

Gain an overview, seize opportunities – the benefits risk management can bring

If there is such a thing as a central characteristic of entrepreneurial activity, it is perhaps risk. The possibility of failure is one of the prerequisites for entrepreneurial risk to become economic success. Entrepreneurs, however, are not hare brains. Today's leaders avoid blindly taking bets, and instead employ smart risk management to help their project go to plan.

“There are hundreds of risks in every industrial project and the more complex the project, the more complex the risk management,” says Jan Kühl, a Buckstay senior consultant. His clients usually follow his holistic approach. Not only are all categories of risk recorded, but risk management is also seen as an important management task and is accordingly placed high up in the hierarchy.

Even though project managers may be initially aware of many risks, there are often unaware of the concrete consequences. That's why many companies call on the external expertise of experienced specialists like Jan Kühl. His work is best started very early in the project. First, he provides the company with as complete an overview as possible of all risks, whereby Jan Kühl defines risk neutrally, namely as a “possible deviation of the actual data from the plan data”.

Implement risk management early and follow a structured approach

Jan Kühl has many years of experience in the management of project risks. His teams follow defined and comprehensible processes and structures. Web-based risk management tools are used if the projects are complex enough. The basis is five essential steps that are carried out for each individual risk:

1. Identification
2. Qualitative assessment
3. Quantitative assessment
4. Response/countermeasures
5. Monitoring

In the overall view, a matrix results in which all risks are presented and which shows at a glance which of these risks, for example, are particularly likely to occur and can also cause a high level of damage (see figure). Analysing and evaluating all risks and finding appropriate means to manage and control them is an ongoing task in which all project participants are involved.

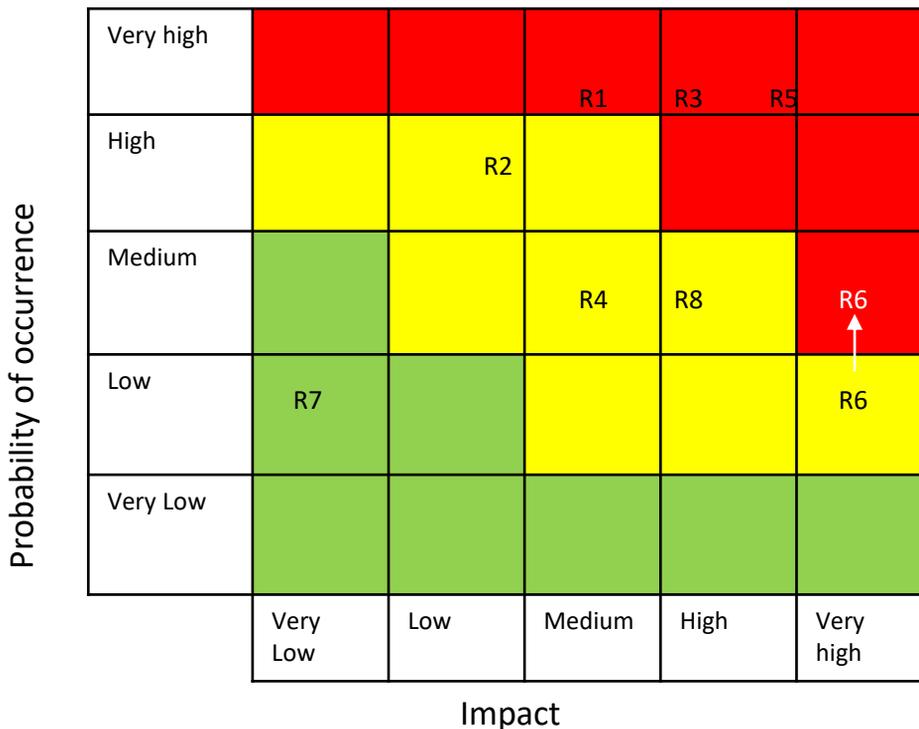


Figure: Exemplary representation of a risk matrix

Integration of risk management with other core disciplines of project management

The decisive factor for the “Buckstay method” is that the consultants do not focus solely on risk management but work in an integrative manner and keep an eye on the essential interfaces and interrelationships of the project. “We have a clear view of changes, contracts, scheduling and costs, and thus link the conventional tasks of project management with risk management,” says Jan Kühl. For Buckstay it is important to be able to offer clients conceptual support beyond the operational execution of risk management. The goal is not only to propose countermeasures for concrete risks, but to implement the entire risk management process in such a way that errors are not repeated and future sources of error are recognised in good time.

Competitive advantage through smart risk management

In competitive industries, companies have to continuously optimise their own products, processes and projects and enhance their efficiency in order to keep up with or gain an advantage over their competitors. The margins within which large-scale industrial projects prove sustainably profitable are often very narrow.

Dealing with risks in the right way does not necessarily lead to visible changes for outsiders. Especially when risks have been successfully managed, the only visible part that often remains is a cost centre.

“Experienced managing directors and project managers, however, know full well what real contribution risk management has made to their success,” Jan Kühl says. They also know that a wise investment in risk management at the beginning of a project can save them from stumbling into cost traps in large industrial projects that only appear inevitable. “If the central feature of entrepreneurial action is taking risks,” Jan Kühl adds, “then the central feature of competition is dealing with risks.”