

**MBA CLASS 4**  
**Subject Profile: PROJECT MANAGEMENT**  
**Session 7**



## PROJECT RISK MANAGEMENT

On completion of this Session, you will be able to:

1. Identify project risks
2. Measure project risks
3. Develop project risk management plan
4. Control project risks

### ACTIVITIES:

- **Lecturing**
- **Reading for comprehensive:**
- **Group discussion:** Clarify risks, opportunities, constraints, changes; risks forecast and control

**Presentation:** Risks and constraints of your new project and their controllable measurements.

- **Home exercise:** What do you want to purchase (goods/equipment, works, services) in your new project?
- **Assessment:** Self-assessment

### LEARNING TOOLS

- PMBOK Guide
- Lecture notes
- Assignment material



## Project risk

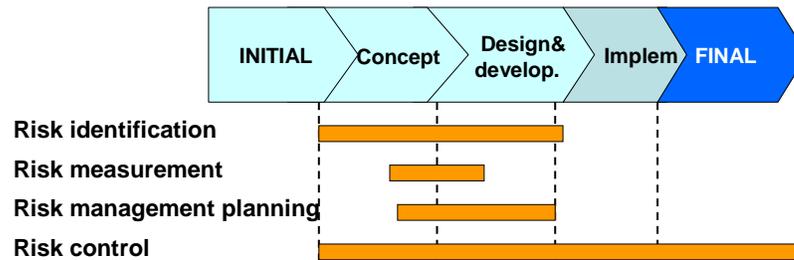
Project risk is possibility of suffering ham or loss.

- Risk is opposite of opportunity.
- Risk is different from constraints

## Project risk management

- Risk management is a process of identifying, analyzing and responding to risk factors throughout the project life and to make project objectives.
- Good risk management is to minimize potential risks while maximizing potential opportunities.

## Project risk management and project life cycle



## Benefit of project risk management

- “Improved understanding of project
- Knowledge of impact, hence communication
- Appropriate allocation of risk control
- Better of use of contract types
- Assessment of risks to aid decisions
- Decision justification
- History for the planning of future projects”

Source: ACPM

## 1. Project risk identification

### Project risk identification

- Project risk identification is the process of determining which risks are likely to impact project processes or deliverables

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### 1.1. Types of risks

*Source: CCBP*



## 1.2. Causes of project failure

### Causes of project failure

- No strategic link to business
- Lack of management commitment
- No budget allocated
- Insufficient early planning
- Scope underestimated
- Insufficient risk planning
- Unrealistic plan
- Inability to track progress
- Inability to detect problems
- Customer changes
- Staffing problems

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## 1.3. Project risk identification requirement

## Project risk identification requirement

- Justification document: will help to highlight risks that may need to be mitigated.
- Other planning deliverables: *WBS, cost and duration Estimates, recruitment plan, procurement management plan etc.*
- Historical information from previous projects

### 1.4. Project risk identification mechanisms and tools

## Project risk identification mechanisms and tools

### CHECKLISTS

Useful for gathering input and information

### FLOWCHATING

Provides a graphical view of a process.  
Locate "point of failure"

### INTERVIEW

Gathers input from Stakeholders  
(Not only project sponsor)



Source: ACPM

### Risk- CHECKLIST

No.	CONTENT	Answer (Y/N)
1	Has the goal of the project been clearly established and communicated widely?	
2	Is the goal of the project linked to the business strategy and objectives?	
3	Have all the stakeholders, including customer and sponsor been clearly identified?	
4	Has project manager been appointed?	
5	Is the project organization clearly established?	
6	Has project team been appointed?	
7	Are the roles and responsibilities clearly defined and documented?	
8	Has the scope been clearly identified and documented?	
9	Have the quality standards been established and documented?	
10	Are the project deliverables clearly defined?	
11	Have milestones been identified?	
12	Have checkpoints been established?	
13	Is this project independent of other projects?	
14	Is the project schedule achieved?	

## 1.5. Project risk identification deliverables

### Project risk identification deliverables

- Sources of risks
- Area of risks
- Potential risk events
- Risk symptoms
- Inputs to other processes: risk identification process may identify a need for further activity in another area.

