

Scope



Time



Cost



Quality



HR



Communication



Risk



Procurement



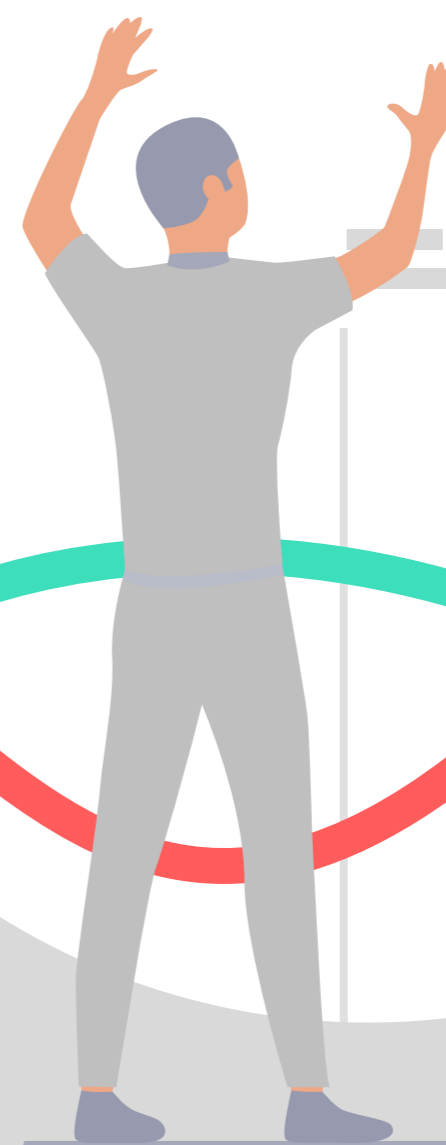
Stakeholder



Integration



RISK MANAGEMENT





Risk Management is the process of **identifying**, **assessing** and **controlling** **threats** to an organization's capital and earnings.



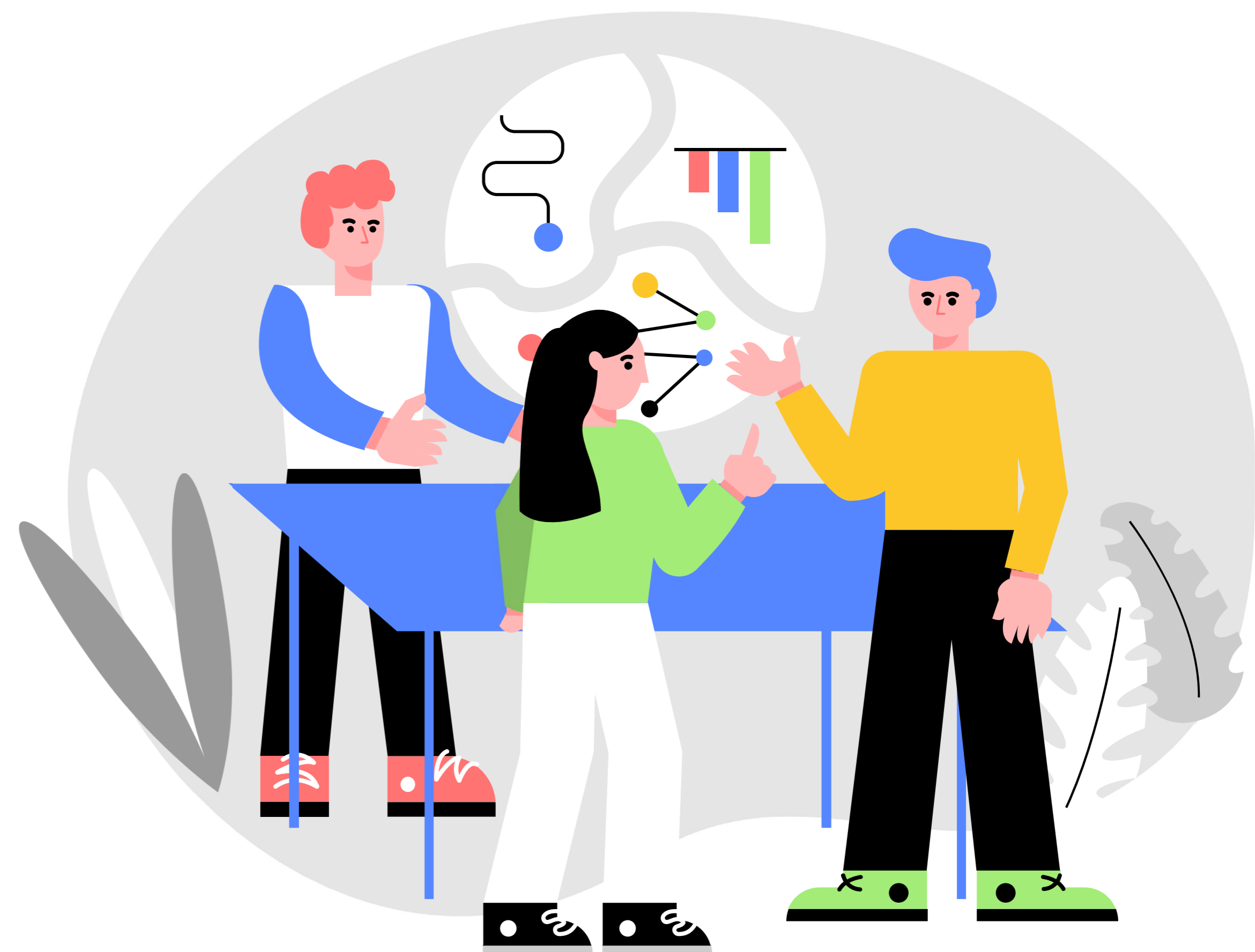
Risks **stem from a variety of sources**, including financial uncertainties, legal liabilities, technology issues, strategic management errors, accidents and natural disasters.

Why is risk management important?

A successful risk management program helps an organization consider the full range of risks it faces.



Risk management also examines the relationship between risks and the cascading impact they could have on an organization's strategic goals.



- ❑ If an unforeseen event catches your project unaware, the impact could be minor or major.
- ❑ In a worst-case scenario, though, it could be catastrophic and project failure.
- ❑ To reduce risk, an organization needs to apply resources to minimize, monitor and control the impact of negative events while maximizing positive events.
- ❑ A consistent, systemic and integrated approach to risk management can help determine how best to identify, manage and mitigate significant risks.

**“WHAT
IF”**



Complexity **A**

The risks modern organizations face have grown more complex, fueled by the rapid pace of globalization.

Volatility **B**

Risk management has perhaps never been more important than it is now.

