

## Executive Summary

Risk, as it pertains to projects, is defined as “an uncertain event or condition that, if it occurs, has a positive or negative effect on a project’s objectives.” (PMBOK Guide, Fourth Edition). In order to protect their investment in a project, an organization only needs to consider a practical approach to planning, identifying and analyzing potential risks in order to put a reasonable and viable risk management plan in place. Having a risk management plan in place will significantly increase the likelihood that an organization will achieve the objectives of their project.

“Risk comes from not knowing what you’re doing.”  
—Warren Buffet

### The Importance of a Risk Management Plan

Risk is to projects what gravity is to the world around us. Risk is inherent in the process of managing projects, whether we choose to recognize it or not. And like gravity, risk can be both beneficial and detrimental to our projects. A skier uses gravity to propel himself down the slope, while understanding that the same force necessary for this propulsion can also cause great harm to the body and confidence when a sudden and unexpected fall occurs. Like the skier, project managers must understand that risk exists, and can have both good and bad consequences on any projects.

#### Risk: Planning and Identification

What are the best approaches for a project manager to master the fear of the unknown forces surrounding projects? First, **risk planning** should be considered, in order to determine a consistent approach to project risk management. Like all project planning, risk planning is done iteratively, and never at a single point in time.

For project managers fortunate enough to have access to a viable Project Management Office (PMO), risk planning may be accomplished in a project risk management methodology. In the absence of such resources, a project manager should document a risk management plan with a defined approach. This includes how risks will be identified and scored, along with how contingencies and their owners will be determined and assigned.

Second comes **risk identification**. To forego this exercise is to forego risk management all together. If project managers do nothing else for the benefit of their project with regard to risk, they should at least consider conducting risk identification.

The process of identifying risk does not have to be cumbersome, formal, or mundane. In fact, an ingenious project manager will use an exercise like risk identification to glean other, secondary benefits for their project team. For example, the process of conducting a risk identification session using a round table

approach can create the foundation for cohesion amongst the members of a project team. As ideas and suggestions are solicited from project contributors, they have a heightened sense of making a substantive contribution to the project at hand.

### Building a Risk Register

In order to know which of the identified risks require subsequent management, analysis of the threats and opportunities is needed. In a perfect world of project management, project risk analysis is done in two ways, qualitative risk analysis and quantitative risk analysis. The latter is the method whereby the project manager or team assigns a score or weight to each risk based on probability and any potential impact, so it is known whether or not further management is necessary.

As an integral part of project risk analysis, a project manager or their respective PMO should consider their tolerance for risk, as some risks may require no further action beyond identification in a Risk Register, while others can be presumed a certainty, and therefore will require an immediate plan of action.

Risk Description	Risk Type	Probability (1-10)	Impact (1-10)	Overall Rating
If vendor is late delivering new equipment, then the retirement of the old equipment will be delayed	Threat or Opportunity	5	8	40

Risk Register

### Developing a Risk Response Plan

Risk response planning is the next logical step. This process combines our efforts thus far into a viable risk response for each threat and opportunity we’ve identified as falling within the range of our risk tolerance threshold. Risk response planning increases the probability and/or impact of opportunities identified within the predetermined tolerance range of our risk register, and reducing the probability and/or impact of any threats.

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A more mature PMO organization will develop three levels of risk response:

1. Response plan: includes identifying trigger events that need to be understood in order to know if the threat or opportunity has or is about to occur
2. Contingency plan: includes what actions will be taken if/when the trigger event occurs
3. Fallback plan: includes what actions will be taken if/when the contingency plan is not effective

There are four mitigation strategies to consider when developing a Risk Response Plan for both threats and opportunities:

Response to Threats:

- Avoid: change plans

- Mitigate: reduce the probability and/or impact of the threat on the project

- Transfer: assign the risk to someone else

- Accept: do nothing

Response to Opportunities:

- Exploit: make the opportunity more likely

- Enhance: increase the value of the opportunity to the project

- Share: partner with someone who can capture the opportunity

- Accept: do nothing

A viable strategy can be to take no action when considered against other possible strategies and determined to be the most effective course of action.

Risk Description	Risk Type	Probability (1-10)	Impact (1-10)	Overall Rating	Risk Ranking	Risk Trigger	Risk Owner	Risk Response
If vendor is late delivering new equipment, then the retirement of the old equipment will be delayed	Threat or opportunity	5	8	40	40			40

Risk Register - Expanded

### Keep Tabs on Risk

Finally comes risk monitoring. These are the efforts taken by the project manager to monitor the risk register, including executing on response plans, as well as documenting subsequent threats

and opportunities as they become known throughout the project lifecycle. As stated before, risk planning is like any other project planning process, and is never really done until the project itself is complete; a project manager's risk monitoring is finished only when the project is complete.

Risk Description	Risk Type	Probability (1-10)	Impact (1-10)	Overall Rating	Risk Ranking	Risk Trigger	Risk Owner	Risk Response
If vendor is late delivering new equipment, then the retirement of the old equipment will be delayed	Threat	5	8	40	3		IT Hardware Manager	An alternate hardware vendor should be identified who can ...
The adoption of the new software may be slow in coming	Threat	9	10	90	1	N/A	Head of Internal Training	Develop a training and education plan
If access to the software can be made available outside the firewall...	Opportunity	5	7	35	2	N/A	Product & IT Managers	Determine if access to the new software can be granted

Risk Register - Expanded

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## Conclusion

All projects face risks. This risk can be mitigated to some degree by taking the time to develop a project risk management process to help ensure threats have a limited effect on project outcome, while maximizing opportunities. A skilled project manager understands the potential effects that risks can have on their projects, and manages them accordingly.

## About the Author

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