

### 11.1.2.3 Meetings

Project teams hold planning meetings to develop the risk management plan. Attendees at these meetings may include the project manager, selected project team members and stakeholders, anyone in the organization with responsibility to manage the risk planning and execution activities, and others, as needed.

High-level plans for conducting the risk management activities are defined in these meetings. Risk management cost elements and schedule activities should be developed for inclusion in the project budget and schedule, respectively. Risk contingency reserve application approaches may be established or reviewed. Risk management responsibilities should be assigned. General organizational templates for risk categories and definitions of terms such as levels of risk, probability by type of risk, impact by type of objectives, and the probability and impact matrix will be tailored to the specific project. If templates for other steps in the process do not exist, they may be generated in these meetings. The outputs of these activities are summarized in the risk management plan.

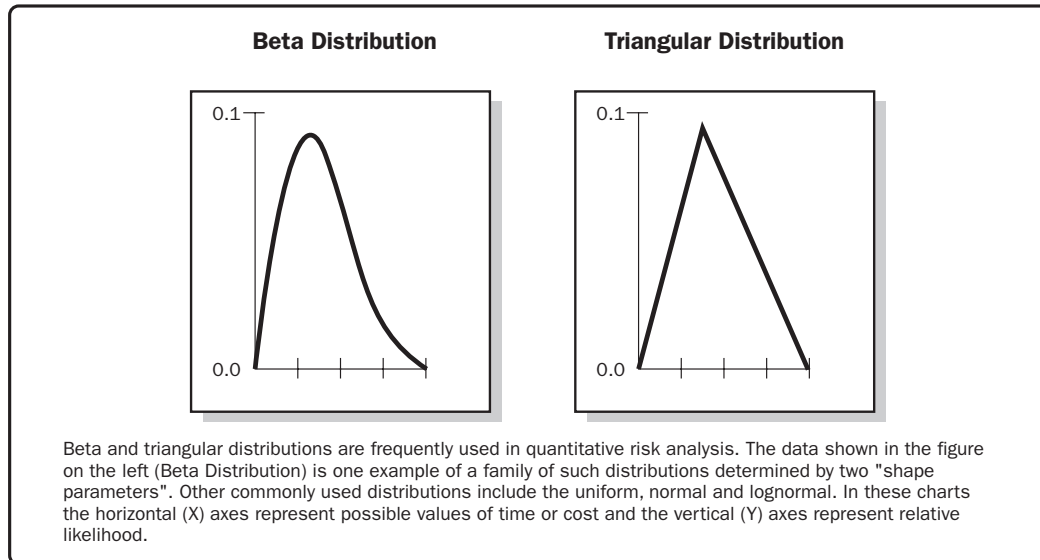
## 11.1.3 Plan Risk Management: Outputs

### 11.1.3.1 Risk Management Plan

The risk management plan is a component of the project management plan and describes how risk management activities will be structured and performed. The risk management plan includes the following:

- **Methodology.** Defines the approaches, tools, and data sources that will be used to perform risk management on the project.
- **Roles and responsibilities.** Defines the lead, support, and risk management team members for each type of activity in the risk management plan, and clarifies their responsibilities.
- **Budgeting.** Estimates funds needed, based on assigned resources, for inclusion in the cost baseline and establishes protocols for application of contingency and management reserves.
- **Timing.** Defines when and how often the risk management processes will be performed throughout the project life cycle, establishes protocols for application of schedule contingency reserves, and establishes risk management activities for inclusion in the project schedule.

- Risk categories.** Provide a means for grouping potential causes of risk. Several approaches can be used, for example, a structure based on project objectives by category. A risk breakdown structure (RBS) helps the project team to look at many sources from which project risk may arise in a risk identification exercise. Different RBS structures will be appropriate for different types of projects. An organization can use a previously prepared custom categorization framework, which may take the form of a simple list of categories or may be structured into an RBS. The RBS is a hierarchical representation of risks according to their risk categories. An example is shown in Figure 11-4.



**Figure 11-4. Example of a Risk Breakdown Structure (RBS)**

- Definitions of risk probability and impact.** The quality and credibility of the risk analysis requires that different levels of risk probability and impact be defined that are specific to the project context. General definitions of probability levels and impact levels are tailored to the individual project during the Plan Risk Management process for use in subsequent processes. Table 11-1 is an example of definitions of negative impacts that could be used in evaluating risk impacts related to four project objectives. (Similar tables may be established with a positive impact perspective). Table 11-1 illustrates both relative and numerical (in this case, nonlinear) approaches.

**Table 11-1. Definition of Impact Scales for Four Project Objectives**

Defined Conditions for Impact Scales of a Risk on Major Project Objectives (Examples are shown for negative impacts only)					
Project Objective	Relative or numerical scales are shown				
	Very low /0.05	Low /0.10	Moderate /0.20	High /0.40	Very high /0.80
<b>Cost</b>	Insignificant cost increase	< 10% cost increase	10 – 20% cost increase	20 – 40% cost increase	> 40% cost increase
<b>Time</b>	Insignificant time increase	< 5% time increase	5 – 10% time increase	10 – 20% time increase	> 20% time increase
<b>Scope</b>	Scope decrease barely noticeable	Minor areas of scope affected	Major areas of scope affected	Scope reduction unacceptable to sponsor	Project end item is effectively useless
<b>Quality</b>	Quality degradation barely noticeable	Only very demanding applications are affected	Quality reduction requires sponsor approval	Quality reduction unacceptable to sponsor	Project end item is effectively useless
This table presents examples of risk impact definitions for four different project objectives. They should be tailored in the Risk Management Planning process to the individual project and to the organization's risk thresholds. Impact definitions can be developed for opportunities in a similar way.					

- **Probability and impact matrix.** A probability and impact matrix is a grid for mapping the probability of each risk occurrence and its impact on project objectives if that risk occurs. Risks are prioritized according to their potential implications for having an effect on the project's objectives. A typical approach to prioritizing risks is to use a look-up table or a probability and impact matrix. The specific combinations of probability and impact that lead to a risk being rated as "high," "moderate," or "low" importance are usually set by the organization.
- **Revised stakeholders' tolerances.** Stakeholders' tolerances, as they apply to the specific project, may be revised in the Plan Risk Management process.
- **Reporting formats.** Reporting formats define how the outcomes of the risk management process will be documented, analyzed, and communicated. It describes the content and format of the risk register as well as any other risk reports required.
- **Tracking.** Tracking documents how risk activities will be recorded for the benefit of the current project and how risk management processes will be audited.