Risk ID	Risk Area	Risk event
1	Schedule	Tight schedule

## 2. Project risk measurement

### Project risk measurement

- Project risk measurement is a process of evaluating risks and determining the possibility of happening and probable impact.
- It provides a means of prioritizing the risk events and determining those that demand a response.

## 2.1. Project risk measurement requirements

### Project risk measurement requirements

- Organization's cultural attitude to risk
- Sources of risks
- Potential risk events
- Cost estimates
- Activities and task estimates

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## 2.2. Project risk measurement process

### Project risk measurement process

Project risk identification provides the events. Project risk measurement comprises:

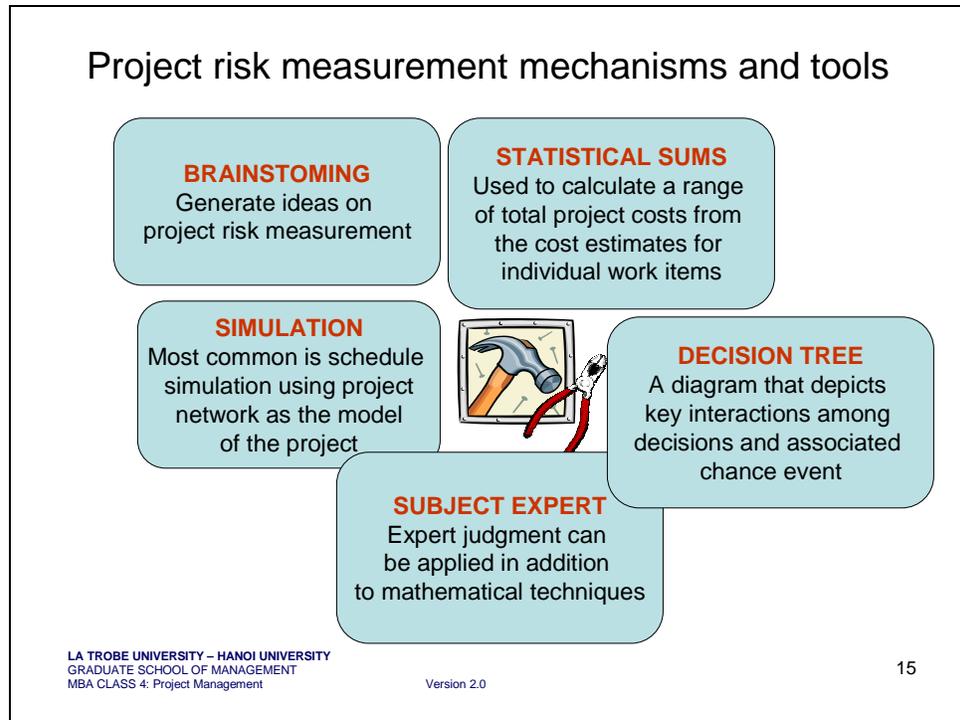
```
graph LR; A[Analysis] --> B[Severity measurement]; B --> C[Prioritization]
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### 2.3. Project risk measurement mechanisms and tools

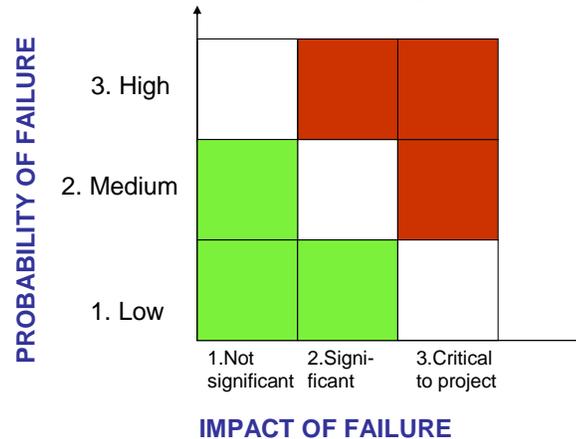


### 2.4. Project risks - Qualitative analysis

## Qualitative analysis

Risk events could be described by experts:

- High, medium or low probability of occurrence
- Severe, moderate or limited impact



### Project risk measurement MATRIX

Risk ID	Risk area	Risk event	Probability	impact	Risk score
1	Requirement	Scope change	3	3	9
2	Resources	Not available	2	1	2
3	Schedule	Tight schedule	3	2	6

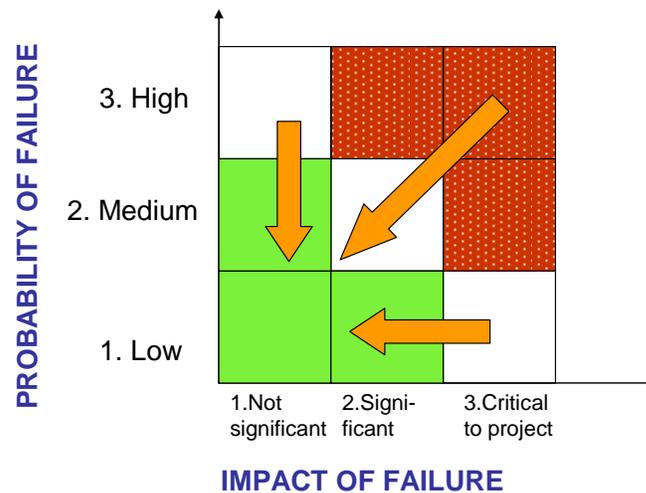
### 3. Project risk management planning

## Project risk management planning

- Project risk management planning is the process of defining the activities to be undertaken to counteract identified risks
- Category of Project risk responses:



Objective of project risk management planning is to drive risks down



### 3.1. Project risk management planning deliverables

## Project risk management planning deliverables

- Risk management Plan
- Other process requirements
- Contingency plans
- Reserves
- Contractual agreements

