

ENGINEERING & CONSTRUCTION RISK INSTITUTE

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Purpose: The purpose of the Sponsors vision statement is to provide, at the executive level, a series of a Best Practices project risk management processes specific to the needs of an Engineering and Construction company. It is intended to apply throughout the whole project life cycle and apply to all companies within the industry.

Introduction: A more detailed discussion of best practices in the risk management process is contained in the Best Practices series; see ECRI-BP-001.

Application: The vision is intended to apply to all firms within the global Engineering and Construction industry.

- A policy supported standardized Project Risk Management (PRM) method is used throughout the enterprise. It is used throughout the Project Life Cycle, beginning before the bid/no bid decision and continuing through project completion and acceptance.
- The PRM process is top down driven by the firm's management. It is an integral part of the firm's approval process.
- A business specific PRM procedure is developed by each business unit from the Sponsor Firm's PRM guidelines to suit the particular organizational structure. The PRM is developed under generic headings which include, for example, operational, financial, commercial, legal and environmental risks.
- The PRM method is quantitative allowing the assignment of Risk Event Contingency to project estimates. Quantification of project risk allows Project and Proposal Management to efficiently utilize the firm's risk management resources, and to bring major risks to senior management's attention.
- PRM results are a key driver of each Project Execution Plan. Major risks have specific Risk Action Plans and an individual Risk Owner is assigned to each major risk to assure that the plan is successfully followed.
- PRM is a key component of Project Reporting and Forecasting Systems. Status of management of risks is included in monthly, quarterly, and all other project management reports. The project's risk profile is considered in all forecasts.

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- The PRM process is continuous; known risks are regularly reexamined and the project team is alert to recognize new (or previously unrecognized) risks. Project change in scope, cost, schedule, or quality automatically triggers corresponding risk reviews.
- The robust PRM process is shared with clients as they develop projects through joint risk reviews. These joint reviews allow the E&C firm to participate in definition of both scope of projects and the clients' contracting scheme.
- A standard language describes the firm's categories of risk and strategies for risk management. This standardization allows comparison of risk management results as well as the ability to summarize and analyze them across multiple projects.
- A risk management process owner is responsible for implementation and upkeep for the PRM methods and procedures, training in its use, and consolidation of enterprise-wide risk data. He/she is not the owner of project risks; that ownership remains with the project operational team.
- The PRM process encourages Sponsor Firms to develop improved products with the insurance and sureties industries with the aim to improve coverage and subsequently reduce unnecessary allowances for uninsured risk within project costs.