WHAT IS A RISK?
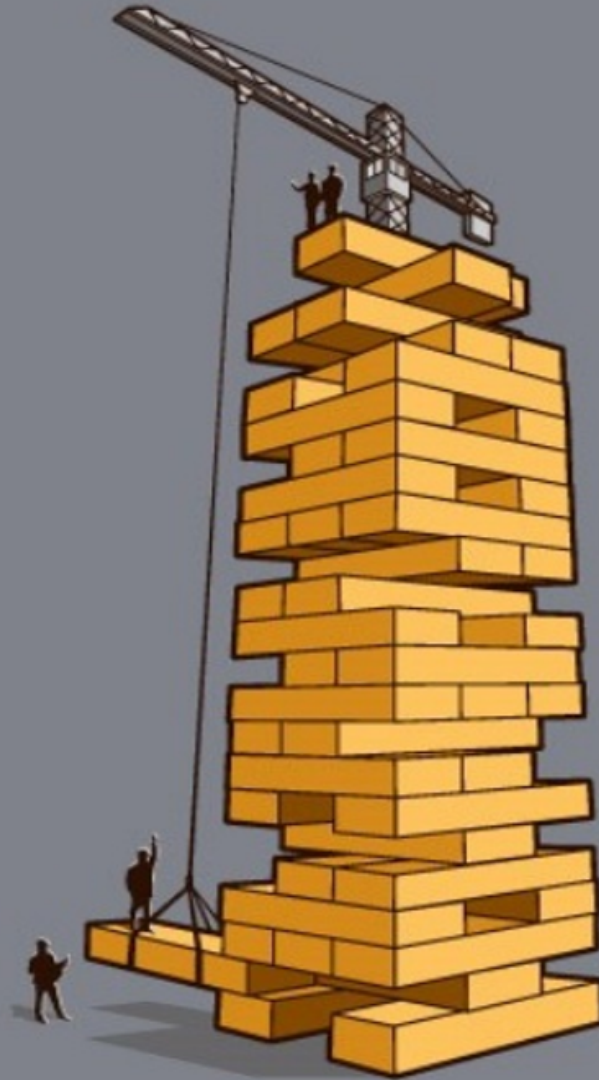
WHAT IS A RISK?

Risk is "effect of *uncertainty* on *objectives*."

*(ISO 31000:2009, "Risk Management- Principles and Guidelines")*

It is measured in terms of the *consequences* of a risk event and the *likelihood* of its occurrence.

It is defined as the *chance* of something happening that planning can not overcome or control on Project and will have an impact upon objectives.

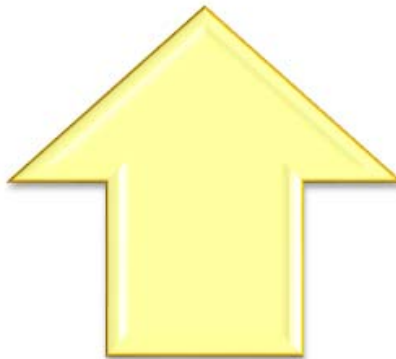*The consequences of a risk event may be positive (opportunity) or negative (threat).*

WHAT IS A RISK?
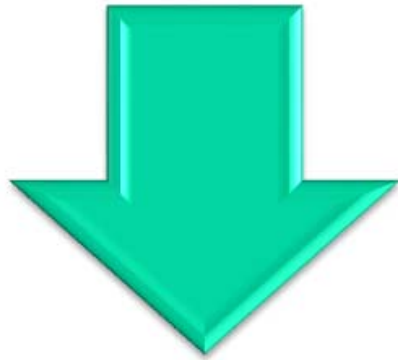
Risk always involves **probability** that an undesired event will occur

