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Don't Let a Good Project Go Bad – Start By Planning for Risk

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What makes a bad project?

You might say a project is only bad if it results in bad outcomes - wasted time, lost revenue, bodily injuries, ruined reputation. A truly bad project could end your company altogether.

In that sense, there's nothing inherently troublesome about any particular project. It's only when the project isn't undertaken in a controlled, safe, well-designed way that it becomes a problem.

If that's true, the flipside must also be true. A good project is one that results in positive outcomes - on time, on budget, no injuries, something you want to brag about. A truly good project will help your company grow.

I believe that contractors can easily decide whether they only want to pursue good projects and avoid bad projects. Its not a matter of hoping good projects happen to you and bad projects don't. It's simply a matter of taking the appropriate risk management steps, at the appropriate times, to set yourself up for success.

I say the appropriate times, because that's often the factor too many contractors miss. Everyone in construction has heard of risk management, and at least pays it lip service, to some degree.

But far too many firms think in terms of risk management far too late in the process, greatly limiting the impact of the approach. They may only be concerned with it around insurance renewal times, or when obvious issues arise, rather than planning ahead.

Quite simply, if you want to ensure consistently positive project outcomes, you need to start with risk management.

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Why start with risk management?

Starting a project with a mindset toward identifying and managing potential problems and opportunities yields the biggest returns on your effort.

Just like investing money for your retirement early generates outsized returns, investing effort in careful analysis early in a project - or ideally before even taking on a project - will help you maximize the impact. On the other hand, failing to recognize a minor risk might allow it to snowball into a nightmare.

To be more specific, the sooner you start thinking about what types of risks exist in a project, the more you could devise solutions to reduce exposures, insurance costs, delays, claims, etc.

It's pretty logical why this would be the case. Identifying a risk early in the process ensures your focus is concentrated in the most important directions. That might mean where you can save the most money, or cut the most costs.

To this, some readers may say, "Of course. How else would you do it?" In my experience, the traditional approach is often, "Let's wait and see." Contractors wait until problems arise, and then try to find ad hoc, immediate solutions. The trouble with that way of doing business is that solutions are almost always more expensive and less effective.

Don't do business that way. Instead, think about risks and opportunities early and often. It creates more leeway for creative, cost-effective solutions. Whether through contingencies, contracts or insurance, you can much more easily deal with potential issues if you take a risk-first point of view.

What risks are we talking about?

When contractors typically think of risk, they think of all the physical risks they are legally charged with enacting processes to avoid. But, in reality, the risks that most frequently disrupt projects aren't related to the actual construction activity.

Beyond safety, these are some of the most important risks to consider for every project:

- Cost management.
- Time management.
- Scope and change management.
- Procurement and contracts.
- People management.
- Information management.

It surely goes without saying that every contractor wants to avoid these issues just as much as falls and backovers. No one creates schedules or makes budgets expecting delays and cost overruns that reduce profits and frustrate stakeholders.

Nevertheless, a study by McGraw-Hill Construction found that scope and budget creep were the top risks facing the construction industry. Similarly, a study by the Surety & Fidelity Association of America found that management-related issues like scoping and accounting were the most common reasons that contractors failed.

This means that the most common assumption of what entails risk management is far too narrow. Risk, and the opportunities that arise from avoiding or mitigating it, can relate to any aspect of a construction project. Expanding that definition to the fullest perspective is the first step to really understanding how to get your arms around everything that leads to a successful project.

How can I start managing these risks earlier?

There are countless processes to carefully analyze all the risks facing your work. There are calculations you can use to assess the numerical size of risks. There are grids, tables, checklists and software tools that will all give you a better idea of how to intelligently look at a project and predict everything that could happen.

I can't explain all of those techniques now. You also shouldn't expect to read one article and understand all there is to know about risk management. It's a way of thinking and approaching complex situations in a systematic way to create more predictable and advantageous results. I encourage you to learn more about the best approaches out there, because there are surely some brilliant ways of making the complicated much more manageable.

For now, here are some general guidelines that you can't go wrong in remembering. In fact, rip this page out and post this on the wall of your office. Until you come up with a better process that works for you, this will keep you thinking about risk management early and often in each project.

1. List risk sources. Take the list of risk categories from earlier in this piece, and build upon it with others relevant to your project. Is weather a risk? Suppliers? Politics? Once you build a comprehensive list that applies to the type of work you do, it will likely apply to multiple projects moving forward

2. Rank risk importance. This can be a complicated process, because it will vary from project to project, and quantifying risks can be difficult. Remember that while safety risks may be most visceral, it's often the softer risks, like scheduling and budgeting, that tend to disrupt businesses the most.

3. Manage the risks. This process has a list of approaches in and of itself. For each risk, determine whether you'd prefer to do one or a mix of these following things, remembering the acronym **RISK**:

   Reduce it. Take steps to lessen the likelihood of the risk.

   Insure it. Self-explanatory. Get insurance to cover the financial impact of the risk.

   Sidestep it. This might require saying no to something, or finding another way to do something that doesn't face the same risk.

   Keep it. Sometimes a risk may be worth taking, keeping the current situation as is. However, this doesn't necessarily mean do nothing about it. You should have a response for when that thing goes wrong.

This is admittedly a 50,000-foot view of a construction risk management approach. And as in-depth as this subject goes, the ongoing monitoring and management of risks after a project starts can be even more complex. Again, this is a subject to study and perfect over time, not quickly get out of the way.

That said, thinking in these terms before a project begins will give you a certain leg-up on competitors who wait to react to risks rather than proactively planning for them. Don't let a good project go bad because you simply failed to fully consider the risks and opportunities ahead of time. The more you plan for risk, the more consistently you'll realize reward.

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