

Risk Management in a Church Building Program



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There are numerous risks in a church building program that can threaten the ultimate success of the project. Since architects and builders do not usually enumerate or elaborate the risks facing a church building committee, most committee members are completely unaware of the potential risks facing their church.

To make matters worse most building committees assume either the architect or builder will handle risk management. That is clearly not the case. The church, as owner of the project, is ultimately responsible for the identification of risk and how these risks are to be handled.

What is the definition of risk management? Risk management is the art and science of identifying and measuring risk, then analyzing, selecting, implementing and managing options for addressing those risks throughout the life of the project.

Risk management consists of three basic steps:

1. Risk Identification. The first step is to identify all potential risks. The best way to do this especially for the leaders of a church building program is to ask knowledgeable church architects and builders to sit down with them and list all potential risks. All potential risks should be identified early in the building program process and preferably before any contracts are signed with architects or builders.
2. Risk analysis. Once potential risks have been identified, each should be rated as to the likelihood of the occurrence and a determination should be made of what the potential consequences will be if it happens.
3. Risk options. After every risk has been identified and analyzed, the church building leaders should consider what could be done to alleviate or minimize each one of the risks. There are several risk options available for the church:

a. Avoidance. Risks that are so significant and major to the success of the project should be avoided and alternate options should be considered. An example would be hiring a building contractor on a cost plus basis without a not to exceed cost; i.e. an open checkbook situation that could lead to disaster.

b. Transfer the risk. The church can transfer the risk to a third party, i.e. an architect, contractor or Insurance Company.

c. Minimize the risk. It may be better for the church to put in place measures that will minimize the likelihood that a risk event will occur; i.e. if it is likely there are underground conditions that may significantly impact the site work costs, place soil borings closer to one another than is normal.

d. Assumption of risk. The church may choose to assume a risk because the church is in the best position to exercise effective control. A good example of this would be for the church to take responsibility for the purchase and installation of an effective and workable sound system or TV production equipment.

e. Sharing the risk. When the church cannot transfer a major risk, the church may ask the architect and /or builder to share the risk. Many times allowances are set for specific items on a project. Work on allowance items may best be handled as unit prices on labor, equipment and materials to minimize the church's risks on these type of items.

In summary, risk management is a continuous activity over the life of the project. Leaders of church building programs that don't pay attention to risk management can be assured of two things: lots of cost overruns and lots of headaches. Risk management should always be proactive rather than reactive.