Practical Project Risk Management[1]

Assessing Risk Management Capability: A brief guide [2]

Purpose

1. Assess the quality and effectiveness of a project management process as implemented.
2. Identify actions for process improvement.
3. Provide a benchmark for confidence in data used at major project decision points.

The following approaches are listed in an ascending order of assessment validity.

Project team discussion of process effectiveness

This is a time-efficient activity that can be introduced as an occasional agenda item at other team meetings e.g. risk reviews. This advantage always makes the approach useful. However, it lacks the external perspective that is required for a reliable capability measurement.

Audit of compliance with the project's plan or organisation's process standard

Process compliance audits are a widespread practice, and would normally be conducted by a person who is independent of the project team. Areas of non-compliance can be identified for corrective action. A weakness with the approach is that auditors sometimes lack domain expertise in project risk and/or an in-depth knowledge of the project. Another weakness is that the organisation's process may not itself be best practice or suited to the project in question.

Independent capability assessment by an external expert

An independent expert will typically have a number of advantages over an internal auditor. For example, they should have sufficient experience and domain knowledge to comment on whether or not the project's process:

1. Is grounded in best practice, given the nature of the project and its current phase.
2. Could benefit from methods implemented by other businesses or organisations.

[1] This series of articles is by Martin Hopkinson, author of the books "*The Project Risk Maturity Model"* and *"Net Present Value and Risk Modelling for Projects"* and contributing author for Association for Project Management (APM) guides such as *Directing Change* and *Sponsoring Change.* These articles are based on a set of short risk management guides previously available on his company website, now retired. See Martin's author profile at the end of this article.

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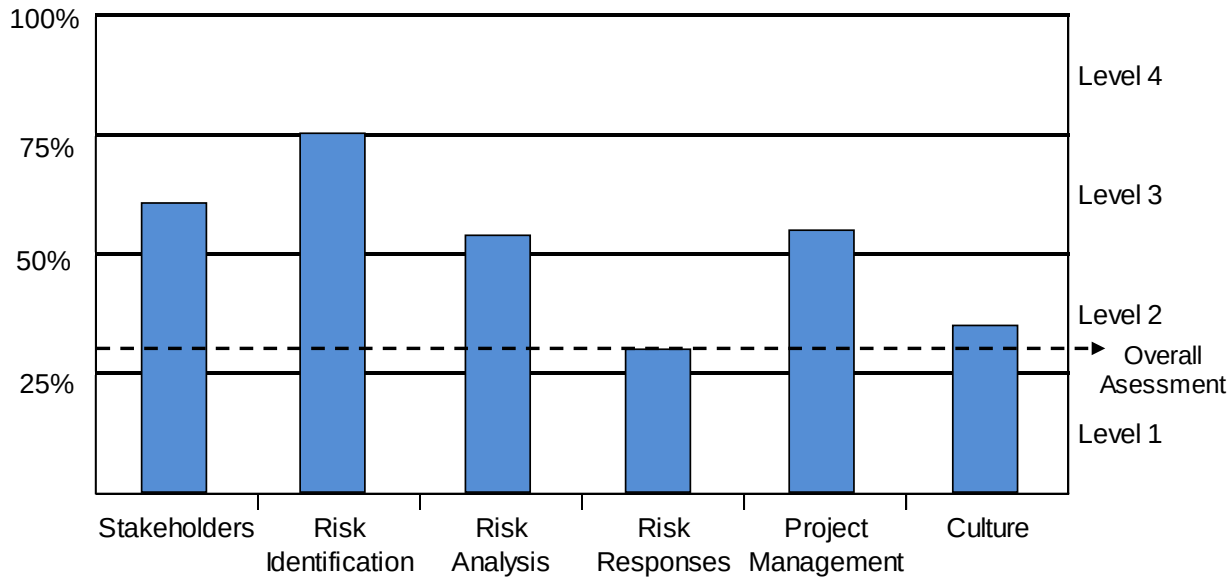
3. Is likely to realise all of its potential benefits. See the *Project Risk Management Benefits* guidance sheet (Feb 2024).

For reasons such as these, the opinions and recommendations of an independent expert often gain more traction with management than would be the case with an internal auditor.

Capability assessment supported by a proven Capability Maturity Model

Ideally, a process capability assessment should be supported by a proven benchmarking tool or framework. Capability maturity models are typically used for this purpose. Maturity models specific to project risk management have been published in professional standards and other publications. One such model is the Project Risk Maturity Model (Hopkinson, 2011), which produces an output in the format illustrated below.



A well designed maturity model should:

1. Produce a measured assessment that can be used to set improvement targets.
2. Provide an approach to the prioritisation of improvement actions (the effectiveness and/or implementation of risk responses would be a priority in the above example).
3. Enable comparisons to be made between successive assessments or different projects.

Common Mistakes

1. Failure to plan for how the effectiveness of the process can be assessed and improved.
2. Conducting an audit based on a project risk management plan, which is, itself, weak.

About the Author

Martin Hopkinson

United Kingdom

Martin Hopkinson, recently retired as the Director of Risk Management Capability Limited in the UK, and has 30 years' experience as a project manager and project risk management consultant. His experience has been gained across a wide variety of industries and engineering disciplines and includes multibillion-pound projects and programmes. He was the lead author on Tools and Techniques for the Association for Project Management's (APM) guide to risk management (*The PRAM Guide*) and led the group that produced the APM guide *Prioritising Project Risks.*

Martin's first book, *The Project Risk Maturity Model*, concerns the risk management process. His contributions to Association for Project Management (APM) guides such as *Directing Change* and *Sponsoring Change* reflect his belief in the importance of project governance and business case development.

In his second book *Net Present Value and Risk Modelling for Projects* he brought these subjects together by showing how NPV and risk modelling techniques can be used to optimise projects and support project approval decisions. (To learn more about the book, click here.)