Risk should consider the **impact** of the event should it occur

Risks

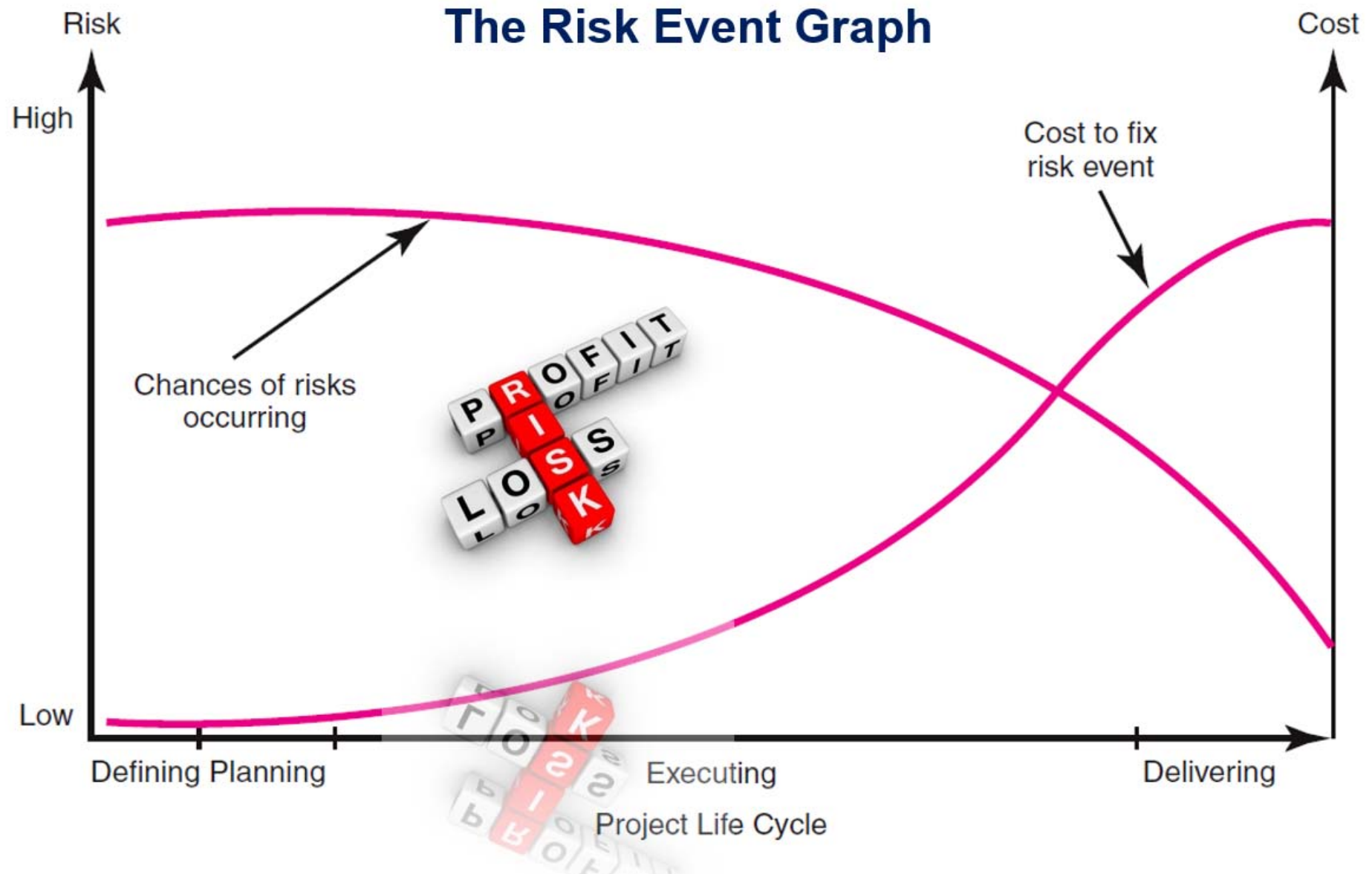**= Probability x Impact**

WHAT IS A RISK?

The Risk Event Graph

- Risk (vertical axis): High, Low
- Cost (vertical axis, right)
- Chances of risks occurring
- Cost to fix risk event
- Project Life Cycle: Defining Planning, Executing, Delivering

WHAT IS RISK MANAGEMENT?

Risk Management

A proactive attempt to recognize and manage internal events and external threats that affect the likelihood of a project's success.

- What can go wrong (risk event)?

- How to minimize the risk event's impact (consequences)?

- What can be done before an event occurs (anticipation)?

- What to do when an event occurs (contingency plans)?

RISK HAPPENS SLOWLY AT FIRST, THEN ALL AT ONCE...