Technology Evolution **C**

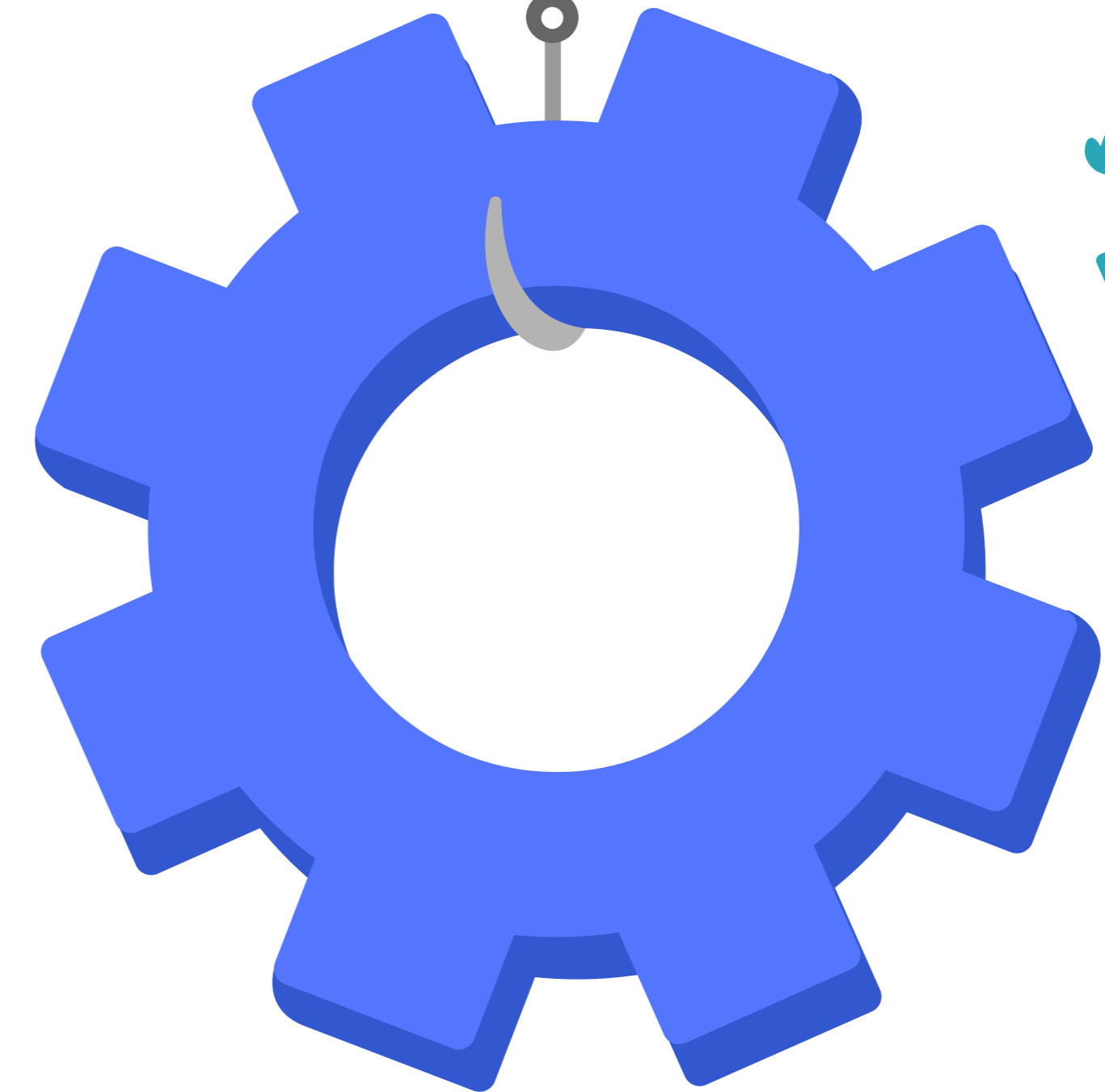
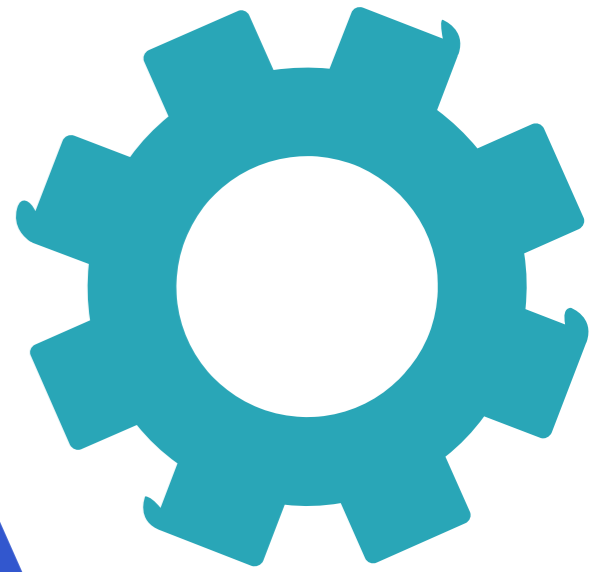
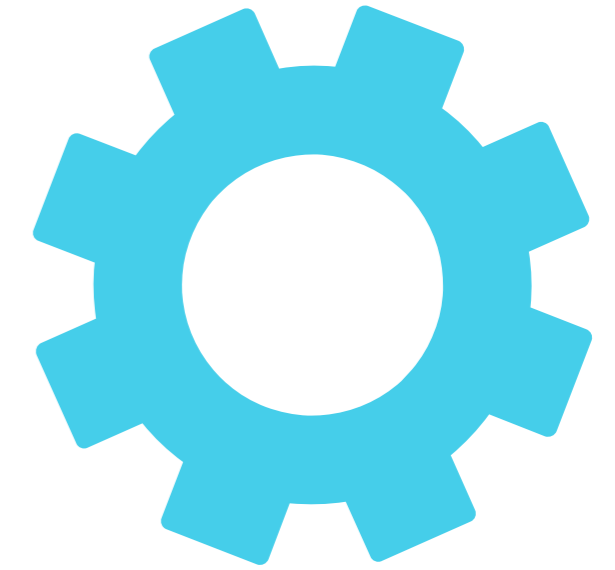
New risks are constantly emerging, often related to and generated by the now-pervasive use of digital technology. Climate change has been dubbed a "threat multiplier" by risk experts.

Manifestation **D**

A recent external risk that manifested itself as a supply chain issue at many companies -- the coronavirus pandemic -- quickly evolved into an existential threat, affecting the health and safety of their employees.



"We **don't manage** risks so we can **have no risk**. We manage risks so we know which risks are **worth taking**, which ones will get us to our goal, which ones have **enough of a payout** to even take them,"



Risk appetite vs. risk tolerance

If risk appetite represents the official speed limit of 70, risk tolerance is how much faster you can go before likely getting a ticket.



It all about risk taking capacity !



Risk exposure at a glance



What is risk exposure?

Risk exposure is the quantified potential loss from business activities currently underway or planned.

How is it calculated?

The level of risk exposure is calculated by multiplying the probability of a risk incident occurring by the amount of its potential losses:
Risk exposure = risk impact x probability

Why is risk exposure important?

Risk exposure in business is used to rank the probability of different types of losses and to determine which losses are acceptable or unacceptable.

What are the most common types of risk exposure?

Brand damage, compliance failures, security breaches and liability issues.



Project Risk Management includes the processes and activities required to Increase the probability and impact of positive events, and to decrease the probability and impact of negative events in the project.

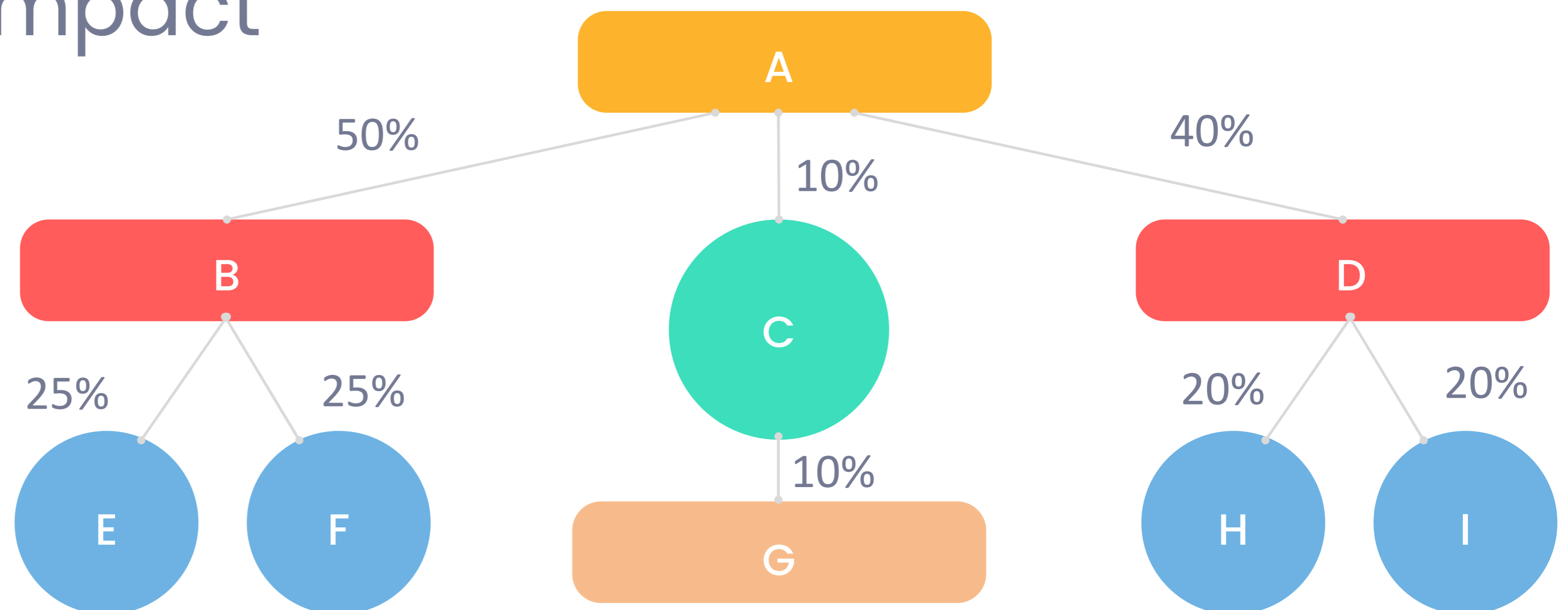
Risk Management Process



Expected Monetary Value (EMV)

Is a type of decision tree where you calculate the expected monetary value of a decision based on its risk event probability and monetary value. It uses Decision Tree Diagram.

