

What risks could affect our agency's strategic goals and objectives?

How should I prioritize program investments in our agency's assets?

What is the probability of finishing our project on time and on budget?

Transportation Risk Management: *Strategies for Success*



To learn more,
see *Transportation Risk Management:
International Practices for
Program Development and Project Delivery*
(FHWA-PL-12-029) at
www.international.fhwa.dot.gov.



U.S. Department
of Transportation
**Federal Highway
Administration**

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Transportation agencies with mature risk management policies, processes, and tools address these questions routinely and can answer them explicitly. Risk management is implicit in transportation business practices. Agencies set strategic goals and objectives—such as the reliable and efficient movement of people and goods—but success is uncertain. Internal and external risks can have a negative impact on the achievement of these goals and objectives. Likewise, agencies set performance measures and develop asset management systems to optimize investment decisions, but risks can affect performance and assets. Risk is pervasive in transportation, and transportation agencies need to develop clear enterprise risk management strategies, methods, and tools.

What is Risk Management?

International standard ISO 31000 defines risk as “the effects of uncertainty on objectives.” In its broadest terms, risk is anything that could be an obstacle to achieving goals and objectives. Risk management is a process of analytical and management activities that focus on identifying and responding to the inherent uncertainties of managing a complex organization and its assets.

The leading international transportation agencies have mature risk management practices. They have developed policies and procedures to identify, assess, manage, and monitor risks. On a Federal Highway Administration international scan on risk management practices, a U.S. team observed the following:

- Risk management supports strategic organizational alignment.
- Mature organizations have an explicit risk management structure.
- Successful organizations have a culture of risk management.
- A wide range of risk management tools are used.
- Risk management tools are key for programmatic investment decisions.
- A variety of risk management methods are available.
- Active risk communication strategies improve decisionmaking.
- Risk management enhances knowledge management and workforce development.



Relationship of risk management to transportation agency management

Applying Risk Management

The scan generated a fresh perspective on how the U.S. transportation industry can use risk management practices to better meet its strategic objectives, improve performance, and manage assets. The following recommendations offer a path forward for the transportation community as it develops a culture of risk awareness and management in the United States:

- Develop executive support for risk management.
- Define risk management leadership and organizational responsibilities.
- Formalize enterprise risk management approaches using a holistic approach to support decisionmaking and improve successful achievement of strategic goals and objectives.
- Use risk management to reexamine existing policies, processes, and standards.
- Embed risk management in existing business processes so that when asset, performance, and risk management are combined, successful decisionmaking ensues.
- Identify risk owners and manage risks at the appropriate level.
- Use the risk management process to support risk allocation in agency, program, and project delivery decisions.
- Use risk management to make the business case for transportation and build trust with stakeholders.
- Employ sophisticated risk analysis tools, but communicate results simply.