RISK MANAGEMENT'S BENAFIT

- A proactive rather than reactive approach;

- Alignment of the Project Team;

- Better understanding of the project's drivers and agendas;

- Development of a culture of mutual problem solving;

- Focus on the priority areas;

- A forum to flag potential issues before they happen;

- Reduces surprises and negative consequences;

- Identification of opportunities to enhance project success;

- Provides better control over the future;

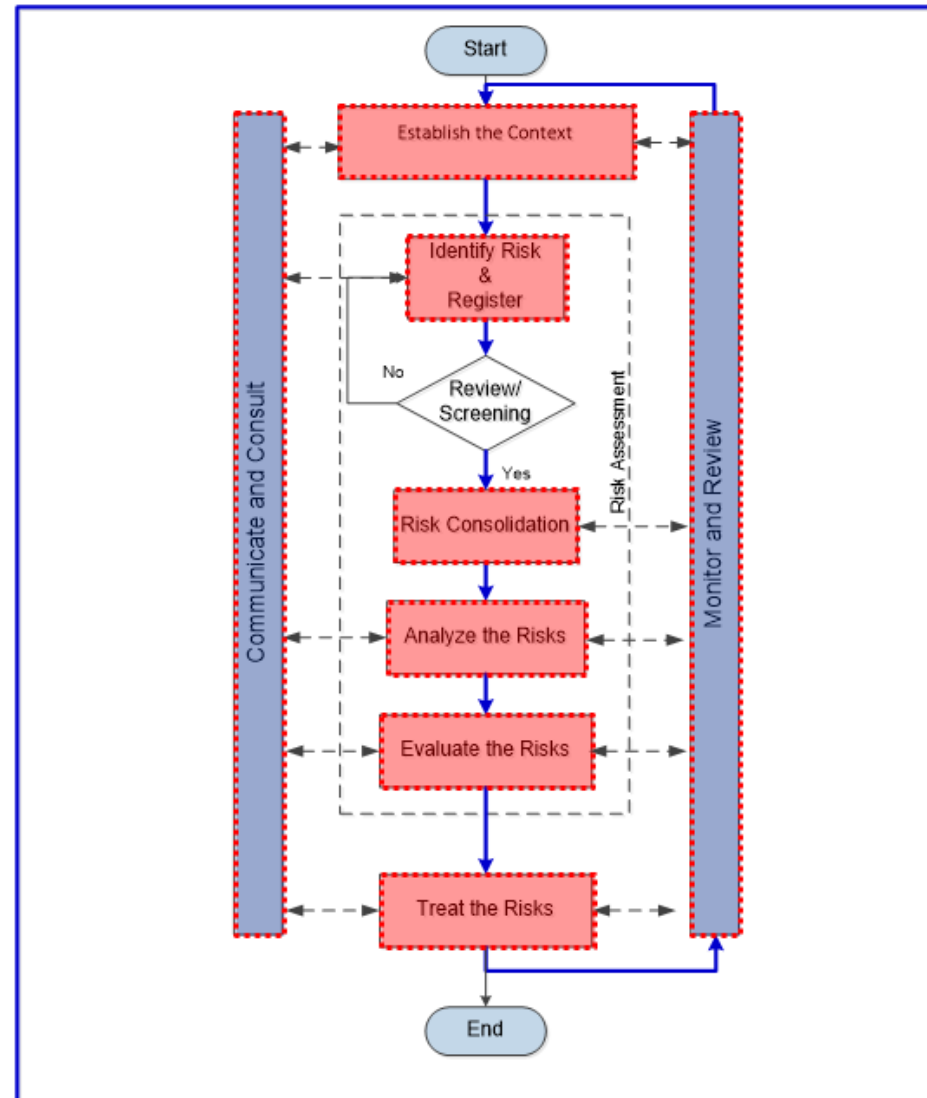- Improves chances of reaching project performance objectives within budget and on time.