$$\text{EMV} = \text{Probability} * \text{Impact}$$

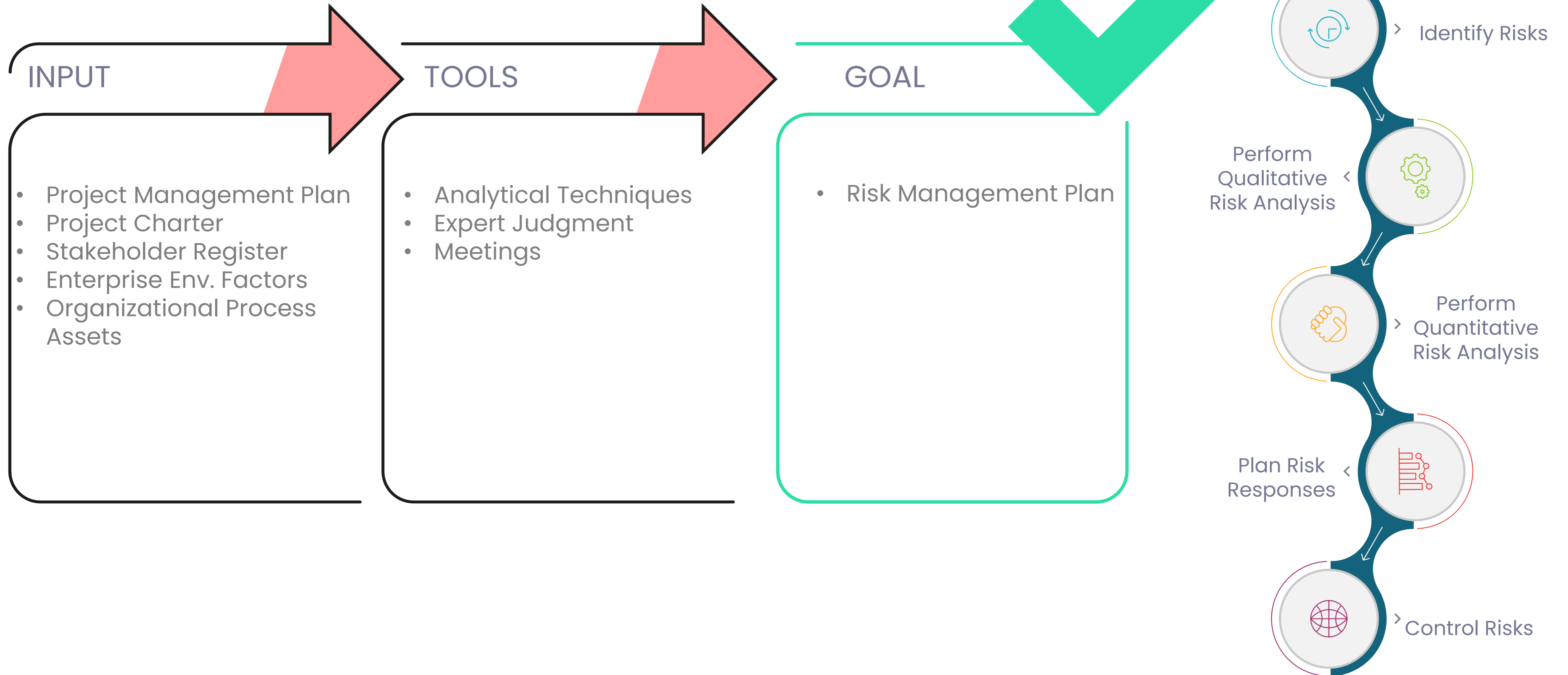


Plan Risk Management

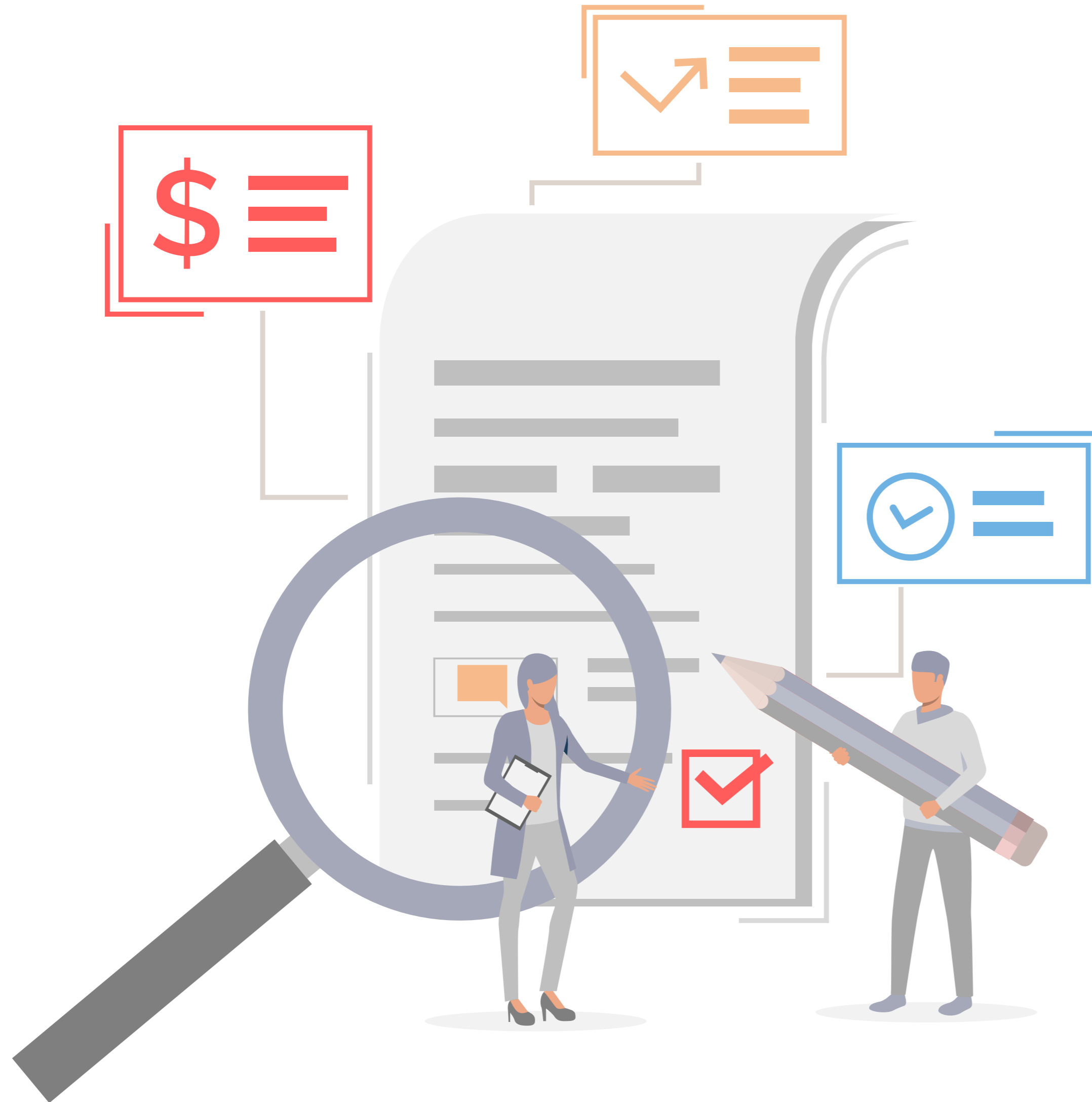
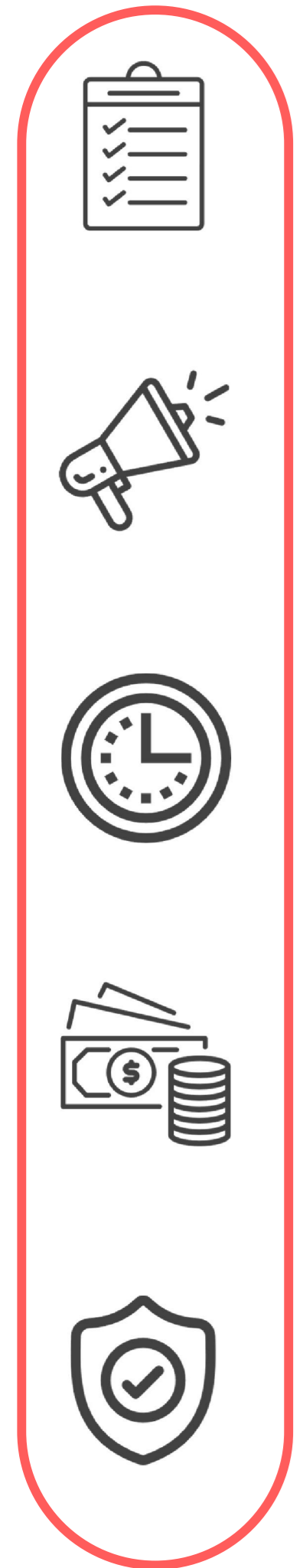


Deciding how to approach, plan and execute the risk management activities for a project.

