RISK MANAGEMENT

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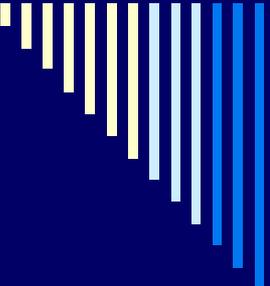
What is Risk Management?

- Systematic process of identifying, analyzing, and responding to project risk
  - Risk Management Planning
  - Risk Identification
  - Qualitative Risk Analysis
  - Quantitative Risk Analysis
  - Risk Response Planning
  - Risk Monitoring and Controlling
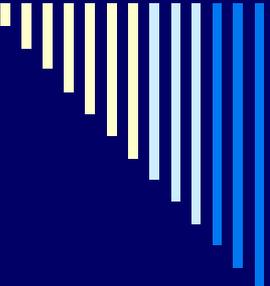
Why Manage Risk?

- ☐ Protect the project objectives from risk consequences
- ☐ Minimize the probability and impact of adverse events
- ☐ Maximize the probability and impact of positive events
- ☐ Provide early warnings of risk
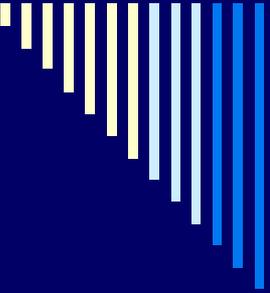
Tools Used in Planning

- ☐ Project Charter

- ☐ Project Plan

- ☐ Lesson's Learned Registry

- ☐ Clarity-Risk Module
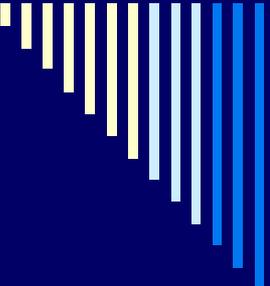
Risk Management Planning

Project Risk planning meeting

- What are the risks?

- Impact and probability Score: High, Medium, Low.

- What will we do about it?
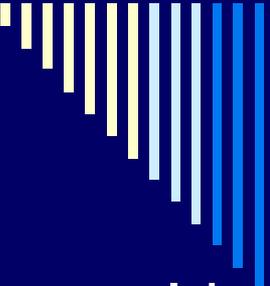
Risk Identification

Identify the risks that might affect the project

- ☐ Review Project Charter
    - ◻ Project Roles and Responsibilities
    - ◻ Identify Stakeholder Risk Tolerance
    - ◻ What are the project deliverables?
- ☐ Review Project Plan/ WBS
    - ☐ Is the schedule realistic?
    - ☐ Do we have the right mix of resources and skills?
- ☐ Review the lesson Learned Registry in Clarity-Could this happen on this project?
- ☐ Document their characteristics (Triggers, symptoms, warning signs)
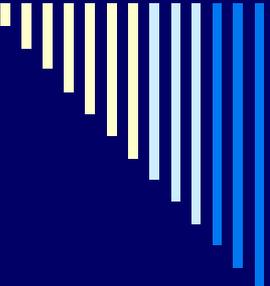
Risk Identification

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- ☐ **Risk categories**
  - ■ Technical risks (hardware, software or performance)
  - ■ Project Management risks (multiple priorities, competing projects, inexperience)
  - ■ Organizational risks (competing projects, unrealistic expectations, resource and financial constraints)
  - ■ External risks (customer, regulatory, raw materials, weather)
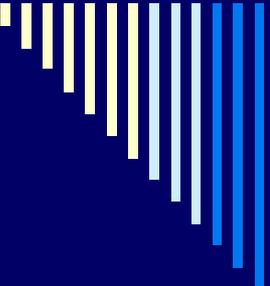
Risk Analysis

- Qualitative (Impact):
  - Use relative scale to describe the degree of likelihood and impact by categorizing as low, medium and high.
  - Prioritize potential risk
  - Look for trends

- Quantitative (Value):
  - Assess risk probability with specific values (%)
  - Determine consequence for project objectives ($)
  - Impact on overall project risk
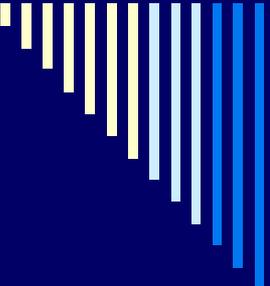
Risk Response Strategies

