

There is one absolute certainty in construction - at some point in the construction process, the project will not proceed according to plan.

Risk management is a tool that has been utilized on major industrial construction projects for years. However, formal procedures for risk management are rarely seen on campus or hospital construction projects. That's unfortunate because the basic concepts and principles can be scaled to match the size of individual projects and construction programs fairly easily. With a risk management process in place, the university is much better positioned to anticipate and deal with plan deviations than they would without such a process.

For example, a residence hall project misses its schedule and isn't ready in time for student move-in. That's an event that can have serious consequences. As CFO or Sr VP, I would want some assurance that this risk is being actively monitored. What sort of contingencies are in place to house the students if the schedule isn't met? How will that be done and how much will it cost? What provisions are in the contract to ensure that the schedule is met and, if it isn't, what provisions have we made to recoup our costs?

While that may seem like an obvious example, there are countless other risks that arise in the course of a construction project, some of which aren't so obvious. Without formal means of identifying and quantifying those risks, the likelihood of negative consequences significantly increases.

On a \$10M project, the process may be as simple as an initial roundtable discussion by the project team to identify potential risks, assigning individuals to deal with those risks, and then formally tracking and monitoring the results. Periodic meetings can be held on a monthly or semi-monthly basis to update the risk log and identify new risks that may appear on the horizon.

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It's generally accepted that an effective risk management program includes the following elements:

- ◆ Planning
- ◆ Identification
- ◆ Analysis
- ◆ Response
- ◆ Monitoring
- ◆ Reporting

In other articles, I'll go into the details of each of these components and provide examples of how they would work on a typical campus construction project.