

Risk Management

The background features a white central area. A large, light blue triangle points from the top right towards the bottom left. A smaller, darker blue triangle points from the bottom left towards the top right. These two triangles overlap in the lower-left quadrant, creating a darker blue intersection.

WHAT IS RISK?

Some common definitions

- A risk is an uncertain event that, if materialized, could alter a chosen course for a project.
- A risk is an event that has no effect at the present time. in other words, it has not happened yet.
- A risk is considered to be any potential variation to the plan, and could be a hazard or an opportunity.
- Risk is volatility which may at times lead to failure, unnecessary costs or ineffective structure in any business or company.

In Project Management terms,

A potential event that may have a detrimental affect on time, cost, quality and deliverables.

WHAT IS AN ISSUE?

Some common definitions

- An issue is an outcome or consequence; a result
- It is a current or realized problem
- A risk may turn into an issue when it has been realized.

In Project Management terms,

- Thus, an issue is an unpredicted event that requires a decision; otherwise, a negative affect on the project may result.

TERMINOLOGY

➤ **Risk**

Potential future issue (may or may not occur)

➤ **Issue**

Current (realized problem)

➤ **Constraint**

Restriction / Impeding force

➤ **Dependency**

Linkage that may impact task or project start/completion

➤ **Watch Item**

An item for which further monitoring may be required

RISK RESPONSE

➤ **Accept**

Risk Acceptance is making an informed decision to accept the consequences of a particular risk.

Dependent on the situation, this may be a satisfactory strategy.

- *Not all risks turn into issues when realized.*
- *Some risks are actually absorbed into a project or program with negligible effects, if any.*

➤ **Avoid**

Risk avoidance is taking steps to get rid of the risk altogether.

RISK RESPONSE (CONT'D)

➤ Transfer

Transferring risk is shifting of risk to another party which is capable of shielding the project in whole or in part from the risk.

➤ Mitigate

Mitigation of risk is reducing the chances or the impact of an adverse risk manifesting itself.

WRITING EFFECTIVE RISK STATEMENTS

RISK STATEMENTS

A common feature of troubled projects is that their risk statements (if they exist) are too generic.

In other words, they could apply to any project, with any deliverables, at any time.



WHAT IS A WELL-FORMED RISK STATEMENT?

Some advocate the use of meta language; that is, writing in such a way that the statement could easily be turned into a computer program.

WHAT IS A WELL-FORMED RISK STATEMENT?

➤ <Condition Present> < Associated Risk Event>

A large part of the software must now be written in C++. The time required to train the development team in C++ will extend the project's schedule by 3 months.

Condition Present = *A large part of the software must now be written in C++*

Associated Risk Event = *the time required to train the development team in this language will extend the project's schedule by 3 months*

➤ “IF – THEN” Risk Statements

IF abc is more than 1 month late,

THEN program xyz release 1.2 will experience a schedule delay of 2 months.