- AVOID
  - Change project plan to eliminate

- TRANSFER
  - Shift responsibility (Insurance, Third party)

- MITIGATE
  - Reduce probability or impact

- ACCEPT
  - Accept and create contingency reserves
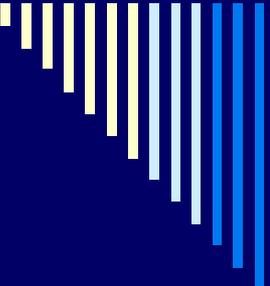
Risk Management Plan

- Methodology or approach
- Roles and responsibilities
- Timing
- Scores and interpretation method
- Thresholds
- Reporting formats
- Tracking
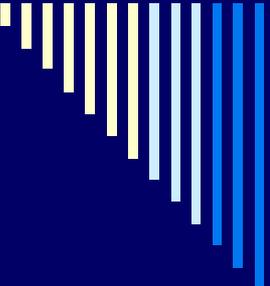
CASE Study

The Project Manager was given a specific date to deliver a piece of software which is only part of a larger project. The software is part of the critical path so if the software is not delivered on time the whole project will be delayed. There has been considerable growth of IT companies in our area and IT jobs are becoming readily available. As a result, we have started to see some staff turnover in our IT department.

The Project Manager has decided to create a risk to insure they have a plan if they should loose someone on the team before they deliver the software.
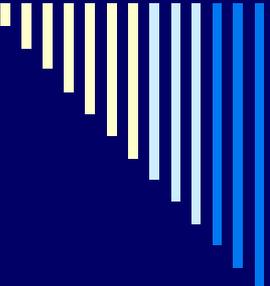
Case Solution

- **Task Objective** -Complete software development

- **Uncertainties**-There has been considerable staff turnover in the last 6 months.

- **Probability (likelihood)-**Analysis has shown a 20% probability of staff turnover in accomplishing software development.

- **Impact**-How would staff turnover on critical path tasks affect the Project end date?
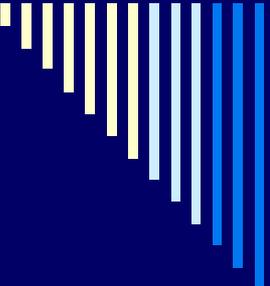
Case Solution
continued

- ☐ Risk Event-Staff turnover
- ☐ Trigger-Resignation of staff
- ☐ Response Strategy-Identify subcontractors
- ☐ Transfer-Bring in contractor to fill vacant position

Risk Register in Clarity

Risk Monitoring and Control

- ☐ Track/monitor identified risks (team meetings)
- ☐ Identify new risks
- ☐ Ensure execution of risk plans
- ☐ Review risk ratings and priorities, they may change
- ☐ Evaluate effectiveness of risk plans and responses
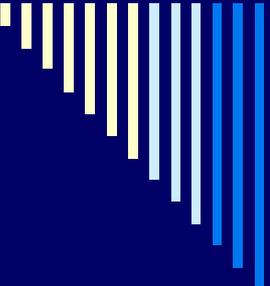
Lessons Learned

- Conduct a project closing meeting:
  - What worked?
  - What did not work?
  - Did we have issues that could have been avoided if we have identified them as a risks early in the project?

- Enter your Lessons Learned in the Clarity Lesson's Learned Registry for others to consider as they are identifying their project risks.

- The PMO Risk Management sub group reviews the overall risk registry quarterly and escalates high impact and repeating risks to the PMO executives for action.
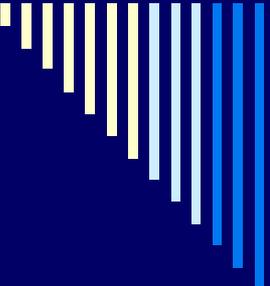
QUESTIONS
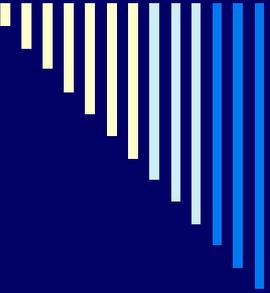
Information Sources

- The Project Management Certificate Program, IIL 1999-2006 International Institute for Learning, Inc.

- Clarity, CA