Plan Risk Management

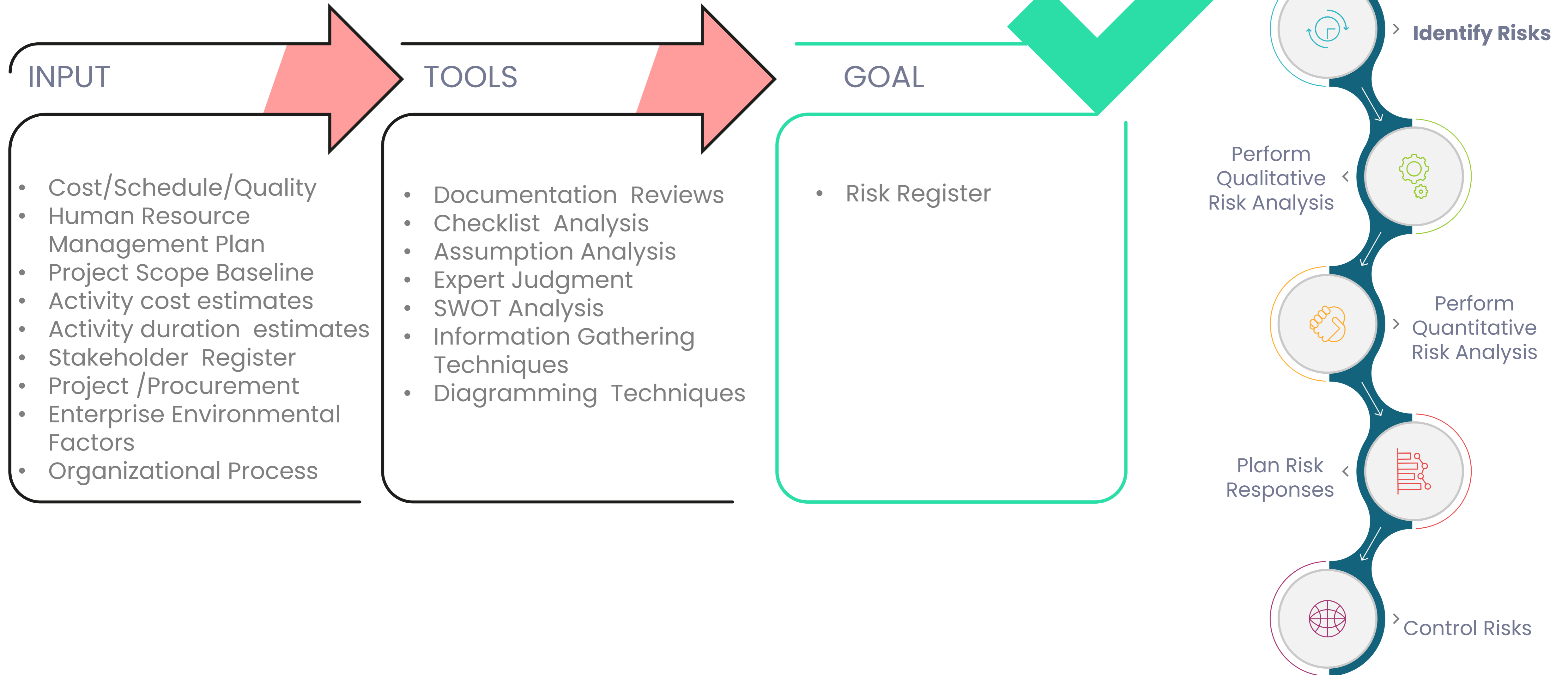


Identify Risks

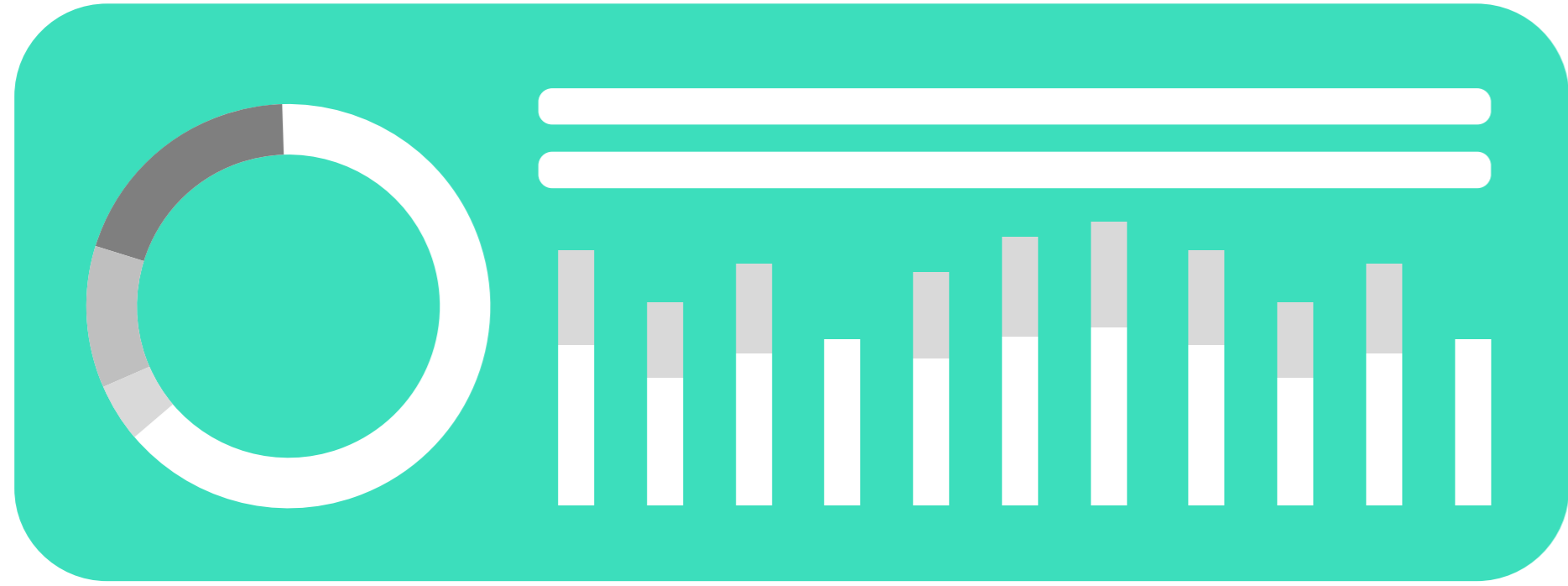


Identifying & documenting characteristics of risks that might affect the project

Identify Risks



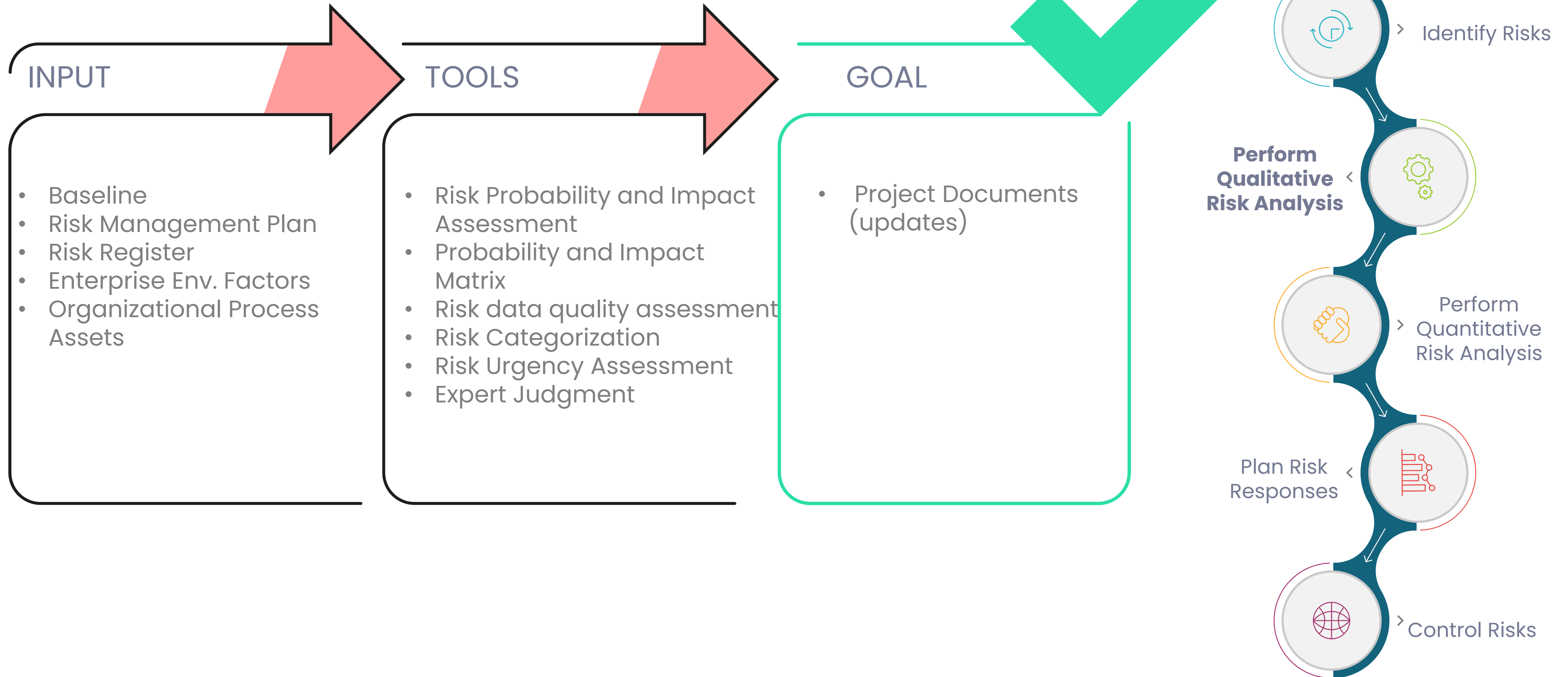
Perform Qualitative Risk Analysis



Prioritizing risks & assessing their probability of occurrence & impact. Subjective in Nature (Low, Medium, High)



