MONASH University

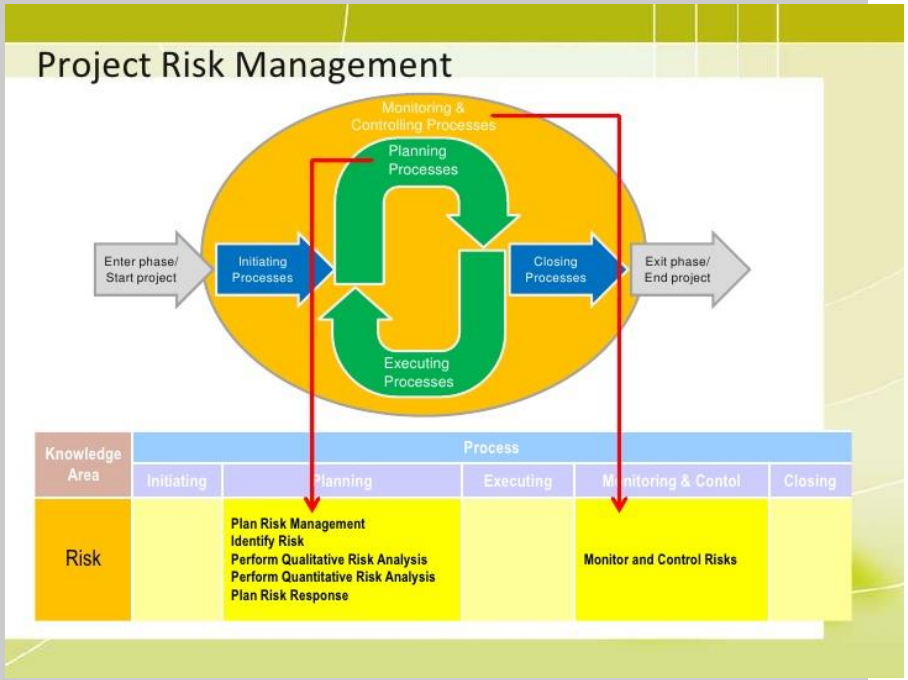
GROUP OF EIGHT AUSTRALIA

Information Technology

FIT2002

Week 7 Seminar

Project Risk Management



http://www.slideshare.net/ejlp12/pmp-training-11-project-risk-management

Recap from Video 1:

- Risk is an uncertainty that can have a negative or positive effect on meeting project objectives.
- Risk utility or risk tolerance is the amount of satisfaction or pleasure received from a potential payoff.
- Risk seekers enjoy high risks, risk-averse people do not like to take risks, and risk neutral people seek to balance risks and potential payoff.
- Project risk management is a process in which the project team continually assesses what risks may negatively or positively affect the project, determines the probability of such events occurring, and determines the impact if such events occur.
- Risk management also involves analysing and determining alternate strategies to deal with risks.
- The next slide shows the six main processes of risk management.

