Construction is ranked as one of the riskiest industries for a number of reasons. In order for companies to survive and thrive, they must be successful at managing risk and protecting the downside.

The first step to managing risk is to be aware of it. In a construction project, this means understanding the scope of work, the players involved (including the owner, GC, and subcontractors), and how your organization measures up (or where deficiencies exist).

Once risks are identified, you can analyze and prioritize which can be prevented, insured, transferred to others, or assumed; or, ultimately, you could decide certain risks are too great and should be avoided altogether.

Once identified and understood, many risks can be mitigated to acceptable levels. If the scope of work on a project is something your company has never done before, you can seek knowledge from others regarding the best practices and up-front preparation required to perform the project successfully.

Or, you can hire staff with the type of experience the job requires or engage consultants to advise and monitor the work to ensure it’s done right.

If your company is working with a project partner that is unfamiliar or difficult to work with, using solid prequalification practices and due diligence allows you to assess the quality and financial stability of all parties involved. (For a deep dive on this topic, turn to page 14.)

Also, consider your employees and what additional training, development, and support you can provide to set them up for success. Giving your team the necessary education, tools, and mentoring helps them address risks.

As CFMs, we spend a good deal of time assessing, mitigating, and preventing risks. Do we understand the risks we’re assuming in our contracts? (Yes, this means we must read the contract in full!) Do we understand what risks can be insured, and have we secured proper coverage and limits for the exposure? Do we understand the possibility of non-performance and non-payment by other parties and how to monitor and proactively manage cash flow?

CFMA offers numerous resources to help members stay aware of where risks exist and how they can be managed. Not only have we dedicated this issue of CFMA Building Profits to the topic, but we also have an entire track focused on risk management at the Annual Conference.

“\text{It is only by being bold that you get anywhere.}\newline\text{If you are a risk-taker, then the art is to protect the downside.}”

\text{– Sir Richard Branson}
We also host webinars on the latest risk-related developments, and part of the CCIFP exam assesses a professional’s understanding of construction risk.

Today, we have more data and information available to us than ever before, including data about our own financial and operational performance, as well as information about best practices, products, and processes. Our ability to use that data to predict possible outcomes and proactively manage situations allows the greatest opportunity to minimize risk and maximize reward. (Read “Big Data & Operational Performance” that begins on page 34.)

Avoiding risks altogether is a risk in itself. Taking risks and stretching our capabilities outside of our comfort zone is how we grow as individuals and organizations. Sir Richard Branson is a prime example of someone who embraces risk-taking as a requirement to get to new heights – literally. The Spaceship Company, a California-based company owned by Virgin Galactic, is in the process of rebuilding its SpaceShipTwo spaceplane to realize his dream of commercial space travel.

While construction may carry different risks than space travel, by educating ourselves, engaging our strategic partners, and planning ahead, we can still increase the upside while protecting the downside.