Perform Qualitative Risk Analysis

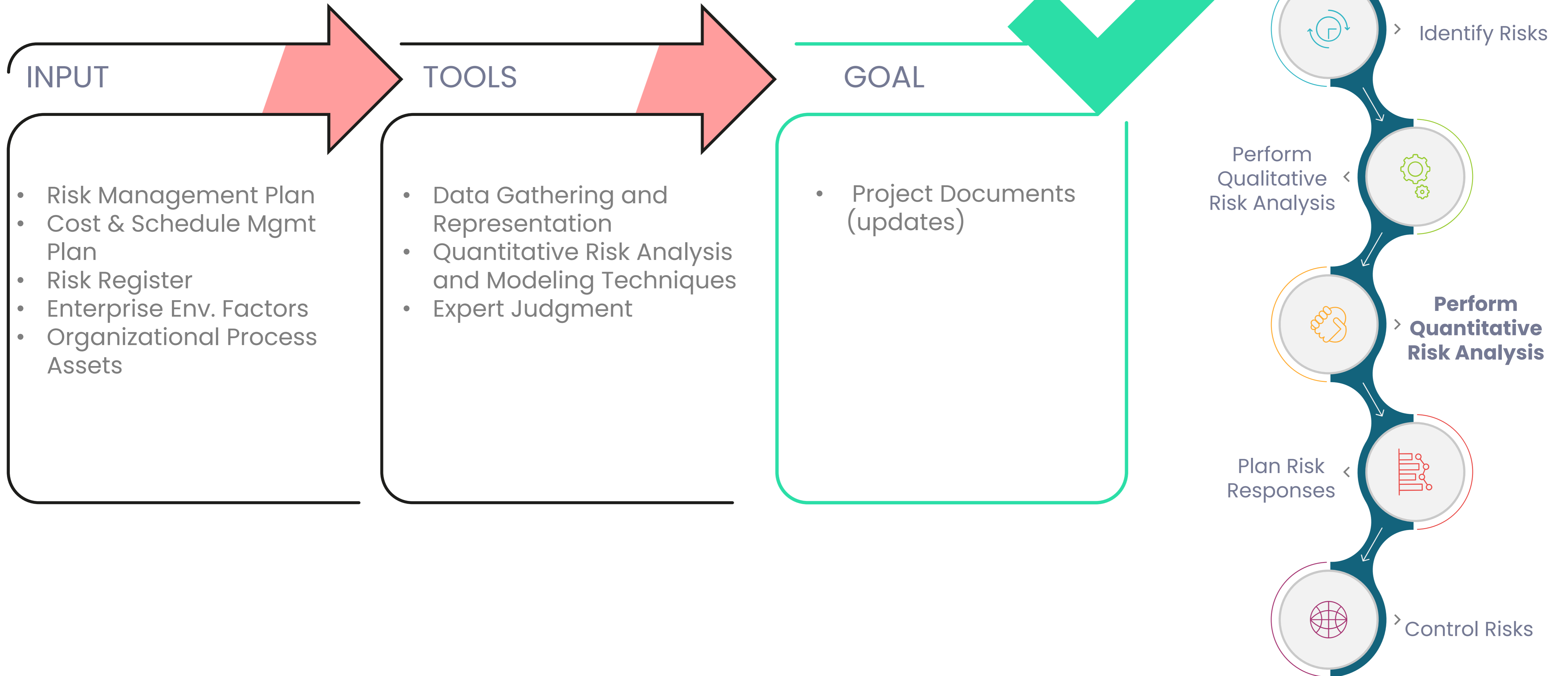


Perform Quantitative Risk Analysis

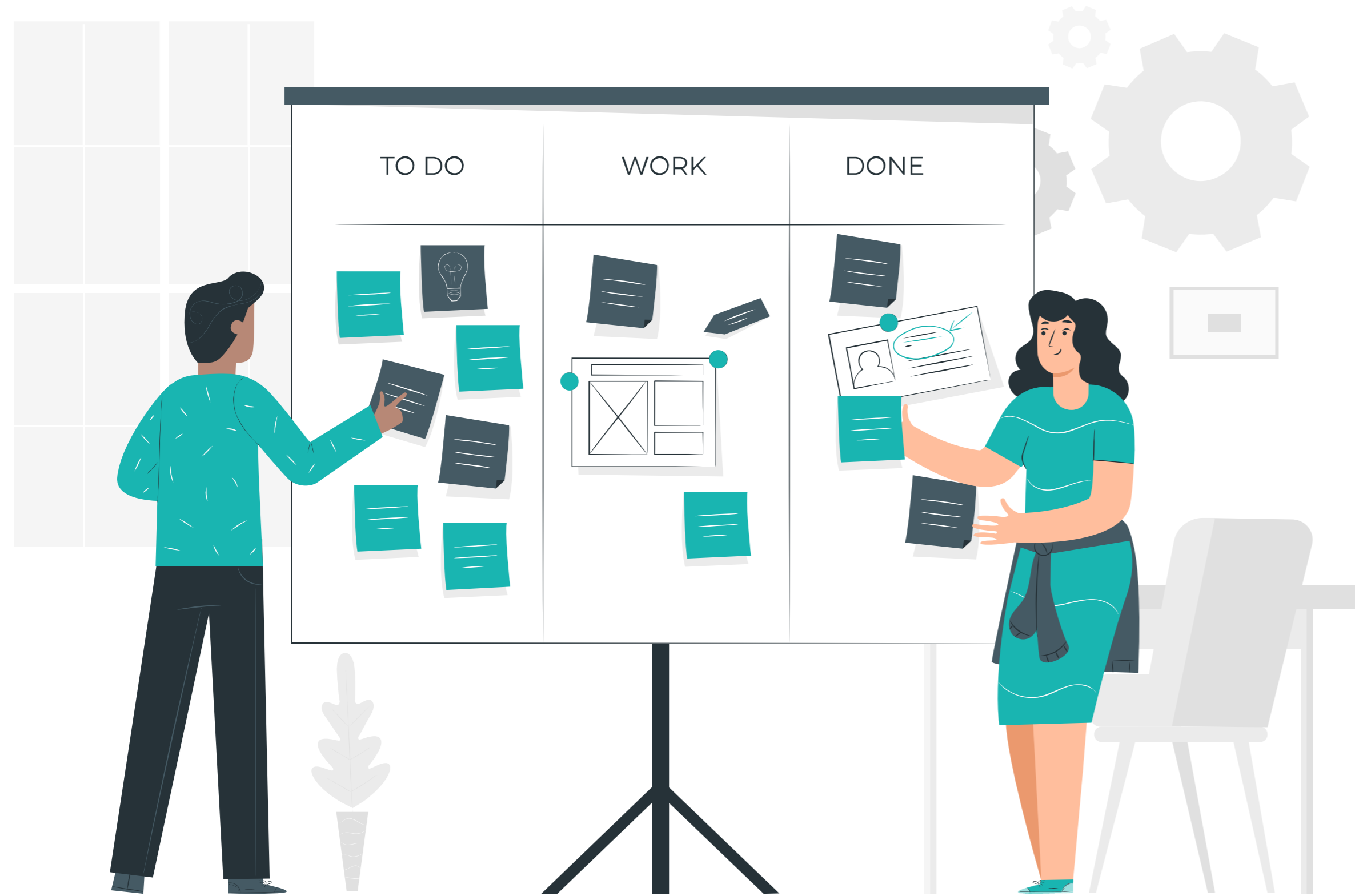


Is performed on risks that have been prioritized by the Perform Qualitative Risk Analysis. It analyzes the effect of those risk events & assigns a numerical rating.