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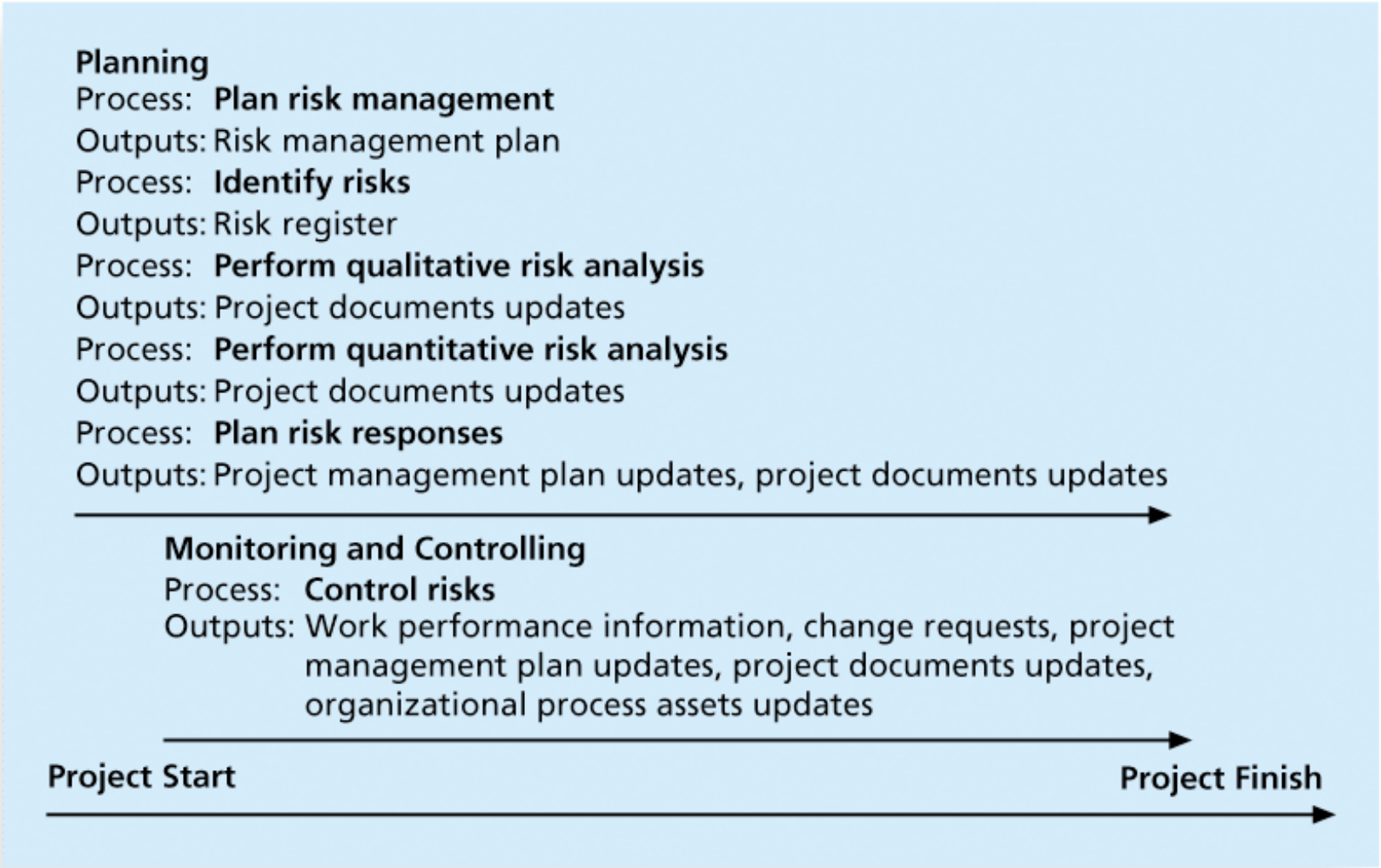
Project Risk Management Summary



Recap from Video 1: (cont…)

- Planning risk management is the process of deciding how to approach risk management activities and plan for them in a project.
- A risk management plan is a key output of risk management planning, and a risk register is a key output of the other risk management processes.
- Contingency plans are predefined actions that a project team will take if an identified risk event occurs.
- Fallback plans are developed for risks that have a high impact on meeting project objectives, and are implemented if attempts to reduce the risk are not effective.
- Contingency reserves or contingency allowances are provisions held by the project sponsor or organization to reduce the risk of cost or schedule overruns to an acceptable level.

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Recap from Video 2:

- A risk breakdown structure is a useful tool that can help project managers consider potential risks in different categories.
- Risk identification tools and techniques include:
  - Brainstorming
  - The Delphi Technique
  - Interviewing
  - SWOT analysis
- A risk register is a tool for documenting potential risk events and related information.
- Risk events refer to specific, uncertain events that may occur to the detriment or enhancement of the project.

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Recap from Video 3 & 4:

- Risks can be assessed qualitatively and quantitatively.
- Tools for qualitative risk analysis include:
  - a probability/impact matrix and
  - the Top Ten Risk Item Tracking technique.
- Tools for quantitative risk analysis include:
  - Decision trees
    - Expected monetary value (EMV) uses decision trees to evaluate potential projects based on their expected value.
  - Monte Carlo simulation.
- Sensitivity analysis is used to show the effects of changing one or more variables on an outcome.

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Recap from Video 5:

- The four basic responses to negative risks are:
  - Transference
    - shifting the consequence of a risk and responsibility for its management to a third party
  - Avoidance - eliminating a specific threat or risk
  - Reduction (Mitigation)
    - reducing the impact of a risk event by reducing the probability of its occurrence
  - Acceptance - accepting the consequences of a risk if it occurs
- The four basic response strategies for positive risks are risk exploitation, risk sharing, risk enhancement, and risk acceptance.
- Controlling risks involves executing the risk management processes and the risk management plan to respond to risks.

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