Construction industry systems, implementation, support and training



Risk and Opportunity

June 2014

There are risks and opportunities in everything we do. Managing risk and opportunity in construction is potentially the most important concept faced by project managers. No project is risk free. Most proficient construction teams are competent to formally identify risks, but they may not always be as disciplined in identifying opportunity. The tendency may be to accept what they have. Risk can be managed, minimised, shared, transferred or accepted. It cannot be ignored.

In the larger construction projects it is common to convene a risk management workshop at commencement of the project. However, it may be equally common to then file the risk assessment, and not look at it again. One may also ask if we should convene extend the workshop to include opportunities.

The process of managing risk (and opportunity) is generally said to comprise (1) Identification, (2) Analysis and assessment, and (3) Action, and (4) Monitoring.

So what are the risks and opportunities?

Risks

Risks may fall into the following categories:-

- Time (Labour resources, productivity, weather, industrial, etc.)
- Procurement (purchases and contracts)
- People
- Cost
- Quality
- Legal Contracts, litigation, security of payment, time bars, and the like.
- Safety
- Financial
- Change of scope

Opportunities

Opportunities may fall into the following categories:-

- Methods
- Materials
- Program alternative (more efficient and timely construction processes.
- Change of Scope (Variations)

Estimating or Forecasting Risk and Opportunity

The process of estimating or forecasting the likely impact of risk and opportunity on job cost, is generally accepted

What does Cheops Provide?

As part of the cost forecasting procedure, Cheops provides the facilities to enter risk items and opportunity items, and to make an assessment of the worst, best, and most likely outcomes for each, thus guiding the project team to earnestly consider each item in turn.

		Risk / Opportunity Entry								
<u>F</u> ile	<u>E</u> dit	Help								
Cost Period: NDV13 30 NDV 2013 (Closed)										
		Description	Worst Value	Most Likely Value	Best Value	Original Estimate	Category	Comment	Owner	Sequence No.
	0	Margin on Submitted Variations								15
	0	Margin on Estimated Variations								16
	R	Gyprock trade under resourced - day likely	120,000.00	46,000.00	46,000.00	0.00	Н	Allow for labour hire	GB	17
I	R	Painter is financially stressed - may fail	35,000.00	35,000.00	0.00	0.00	М	1		18
*										
							١	Worst Value Most Likely Val	ue B	est Value
						Total Risks:	[155,000.00 81	00.000	46,000.00
						Total Opport	unities:	0.00	0.00	0.00
										-46,000.00
								<u>C</u> opy		<u>ave</u> <u>E</u> xit

Cheops Risk and Opportunity Menu Options

Listed here are the menu options for the project and company.

Projects							
Entry	Risk & Opportunity Entry	FROE	This option allows for the setup of line items for each item of risk and opportunity, and allow for values to be entered, which then appear in the cashflow facilities, allowing the values to be included in the overall project cashflow .				
Reports	Risk & Opportunity Report	FROREP					
Company							
Entry	Default Risk & Opportunity Maintenance	ROD	Allows for the setup of default Risk & Opportunity items, which are copied to each new project.				
Reports	No company level reports required.						