Perform Quantitative Risk Analysis

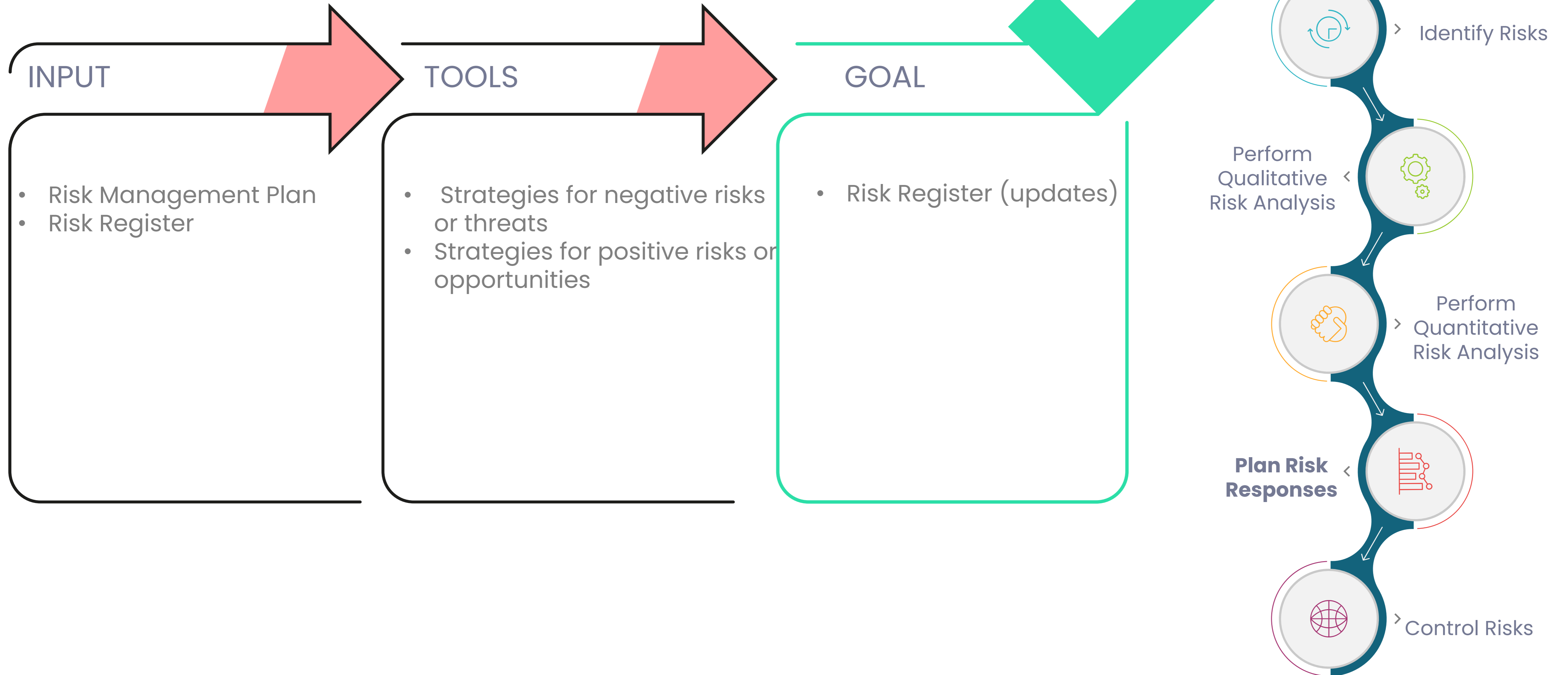


Plan Risk Responses



Process of developing options, and determining actions to enhance opportunities and reduce threats to the project's Objectives.

Plan Risk Responses

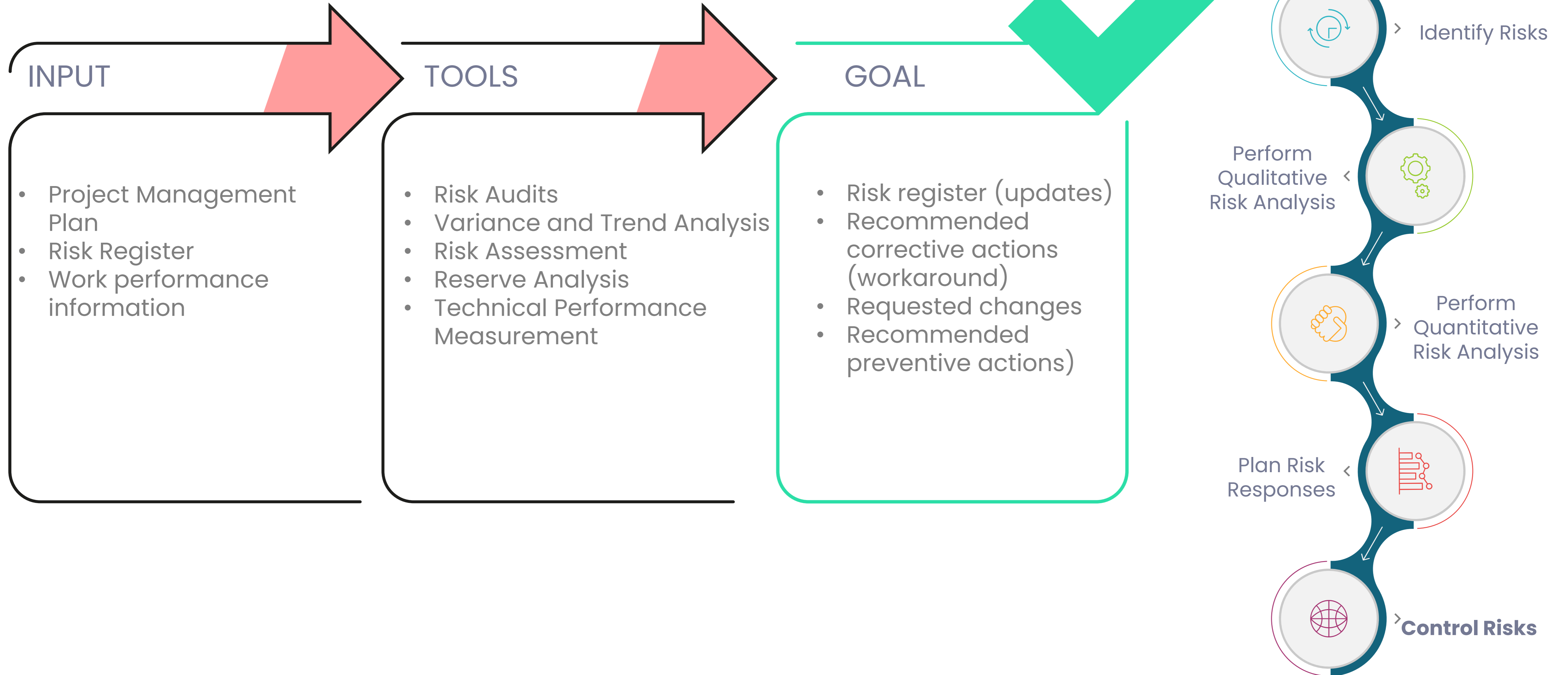


Control Risks

A process of implementing risk response plan, identifying, analyzing, and planning for newly arising risks, keeping track of identified risks, residual risk and secondary risks.

