporting of performance against risk treatments, with this reporting provided by the project team and through appropriate independent quality assurance processes.

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