## Risk Management Plan

Risk ID	Risk area	Risk event	Probability	impact	Risk score	Risk response	Responsibility
1	Stakeholder	Scope change	3	3	9	Review PDD with stakeholders Document scope exclusions	Project manager
2	Resources	Not available	2	1	2	Communicate resource needs in advance	Project sponsor
3	Schedule	Tight schedule	3	2	6	Plan slack time; identify alternatives; allow extra resources	Project sponsor

### 4. Project risk control

# Project risk control

- Project risk control involves implementing the Risk Management Plan in response to potential risk events over the life cycle of the project.

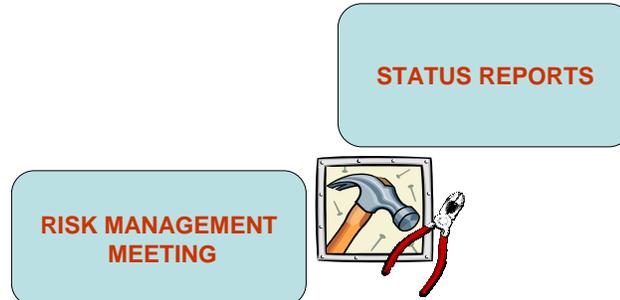
## 4.1. Project risk control requirements

## Project risk control requirements

- Risk Management Plan
- Actual risk events: when potential risk events become actual.
- Additional project risk identification: when potential risk events or sources of risk not previously identified

### 4.2. Project risk control mechanisms and tools

## Project risk control mechanisms and tools



### 4.3. Project risk control deliverables

## Project risk control deliverables

- Corrective action
- Updates to Risk Management Plan
- Workaround
- Additional Risk Management Plan

### Descriptions

- **Corrective Action** consists primarily of performing the planned risk response (e.g. implementing contingency plans or workarounds)
- **Updates to Risk Management Plan:** as anticipated risk events occur or fail to occur, and as actual risk event effects are evaluated, estimates of probabilities and value, as well as other aspects of the Risk Management Plan, should be updated.
- **Workaround** are unplanned responses to risk events that the responses was not defined in advance of risk event occurring
- **Additional Risk Management Plan:** if the risk event was not anticipated, or the effect is greater than expected, the planned response may not be adequate and it will be necessary to repeat the response development process and perhaps the project Risk Measurement Process as well.