A Smart Risk Register - A Tool for Non-Adversarial Behaviour

Guest Editor's project team consultant **Kelachi Amadi-Echendu** and barrister **Professor Rudi Klein** consider how, through creating transparency and behaviour focused on aligned project outcomes, a Smart Risk Register supports the government's *Build Back Better* plan.

An innovative approach to Risk Management

Traditionally, risk management for the delivery of construction and infrastructure projects focuses on commercially quantifiable operational or technical risks. From the outcomes of major projects and reviews carried out in the industry over the last few decades, it is clear that there are counterproductive behaviours of contractors, clients and stakeholders that have been normalised, and regularly pose significant risk to both the outcome of the project and the stability of businesses within the sector. Focusing attention on technical risks can limit the engagement of the breadth of project stakeholders early in the development, potentially missing out on valuable insight and preventing problems occurring later. Key to this is supply chain participation from the outset, engaging in decisions on risk ownership. Since risk is shunted downwards in outsourcing arrangements, there is no certainty of where risk, in fact, lies. The realisation of an unidentified (but potentially identifiable) risk at a later point in delivery can challenge relationships amongst the supply chain hierarchy and cause further issues as the project continues. Counterproductive behaviours need to be identified as risks, and together with the technical and operational risks, assessed and mitigated as early as possible, to start the project with the best possible chance of successful collaboration and delivery.

The Power of Transparency to Transform

The digital nature of the Smart Risk Register is vital to enabling a change in the approach to project risk management. The intention of digitising risk management is to drastically improve the transparency of information, embed transparent information sharing as a foundational way of working and to use this way of working to drive better quality decision-making at every point.

Embedded as a core business process, the Smart Risk Register aims to capture data on behaviour as the outward expression of the values, beliefs, and assumptions that drive decision-making and risk management throughout the project delivery. These are not always easily quantifiable but need to be known and managed. The Smart Risk Register would operate as an independent tool without judgement and assumption, the transparency of which would hopefully support a leadership culture of openness and trust. As an independent tool it would also provide consistency and opportunity to maximise interests of all parties through generous cooperative working. It would create a safe environment for all stakeholders to talk openly, express concerns and engage with solutions in a dynamic way. The Smart Risk Register supports and enables a positive way of working together, aligning objectives, and building trust between parties from the very start.

Leading infrastructure delivery

The government's *Build Back Better Plan* identifies a trebled commitment of money for capital infrastructure investment for 2021-22 (compared with Spending Review 2020), whilst also recognising that almost half of the long-

term pipeline will be delivered through private investment. The role of private organisations in the transformation of infrastructure delivery – "it will be more efficiently delivered, driven by new technologies and less bureaucracy" – is therefore an important one.

Private organisations will continue to play a key role in leading infrastructure delivery in the UK, which, through Project Speed and others that follow, the government intend to be world-class. Significant and ongoing private sector investment will be needed to fuel the desired levels of infrastructure delivery, and private sector investment is more likely to occur if investors can receive notification from the Smart Risk Register platform that prior to construction, all known risks have been addressed (in the sense that risks are now owned, and the owners have in place the means to manage them). The continued acceptance of behaviours that are counterproductive to the successful delivery of projects must be identified and addressed.

Following the publication last year of *Bandit Capitalism: Carillion and the Corruption of the British State* by Bob Wylie, and the research led by Dr Sara Hajikazemi of London South Bank University into the behaviour that caused the Carillion collapse, the arrival of the recently published *Commonwealth Anti-Corruption Benchmarks* is timely. Produced by the Commonwealth Secretariat, the GIACC and the RICS, the anti-corruption benchmarks set the gold standard for achieving transparency through the tackling of corruption across 25 areas of public and commercial activities. The Smart Risk Register as a digital support tool optimally aligns behaviour through digital means, supporting the development of benchmarks in the roadmap of achievable best practice.

The Association for Project Management reviewed research carried out into the use of a digital early warning system in the delivery of The Enterprise Centre at the University of East Anglia; a project with a very demanding specification and a contractor-led team signed up to delivery on appointment. The review identifies that the research shows how earlier identification of risks can save time and money on projects by countering the human behavioural trait of over-optimistic reporting through standard risk management techniques, which encourage the 'burying' of risks and how early warnings gave the asset delivery team the opportunity to discuss and resolve issues.

A digital audit of risk, and remuneration

There is rarely a full understanding of the effectiveness of a capital project delivery at the time of delivery. This only happens after reflecting upon data captured through the life of any project to understand better the dynamics of teams and decision-makers. A Smart Risk Register would provide real-time data and a short feedback cycle, enabling changes to be made that impact the project during delivery. This could influence the procurement and payment strategies that are so key to the efficiency of operations. For those engaged in project delivery, remuneration and effective payment structures cannot be seen as secondary. These drive behaviours and therefore have a direct influence on the outcome of the project.

The digital nature of the Smart Risk Register provides an opportunity to improve both the transparency of risks and clarity regarding supply chain payment. In fact, clients could discharge payments directly to suppliers via the Smart Risk Register platform, rather than retaining in place the outdated and inefficient practice of cascading payments through myriad contract layers. A digital early warning system that functionally supports payment management, in turns supports supply chain cashflow in mitigating the risk of insolvency, improper payment, compliance-related and legislative risk, and supply chain proof-of-payment reporting. **CL**