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REVIEW QUESTIONS CHPTER-7

1. What leads to uncertainty in a project?

Answer: Because project plan is grounded upon a number of **estimates** that reflect our understanding of the current situation, the information available, and the assumptions we must make "no one can predict the future with 100 percent accuracy" OR based on attempt to predict the future based on estimates assumptions and limited information

2. How does a project risk management approach provide an early warning signal for impending problems or issues?

Answer: Project risk management includes the processes of conducting risk management planning, identification, analysis, response planning, and monitoring and control on a project "decrease the probability and impact of events adverse to the project".

3. What is meant by crisis management? And why do many organizations find themselves in this mode?

Answer: It's Inability of organizations to make effective and timely decisions "unforeseen risk and circumstances hard to overcome" because plans are disregarded due to a risk involved or stakeholders only address the project risks after they have become problems

4. Describe some of the common mistakes in project risk management.

Answer:

- Not understanding the benefits of risk managements -- risks are often schedule delays, quality issues, and budget overruns just waiting to happen
- Not providing adequate time for risk managements -- risk management grow as a capable and mature process integrated throughout all projects
- Not identifying and assessing risk using standardized approach -- Not having a standardized approach to risk management can overlook both threats and opportunities

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5. Briefly describe what is required for effective and successful project risk management.

Answer:

- Commitment to stakeholders
- Stakeholder responsibility
- Different risk for different type of projects understand that

6. What is project risk?

Answer: An uncertain event or condition that, if it occurs, has a positive or negative effect on one or more project objectives (scope, schedule, cost, and quality)

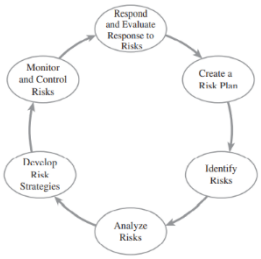
7. What is project risk management?

Answer: Focuses on identifying analyzing and developing strategies for responding to project risk efficiently and effectively.

8. What are the six project risk management processes?

Answer:

1) Create a risk plan
2) Identify Risk
3) Analyze Risk
4) Develop Risk strategies
5) Monitor and Control Risk
6) Respond and Evaluate Risk



9. What types of commitment are necessary for risk planning?

Answer: Commitment to stakeholders and sponsors to deliver a complete system achieves main goal and Requirements & commitment to the entire risk management approach

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10. Why can identifying project risks be difficult?

Answer: Because some risk are unforeseeable and it can be difficult to gauge what possible risks outside of the basic risk and

11. What is a "known" risk? Give an example of one.

Answer: Events that are going to occur- they will happen and there is no uncertainty about it

Example: Death and taxes OR an organization may know that there is a risk of them losing some of their customers to a new competitor, and that they risk losing 10% of their customers.

12. What is a "known–unknown" risk? Give an example of one.

Answer: Identifiable uncertainties.

Example: Getting a bill each month but not exactly knowing the price of the bill, Indirect Costs

13. What is an "unknown–unknown" risk? Give an example of one.

Answer: Residual risk that reflects what we do not know.

Example: Natural disaster, War

14. What is the difference between an internal and external risk? Give an example of each.

Answer:

	Internal Risk	**External risk**
Definition	From within the organization and arise during normal operation. Internal risks are often forecastable, and therefore can be avoided or mitigated.	From outside the organization or project and outside of the team's control. External risks tend to only be forecastable in retrospect, and therefore efforts need to be focused on recognition and reaction
Example	▪ Cost Risks: Risks of project costs being exceeded due to inaccurate estimates of costs or creeping scope changes.	▪ Governance risks: These are related to business management, project support, leadership and corporate reputation

	▪ Schedule Changes: Risks that activities take longer than expected, which in turn usually leads to cost increases, later benefits and a possible loss of competitiveness. ▪ Performance or Quality risks: Risks that the project fails to deliver the planned results with the promised performance and quality.	▪ Operational risks: This results from poor implementation and process problems, e.g. in purchasing, production and sales, but also in protection against theft and fraud ▪ Environmental risks: Risks related to earthquakes, storms, flooding, vandalism, sabotage, civil unrest or strikes

15. Describe some of the tools and techniques that can be used to identify project risks.

Answer:

- Learning Cycles
- Brainstorming
- Nominal Group Technique
- Delphi Technique
- Interviews
- Checklists
- SWOT Analysis
- Cause & Effect (a.k.a. Fishbone/Ishikawa)
- Past Projects

16. Describe the nominal group technique and how it can be applied to identifying project risks.

Answer: The NGT is a structured technique for identifying risk that attempts to balance and increase participation, Process to apply it:

1. Each individual silently writes her or his ideas on a piece of paper.
2. Each idea is then written on a board or flip chart one at a time in a round-robin fashion until each individual has listed all of his or her ideas.
3. The group then discusses and clarifies each of the ideas.
4. Each individual then silently ranks and prioritizes the ideas.
5. The group then discusses the rankings and priorities of the ideas.
6. Each individual ranks and prioritizes the ideas again.
7. The rankings and prioritizations are then summarized for the group

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17. Describe how learning cycles can be used to identify project risks.

Answer: Create an action plan to test assumptions and conduct research about various risk , The project team and stakeholders can use this technique, whereby they identify facts (what they know), assumptions (what they think they know), and question to be answered (things to find out), to identify various risks

18. What is the Delphi technique? How can this technique be used to identify project risks?

Answer: used if the time and resources are available, Gets an insightful view into a threat or opportunity by dissecting and discussing the potential risk & may consume a good portion of the project resources

19. How can interviewing be used as a technique for identifying IT project risks? What are some of the advantages and disadvantages of using this technique?

Answer: By interviewing various project stakeholders to identifying and understanding the nature of project risks

Advantages Determines alternative points and Depends heavily on the skills of the interview interviewees and the process

Disadvantages The quality of the information derived depends heavily on the skills of the interviewer and the interviewees, as well as on the interview process itself.

20. How do checklists help in identifying project risk? Discuss the pros and cons of using this technique.

Answer: provide a structured tool for identifying risks that have occurred in the past. pros allow the current project team to learn from past mistakes or to identify risks that are known to a particular organization or industry cons but they can lead to a false sense of security—that is, if we check off each of the risks on the list, then we will have covered everything

21. What is SWOT analysis? How can this technique be used to identify project risks?

Answer: Strengths weakness opportunities and threats. Categorizes risk and frameworks them, could be used to identify and understand the nature of project risks by categorizing risks using the framework illustrated

22. What is a fishbone (Ishikawa) diagram? How can this tool be used to identify project risks?

Answer: used to analyze the causes of poor quality in manufacturing systems. The diagram can also be used for understanding the causes or factors of a particular risk as well as its effects.

How used:

1. Identify the risk in terms of a threat or an opportunity.
2. Identify the main factors that can cause the risk to occur.
3. Identify detailed factors for each of the main factors.
4. Continue refining the diagram until satisfied that the diagram is complete.

23. What is the purpose of the analyze risk process?

Answer: Determine what threats or opportunities require attention or a response & provides a systematic approach for evaluating the risks that the project stakeholders identify.

24. What is the difference between qualitative and quantitative risk analysis?

Answer:

Qualitative risk analysis focuses on subjective analysis of risk based on a projects stakeholders experience or judgement. Example:

- ✓ Expected Value & Payoff Tables
- ✓ Decision Trees
- ✓ Risk Impact Table & Ranking

Quantitative approaches to project risk include mathematical or statistical techniques that allow us to model a particular risk situation. Examples:

- ✓ Binomial
- ✓ Normal
- ✓ PERT
- ✓ TRIANG

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25. Describe the concept of expected value.

Answer: Provides the basis for both qualitative and quantitative risk analysis, Expected value is really an average, or mean, that takes into account both the probability and impact of various events or outcome

26. What is the purpose of a decision tree? What are the advantages and disadvantages of using a decision tree?

Answer: Decision tree provides a visual, or graphical, view of various decisions and outcomes; each branch represents an option and outcome.

Advantages:

- ✓ chance the limited testing will save both time and money
- ✓ have a better understanding of the probabilities and effects of the risk to make a better informed decision

Disadvantages:

- ✓ There is a high probability that the system will not pass or meet the quality standards. As a result, the required rework will make the project even later and more over its budget
- ✓ Which is the correct decision? That depends on the risk tolerances of the stakeholders.

