Managing Risk

Risk Management Process

- As project progresses toward completion, risk declines (since critical issues are solved) and cost impact of a risk increases
- Proactive process (not reactive) to ensure surprises are reduced and negative consequences are minimized
- External risks/threats such as inflation, market acceptance, exchange rates, gov. regulations

Step 1 – Risk Identification

- Risk management team brainstorms to identify potential problems
- Focus on events that could produce consequences, NOT objectives
  - EX: poor estimates, adverse weather, shipping delays, etc.
- Risk breakdown structure – hierarchal depiction of project risks by risk category/subcategory that identifies areas and causes of potential risk
- Risk Profile – questions that address traditional areas of uncertainty
  - Recognize strengths and weaknesses of firm
  - Address both technical and management risks
- Input from customers, sponsors, subcontractors, vendors and other stakeholders is solicited in risk identification

Step 2 - Risk Assessment

- Scenario Analysis – technique for analyzing risks where team assess significance of each risk in terms of:
  - Probability
  - Impact
- Impact scales need to be assessed in terms of project priorities

<table>
<thead>
<tr>
<th>Relative or Numerical Scale</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost</td>
</tr>
<tr>
<td>Insignificant cost increase</td>
</tr>
<tr>
<td>Time</td>
</tr>
<tr>
<td>Scope</td>
</tr>
<tr>
<td>Quality</td>
</tr>
</tbody>
</table>

Preview from Notesale.co.uk

Page 1 of 6