

Module 6 MGMT 6062

Plan Risk & Opportunity Responses

Risk Response strategies

Mitigate

- Reduce probability (or frequency) of event occurrence
- Reduce size of negative outcome

Avoid

- Change planned actions to eliminate a risk entirely
- Do not start any 'risky' activity either

Transfer

- Transfer the risk to another party (e.g. pay insurance)
 - Does not reduce or eliminate cause of risk, unless action is taken
 - PMBOK's 'escalating' strategy is merely a form of 'transferring'
 - Transferred risks may be outside project's scope to resolve, but must still be monitored to the extent they affect the project

Accept

- Make a conscious decision to accept the risk
 - When bad things happen, we will deal with them at the time

Required focus

- Assume problems will happen; avoid unnecessary risks
 - Reduce overall risk, to the extent it delivers benefits
 - Review and update risks as part of normal project reporting

Risk Response Plans

Trigger

- Something which indicates that a negative event or outcome is about to occur or has already occurred
 - Risk mitigation, avoidance and transfer plans may have failed
 - The Contingency Plan or Plan B must be implemented.

Contingency Plan

- Planned actions to take, when the negative event or outcome is already happening ... Good advance planning helps us know what to do & not panic!
 - Actions usually entail reducing the size & scope of negative outcome, to the extent possible

Plan B

- Planned actions to take, if the contingency plan fails
 - Longer-term plans & strategies can wait, we will address those on a later day
 - Focus is on solving immediate problems, helping those who may be hurt, and attempting to reduce any further catastrophe

Risk Response Plan Assessment

Risk Response Plan, Contingency Plan, Risk Plan B

Assess Feasibility of Plans

- To what extent are the plans Feasible, considering
 - Property, plant and equipment:
 - People: required skills by role, number of people & availability
 - Integration with existing project and physical environment
- How well will the Plans resolve the Risks?

Confirm Cost and Time

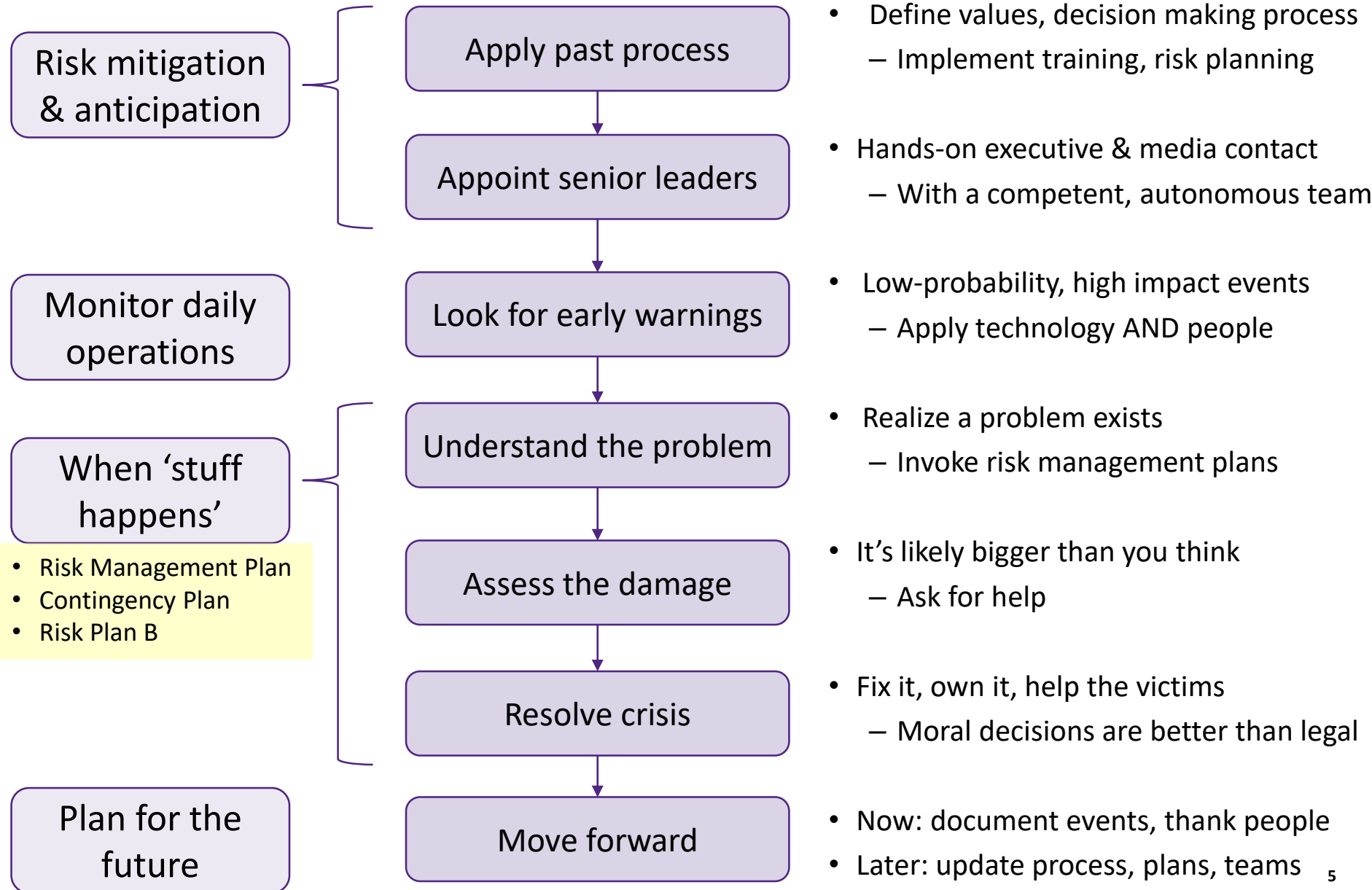
- Include money & time to implement AND MAINTAIN plans
 - Money: costs and funding, including for any 'standby' resources
 - Schedule: to implement plan & continue resource availability