27. What is the purpose of a risk impact table?

Answer: Useful tool for analyzing and prioritizing various risk

28. What is the difference between a discrete probability distribution and a continuous probability distribution?

Answer:

Discrete probability distributions use only integer or whole numbers where fractional values are not allowed or do not make sense.

Continuous probability distributions are useful for developing risk analysis models when an event has an infinite number of possible values within a stated range.

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29. What are the rules of thumb that can be applied to a normal distribution?

Answer:

The distribution shape is determined by its mean and standard deviation, Probability is associated with area and curve, since the normal distribution is symmetrical around the mean the outcome falls around infinity

30. Compare and contrast the normal distribution, the PERT distribution, and the triangular (TRIANG) distribution.

Answer:

Normal distribution: uses probability contribution and bell curve

PERT distribution: finds the probability by calculating the area under the curve, uses a three-point estimate (Optimistic estimate, Most likely estimate, Pessimistic estimate)

TRIANG distribution: uses the three-point estimate (Optimistic estimate, Most likely estimate, Pessimistic estimate) similar to the PERT.

31. What is a simulation? What value do simulations provide when analyzing and assessing project risks?

Answer:

Used to understand and analyze how different input variables can impact some output variables "to study a particular phenomenon", It helps project managers create cost, schedule or scope targets that are realistic.

32. What is a Monte Carlo simulation? Describe a situation (other than the one used in this chapter) that could make good use of a Monte Carlo simulation.

Answer: Monte Carlo simulation is a technique that randomly generates specific values for a variable with a specific probability distribution. The simulation goes through a specific number of iterations or trials and records the outcome.

Example: example of a Monte Carlo Simulation is to consider calculating the probability of rolling two standard dice. There are 36 combinations of dice rolls. Based on this, you can manually compute the probability of a particular outcome

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33. Define and discuss the four risk strategies described in this chapter.

Answer:

- Nature of the risk and how will it affect
- Impact of the risk and the probability of it on the project MOV & Objective
- The project constraints in terms of scope
- Risk tolerance or preferences of the various stakeholders

34. What is the difference between a management reserve and a contingency reserve?

Answer: Management Reserves that are controlled and released by a senior management at its discretion" These reserves are not usually included in the project's budget"

Contingency Reserves is usually controlled and released within specific guidelines by the project manager when a particular risk occurs "This reserve is usually included in the project's budget"

35. What is a contingency plan?

Answer: Alternative plan, or plan "B," this plan can be initiated in the event that a particular risk occurs" plans of last resort"

36. Why can't a project team respond to all project risks?

Answer: It could take too much time out of the project and delay it.

37. What is a risk response plan? What should be included?

Answer: The risk response plan provide risk metrics for determining whether a particular threat or opportunity has occurred. A system for monitoring and controlling risk provides a mechanism for monitoring these triggers and for supporting communication among the various risk owners

Documentation of the risk and strategies Includes: Project risk, Trigger that flags whether the risk has occurred, the owner of the risk, Risk response based on four basic risk, Resources available

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38. What are risk triggers or flags?

Answer: defined in the risk response plan provide risk metrics for determining whether a particular threat or opportunity has occurred "notification that a risk has occurred"

39. Why is having a risk owner a good idea? What role does a risk owner play?

Answer: Monitors the risk and ensuring if the response is appropriate to carry out ,When a trigger occurs, the project risk owner must take appropriate action" the action is responding to the risk as outlined in the risk response plan. Adequate resources must be available and used to respond to the risk."

40. What is risk monitoring and control?

Answer: Risk monitoring and control focus on metrics to help identify when a risk occurs, also on communication & Keeps track of various project risk may uncover new potential risk

41. Describe the three risk monitoring tools that were discussed in this chapter.

Answer:

- Risk audits- knowledgeable manager use for auditing the project team, done outside project
- Risk reviews- review inside the team where stakeholders looks over project
- Risk status meetings and reports- monitors and controls system should provide a formal communication system for monitoring and controlling project risk

42. What is the purpose of evaluating a response to a particular risk?

Answer: Provides a risk metrics for determining whether a particular threat or opportunity has occurred & a great deal can be learned about the entire process of risk management (i.e., the preparedness of risk planning, identifying risks, analyzing and assessing risks, risk responses, and so forth). Lessons learned can lead to the identification of best practices that can be shared throughout the project organization.