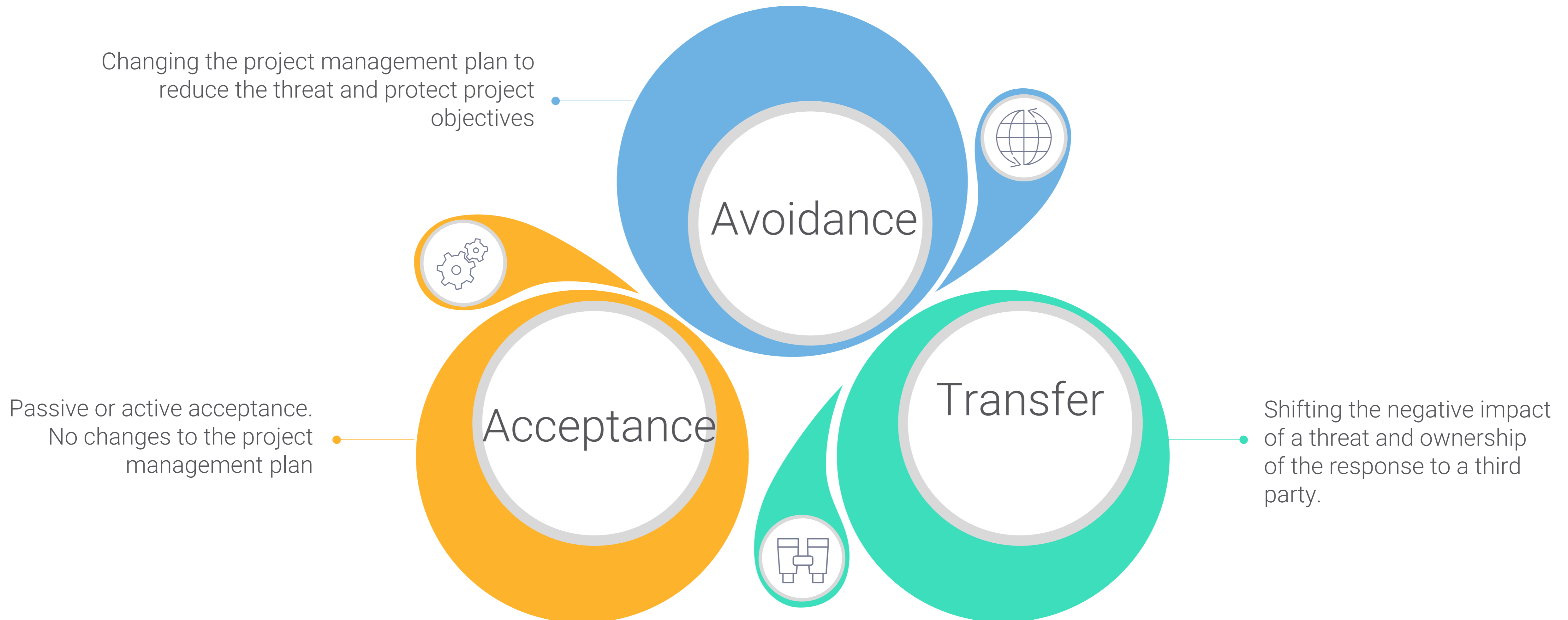


Control Risks



Risk Managing Approach

Strategies for Negative risks or Threats



Opportunity Managing Approach

Strategies for Positive risks or Opportunities

Exploit
Make sure
opportunity occur

01

Enhance
Increase
likelihood or
impact or risks

02

Accept
Allocation of
reserves to
projects

04

Share
Give third party to
ownership of
opportunity

03

Opportunities

Key element for implementing Risk Management Plan

1. Communication and consultation.

Raising risk awareness is an essential part of risk management, risk leaders must also develop a communication plan to convey the organization's risk policies and procedures to employees and relevant parties.

2. Establishing the context.

This step requires defining the organization's unique risk appetite and risk tolerance -- i.e., the amount to which risk can vary from risk appetite. Factors to consider here include business objectives, company culture, regulatory legislation, political environment, etc.

3. Risk identification.

This step defines the risk scenarios that could have a positive or negative impact on the organization's ability to conduct business. As noted above, the resulting list should be recorded in a risk register and kept up to date.

4. Risk analysis:

The likelihood and impact of each risk is analyzed to help sort risks. Making a risk heat map can be useful here, as it provides a visual representation of the nature and impact of a company's risks. An employee calling in sick, for example, is a high-probability event that has little or no impact on most companies.

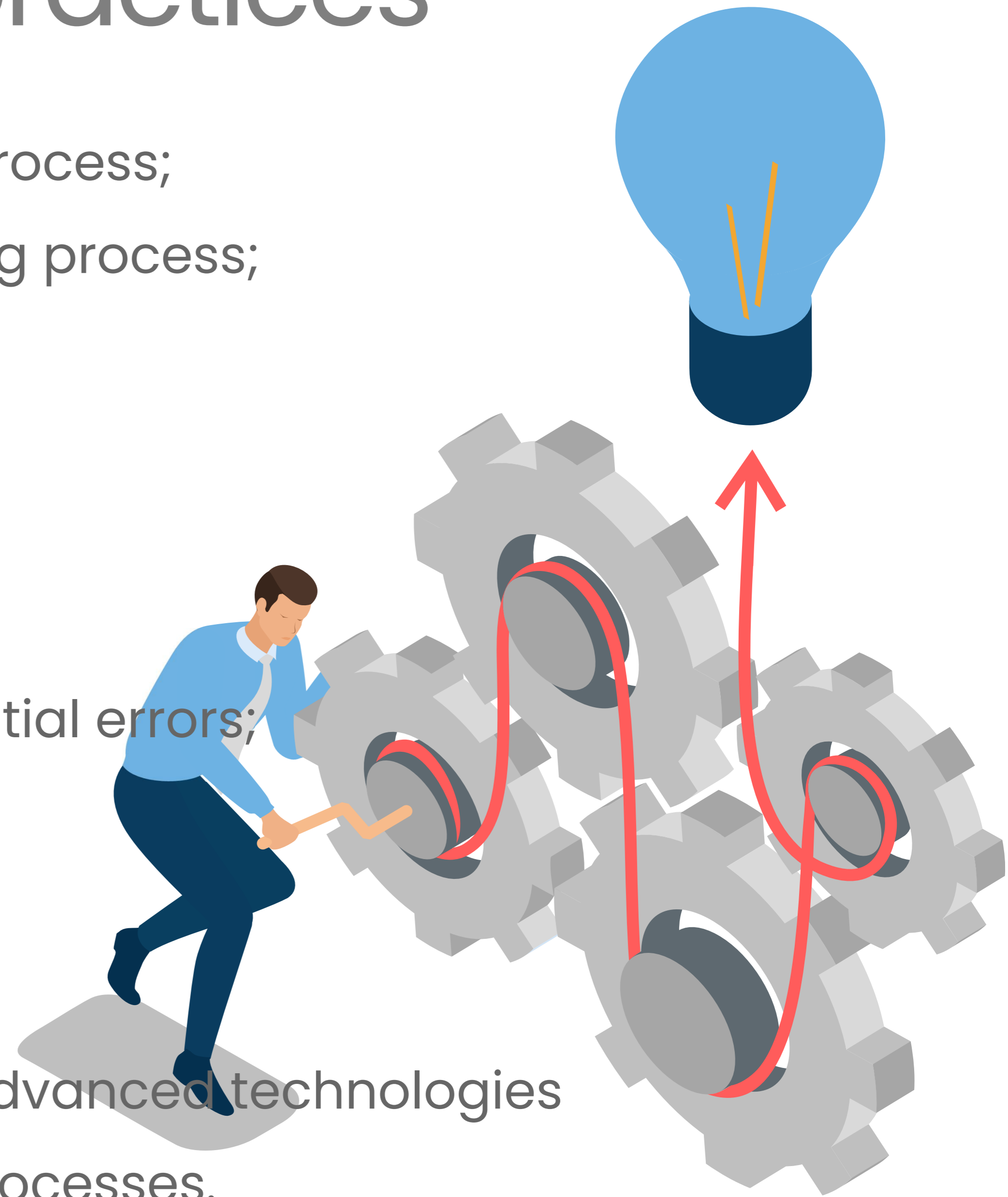
5. Risk evaluation. Here is where organizations determine how to respond to the risks they face. Techniques include one or more of the following Risk avoidance, Risk mitigation, Risk sharing or transfer, Risk acceptance

6. Risk treatment. This step involves applying the agreed-upon controls and processes and confirming they work as planned.

7. Monitoring and review. Are the controls working as intended? Can they be improved? Monitoring activities should measure key performance indicators and look for key risk indicators that might trigger a change in strategy.

Risk management best practices

1. create value for the organization;
2. be an integral part of the overall organizational process;
3. factor into the company's overall decision-making process;
4. explicitly address any uncertainty;
5. be systematic and structured;
6. be based on the best available information;
7. be tailored to the project;
8. take into account human factors, including potential errors;
9. be transparent and all-inclusive;
10. be adaptable to change; and
11. be continuously monitored and improved upon.
12. "digitally reform," This entails using AI and other advanced technologies to automate inefficient and ineffective manual processes.



Failure to act

Left untreated, potential, inherent and avoidable risks lurking in all phases of business can ruin reputations and weaken bottom lines.

- Lack of transparency
- Immature ERM programs
- Supply chain oversights
- Lagging security controls
- Poor governance
- Toxic work culture
- Overemphasis on efficiency
- Toothless ESG statements
- Reckless risk-taking