Verify Benefits

- Qualitative
 - Physical and structural
 - Social
 - Environmental, including climate change mitigation
- Quantitative
 - Financial: operating, investing, financing cash flows
 - Economic: potential savings

Crisis management: a seven-step framework

As applied in Project Recovery, MGMT 6060



Opportunity Management strategies

Related to Risk Management strategies, but different

Enhance

- Take action to increase the probability of a (positive) event occurring, and to increase the resulting positive benefits

Exploit

- Eliminate the uncertainty associated with a (positive) event's outcome, to ensure that it definitely happens

Share

- Allocate some or all of the ownership of a positive outcome, to another party who is better able to realize it

Accept

- Be willing to take advantage of a positive situation if it occurs, but not take any explicit action to pursue it

Required Focus

- Opportunities may bring new risks; must evaluate the trade-offs

Opportunity Response Plans

Benefits Realization Plan

- The Project Business Case should have a Benefits Realization Plan.
 - Benefits tend to be realized AFTER the project has completed
 - This Plan explains how the benefits will be delivered & by whom

Trigger

- Something which indicates that a positive event or outcome is about to occur or has already occurred
 - It may or may not have been anticipated in the Project Benefits Realization Plan

Opportunity Realization Plan

- If additional opportunities that were not part of the original Project Business Case are identified, we can elaborate on the original Benefits Realization Plan

Opportunity Plan B

- In case the elaborated Benefits Realization Plan proves insufficient to realize new opportunities as they arise, consider creating an Opportunity Plan B

Opportunity Response Plan Assessment

Benefits Realization Plan, Opportunity Plan B

Assess Feasibility of Plans

- To what extent are the plans Feasible, considering
 - Property, plant and equipment:
 - People: required skills by role, number of people & availability
 - Integration with existing project and physical environment
- How well will the Plans realize the Benefits from Opportunities?

Confirm Cost and Time

- Include money & time to implement AND MAINTAIN plans
 - Money: costs and funding, including for any 'standby' resources
 - Schedule: to implement plan & continue resource availability

Verify Benefits

- Qualitative
 - Physical and structural
 - Social
 - Environmental, including climate change mitigation
- Quantitative
 - Financial: operating, investing, financing cash flows
 - Economic: potential savings

Recommendation and Action Plan

Refine the Plans

- Refine the Risk Response and Opportunity Response Plans
 - How good are our estimates of feasibility, cost and benefits?
 - Expert insight, experience & judgement is helpful

Consider tradeoffs

- Prioritize the various solutions; create rank-order list
 - Acceptance: how we might feel about this; subjective
 - Tolerance: ability to withstand any negative outcome; objective

Document the solutions

- Write the business case for the Risk & Opportunity Plans
 - Show the cash flows, including **Financial** and **Economic**
 - Explain why particular solutions are recommended
 - **Project Resources: people, time, money, equipment, supplies**

Action Plan

- Ask for approval; appeal to emotions. Give decision-makers choices.
 - Propose recommended solution, plus at least one alternative
 - Benefits and consequences of each potential solution
- Update plans as part of scheduled budgeting & reporting activities
 - Project Management Plan; WBS; Schedule; RA Matrix

End Module 6