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Specialists in Strategic, Enterprise and Project Risk Management

Big or small, all can win with risk management, says expert

By Ian Porter

BUSINESS is about risk and the old adage, "The bigger the risk, the greater the reward", is still widely believed.

But a growing number of executives in both the public and private sectors are now trying to tilt the playing field in their favour by using risk analysis and management techniques to cut the risk while maintaining the rewards.

Risk analysis and management can be deemed as structured brainstorming aimed at identifying every risk and devising means to eliminate or minimise the effects. Its value has been proved on many of the world's biggest projects. where billions of dollars have been at stake.

However, leading Sydney practitioner Dr Dale Cooper believes risk analysis and management techniques can and should be implemented by virtually all organisations regardless of size.

Addressing a Morgan & Banks seminar in Melbourne last week, Dr Cooper said risk analysis and management had for years been considered relevant for only the largest projects, where big budgets justified bringing in independent specialists.

It has been used in big government procurement contracts such as the over-the-horizon radar, which cost more than $500 million, and in huge commercial undertakings like the trans-Alaska oil pipeline and many of Australia's leading resource projects such as the multi-billion-dollar North-West Shelf.

Dr Cooper said that acceptance of the technique was growing rapidly and that risk management was percolating down the size scale as more executives saw the benefits and learned how to incorporate it into their operating procedures.

Dr Cooper, who did the risk analysis on Sydney's Olympic Games plans, told the seminar the techniques could be incorporated into any company's quality program. The absolute size of the project was no longer the key, he said.

He has an unscientific rule of thumb he believes is pretty accurate. "Risk management should be used if a project is considered large or risky," he said. "But that means different things to different organisations.

"My definition is that something is large and risky if it stops you sleeping at night."

Dr Cooper said there was nothing mystical about risk management. In fact, good managers were basically natural risk managers already.

The technique involves a methodical examination of a capital project or other business situation in what amounts to "structured brainstorming". It is, in effect, a structured method for thinking about the future and future uncertainty. Ideally, it should be an integral part of the organisation's quality system, Dr Cooper said, not just something that could be brought in, used to solve a problem and then dropped.

The idea was to identify all possible risks, assess the likelihood of their happening, estimate the consequences and rank them in order of importance.

The second stage was to map out the risk-management program, assessing all the feasible responses to the risks and selecting the best ones. The organisation then had to make some hard decisions about which risks it would accept and which it would seek to transfer to other parties, either by insurance or, say, by making a subcontractor responsible for a certain aspect of a project.

"It is important to remember that transferring the risk like this only changes where the risk lies, it does not get rid of the risk," Dr Cooper said.

Risk acceptance was important because the organisation could then focus on the risk and work to eliminate or reduce it.

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