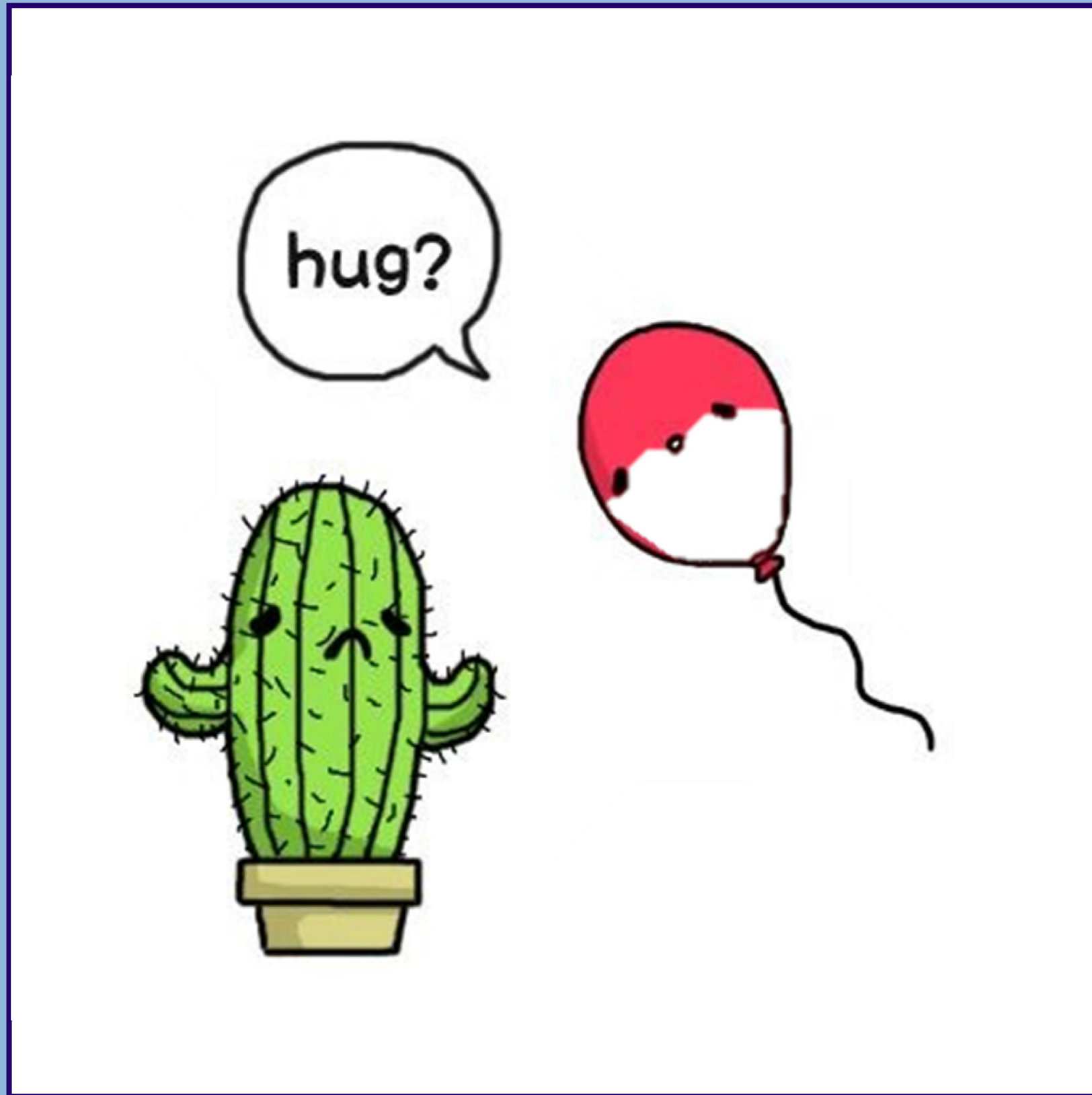


If you ignore Risk Management !

RISK

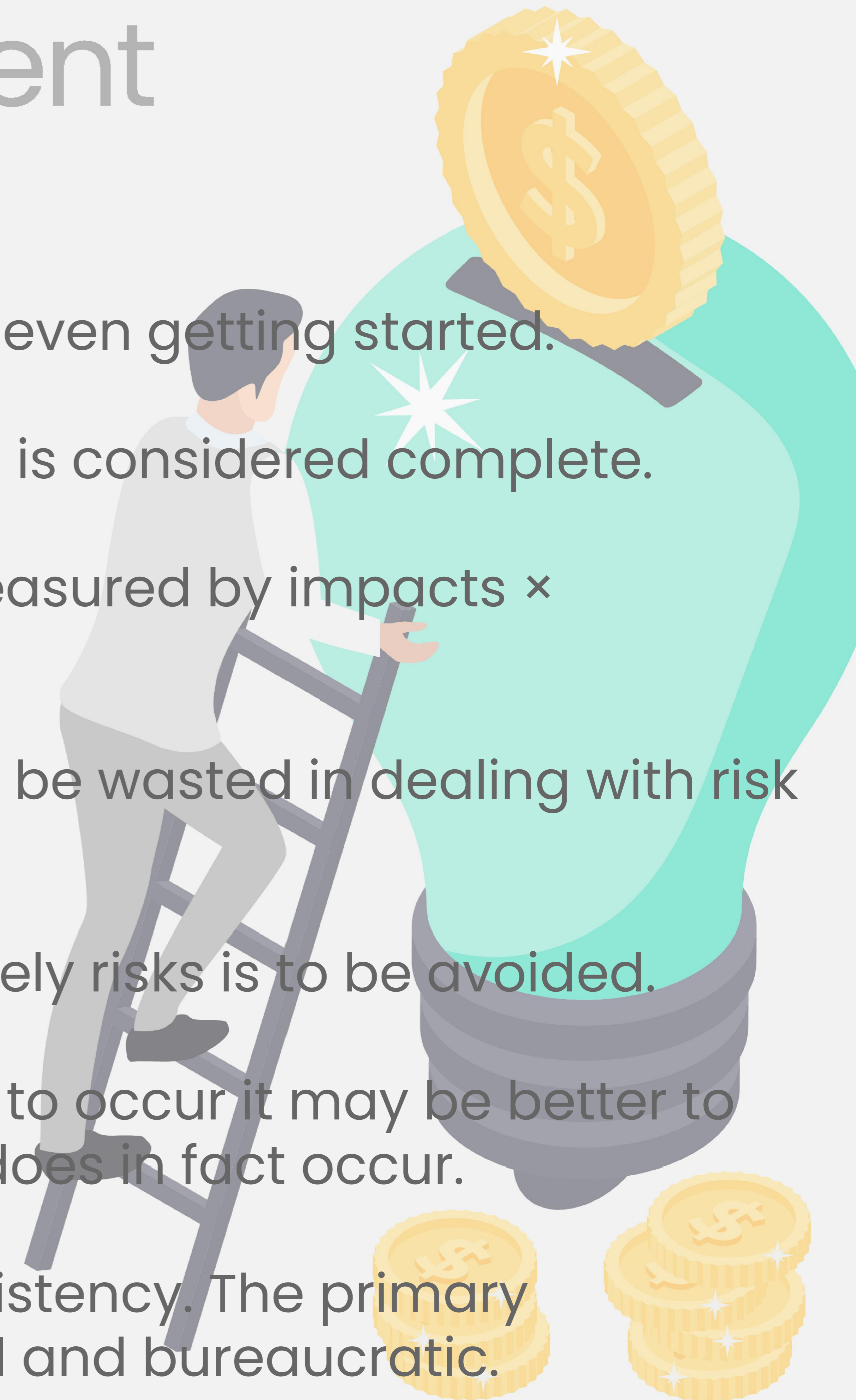


OPPORTUNITY



Limitations of Risk Management

1. Prioritizing the risk management processes too highly
2. Keep an organization from ever completing a project or even getting started.
3. Project is suspended until the risk management process is considered complete.
4. Distinction between risk and uncertainty. Risk can be measured by impacts \times probability.
5. If risks are improperly assessed and prioritized, time can be wasted in dealing with risk of losses that are not likely to occur.
6. Spending too much time assessing and managing unlikely risks is to be avoided.
7. Unlikely events do occur but if the risk is unlikely enough to occur it may be better to simply retain the risk and deal with the result if the loss does in fact occur.
8. Qualitative risk assessment is subjective and lacks consistency. The primary justification for a formal risk assessment process is legal and bureaucratic.



Plan Risk Management

The process of defining how to conduct risk management activities for a project

Identify Risks

The process of determining which risks may affect the project and documenting their characteristics.

Perform Qualitative Risk Analysis

The process of prioritizing risks for further analysis or action by assessing and combining their probability of occurrence and impact.

Perform Quantitative Risk Analysis

The process of numerically analyzing the effect of identified risks on overall project objectives.

Plan Risk Responses

The process of developing options and actions to enhance opportunities and to reduce threats to project objectives

Control Risks

The process of implementing risk response plans, tracking identified risks, monitoring residual risks, identifying new risks, and evaluating risk process effectiveness throughout the project

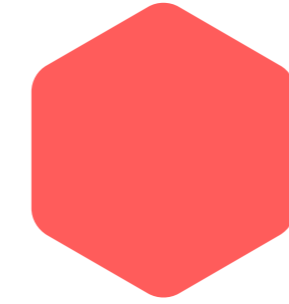


SUMMARY



SWOT

Strengths, Weaknesses, Opportunities, and Threats (SWOT) are analyzed to increase the breadth of considered risks



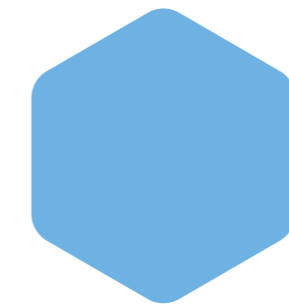
Residual Risk

Are those that remain after avoidance, transference, or mitigation responses have been taken.



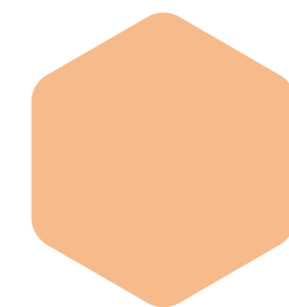
Secondary Risk

Risks that arise as a direct result of implementing a risk response



Fallback Plan

Is Plan—B, if the risk has a high impact, or the primary response proves to be inadequate



Avoidance

Changing the project management plan to reduce the threat and protect project objectives

Scope

Time

Cost

Quality

HR

Communication

Risk

Procurement

Stakeholder

Integration



Next:

How we Manage Procurement?

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