kahua

Manage Risk and Protect Your Capital Program

With margins already thin, organizations must create clear strategies to mitigate risks and define guidelines for their teams to follow.

Risks can come from anywhere, but generally capital program risks fall into the categories below.

Types of Risk

Financial
Material cost / Inflation / Estimation errors / Unmanaged cash flow

Environmental
Weather / Access to the site / Natural disasters / Pollution

Socioeconomic
Changes in laws and regulations / Increases in taxes

Construction
Design changes / Labor productivity / Disputes

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"68% of organizations indicate they have recently experienced an operational surprise due to a risk they did not anticipate."

2019 The State of Risk Oversight: An Overview of Enterprise Risk Management Practices by NC State Poole College of Management

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Create a Risk Management Strategy

Risk Assessment
Organizations can assess risk using three steps. First, identify potential risks and then assign each risk to the phase they could impact. Next, calculate a risk rating based on the severity and probability of the risk. Lastly, take note of budgetary or schedule impacts these risks could have.

Risk Mitigation
Organizations should assign individuals to a specific risk with plans to help avoid the risk or decrease the severity. For optimal future learnings, they should associate a resolution status to each risk once it has been closed to refine the risk mitigation processes.

Risk Status
To understand the impact of risks, track the progress of risk mitigation and provide a risk status. This helps communicate whether a risk has been successfully mitigated or not. These insights will ensure early visibility of delays or changes.

Risk Resolution
To find the best method to resolve risk, organizations should use risk resolution to analyze which strategy best fits their decision-making process. The strategies include risk acceptance, risk avoidance, risk protection, risk reduction and risk transfer.

Technology

The right technology platform should conform to an organization's governance—controls and business strategies. Kahua's project management information system will adapt to any governance and empower people to plan and react to risks. The flexible platform will increase transparency, increase productivity, and decrease risk.

To learn more about managing capital program risk download our Risky Business eBook here.