

# ENGINEERING & CONSTRUCTION RISK INSTITUTE

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**Purpose:** The questionnaire is designed to allow Engineering & Construction firms to examine their Risk Management (RM) capabilities and processes and to guide them to areas which may need improvement.

**Application:** The questionnaire and criteria apply to all E&C firms.

<p><b>Format</b> The process should include a Policy (or Practice) mandating the use of the risk management process and a single Procedure detailing the methods. Users should not have to go to several sources for RM methodology. Revisions and issue of both documents must be controlled (ISO standard).</p>	<p>Is there an enterprise-wide Risk Management Policy? Yes_____ No_____</p> <p>Is there an all inclusive RM Procedure? Yes_____ No_____</p>
<p><b>Application</b> The general process should be globally applied across the enterprise to insure uniform practices and the collection, analysis, and consolidation of data. The Procedure details of different business units within an enterprise may differ to suit work methods.</p>	<p>Are there supplemental RM Procedures for Business Units?  Yes_____ No_____ N/A_____</p>
<p><b>Management Driven</b> The process should be top down driven by Management, with formal risk review required at specific points in the project life cycle and strong, continuous Management emphasis on risk status reporting. A senior executive with a title fitting each firm's organization must be the owner of the RM process and promote its application. He/she is NOT the owner of risks, all of which remain with the operating business group. Rather, the executive is responsible for the RM process ability to provide required tools to support the business groups.</p>	<p>Is there a Risk Process Sponsor? Position Title  _____</p> <p>Reports to: Position Title  _____</p>

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<p><b>Integrated with Business Process</b> The RM process should fit into the enterprise's business methods, especially bid/no bid decisions, proposal preparation and bid approval, and Project Execution Planning. Management of risks is a fundamental of Project Management and must be integrated into Project Management methods. Risk Management plans and Project Execution plans must be co-developed as decisions made in one plan will impact the other</p>	<p>Is a RM Plan required at these points?</p> <p>Prospect Capture Plan: Yes___ No___          Bid/No Bid Decision: Yes___ No___          Proposal/Bid: Yes___ No___          Pricing: Yes___ No___          Contract Signature: Yes___ No___          Project Execution Plan: Yes___ No___</p>
<p><b>Project Life Cycle</b> The process should be applied during each phase of the project life cycle: project (prospect) development; inquiry/bid preparation; pre-award negotiations; project execution; changes during project execution; and commissioning, acceptance, and warranty {and, where applicable Operations and Maintenance}. Table I, attached, Risk Management through the Project Life Cycle, illustrates the concept. Risks should be reviewed or re-reviewed before moving from phase to phase. Periodic project risk reviews should be scheduled and attended by responsible management. Audits should confirm that the project's risk management plan is being followed.</p>	<p>After Contract Award, is the Risk Plan is updated for?</p> <p>Major Changes: Yes___ No___          Quarterly Risk Reviews: Yes___ No___          At Project Acceptance Yes___ No___</p>
<p><b>Risk Life Cycle</b> The process should be applied throughout the life cycle of each risk: risk events are "managed away" or occur, but at the same time new risks are discovered and the search for new or changed risks continues.</p>	<p>Are lists of critical and new risks included in the Project's Monthly Progress Report?</p> <p style="text-align: right;">Yes___ No___</p>
<p><b>Ownership</b> The process should assign specific (named) responsibility for the management of each risk critical enough to require a risk management plan. The assigned owner must be the person most capable of managing the risk</p>	<p>Are written plans prepared for Key Risks?          Yes___ No___</p> <p>Are owners assigned for Key Risks?          Yes___ No___</p>
<p><b>Reporting/Review</b> The process should include regular reporting on both the results of managing previously recognized risks and the plans for managing newly recognized risk. The results of the process must feed into the established Project Performance Reporting system.</p>	<p>Do Monthly Project Reports contain a specific RM Section?</p> <p style="text-align: right;">Yes___ No___</p>

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<p><b>Management Approval</b> The process should be coordinated with the enterprises' approval process. Authorization to undertake risks, how to manage them, and reserves to be set aside should risk events occur must be explicitly approved by the authorized level of management. Reallocation of unused risk reserves also requires management approval.</p>	<p>Do Enterprise and Business Unit Approval Matrixes address authority for establishment of Risk Reserves?</p> <p style="text-align: right;">Yes_____ No_____</p>
<p><b>Risk Event Contingency</b> The process should include methodology to assign money or time amounts to compensate for risks undertaken, if other risk management methods cannot be utilized or adopted.</p>	<p>Are Risk Event Contingencies established by quantitative process?</p> <p style="text-align: right;">Yes_____ No_____</p>
<p><b>Nomenclature</b> The process should include and define standardized nomenclature for the RM process in order to avoid misunderstanding of requirements and promote consolidation of data.</p>	<p>Do RM Policies and Procedures include definitions of terms?</p> <p style="text-align: right;">Yes_____ No_____</p>
<p><b>Change Control</b> The process should be embedded in the Change Control system. Modifications to project risks brought about by Change in the project must be reflected in the RM plan. Note that while poor Change Control is a major project risk, the RM process does not replace the Change Control process.</p>	<p>Are specific Risk Plans written for major Change Orders?</p> <p style="text-align: right;">Yes_____ No_____</p> <p>Is the Change Management process linked to requirement for additional risk review?</p> <p style="text-align: right;">Yes_____ No_____</p>
<p><b>Risk and Return</b> The process should correlate greater return with increased risk. Risk is recognized as a necessary aspect of the business process, and risks which are undertaken are recognized, managed and adequately priced.</p>	<p>Has senior management provided guidelines for the Enterprise's risk/return expectations?</p> <p style="text-align: right;">Yes_____ No_____</p>