RISK MANAGEMENT PROCESS

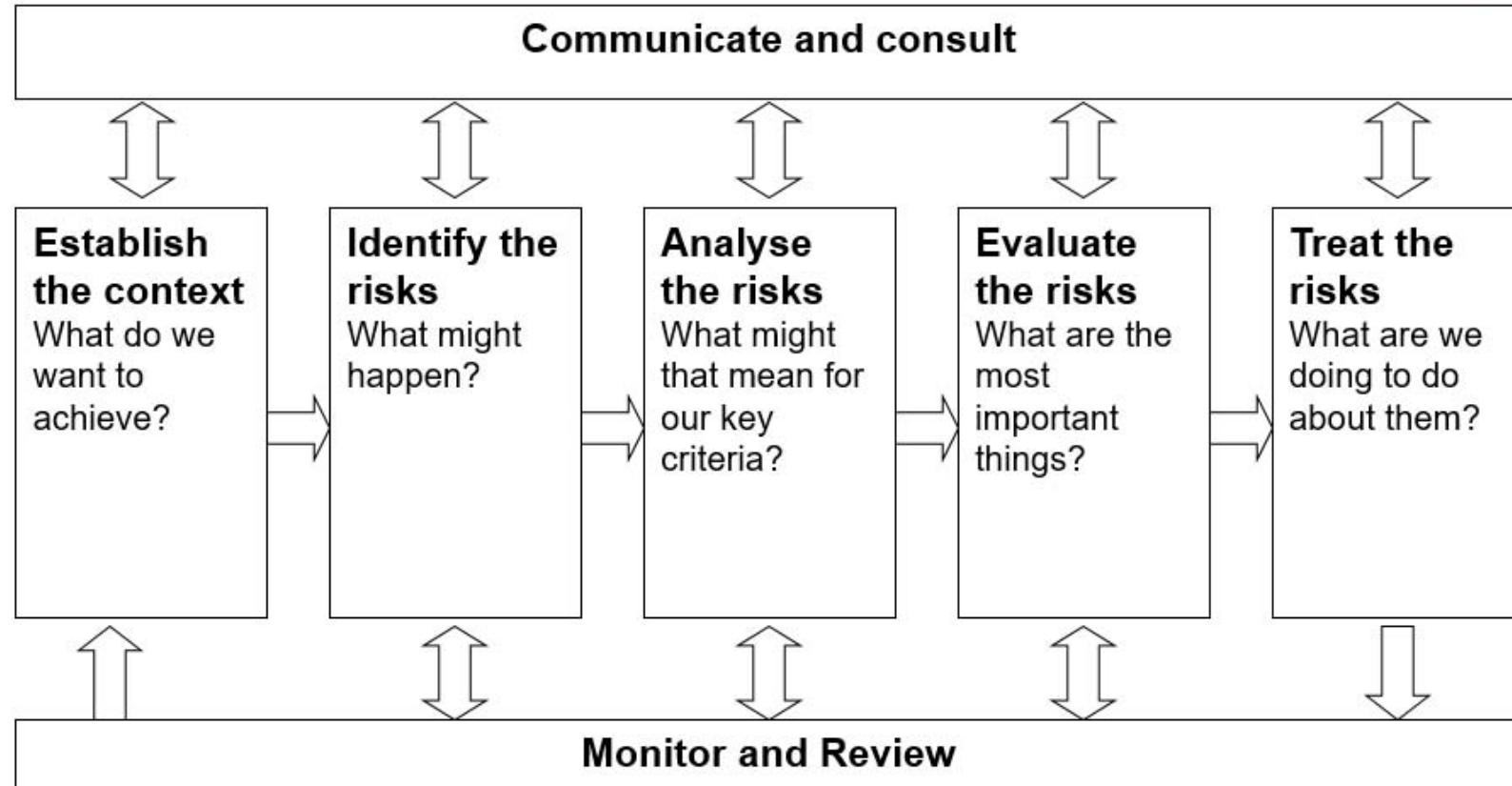The Project Risk Management process is based on the International Standard
ISO 31000:2009,
"Risk Management- Principles and guidelines"

- ❖ Establish the Context
- ❖ Identify Risks
- ❖ Analyse Risks
- ❖ Evaluate Risks
- ❖ Treat Risks
- ❖ Monitor and Review
- ❖ Communicate and Consult

RISK MANAGEMENT PROCESS

Who should be involved?

Communicate and consult

Establish the context	**Identify the risks**	**Analyse the risks**	**Evaluate the risks**	**Treat the risks**
What do we want to achieve?	What might happen?	What might that mean for our key criteria?	What are the most important things?	What are we doing to do about them?

Monitor and Review

How do we keep them under control?

AS/NZS 4360, ISO 31000:2009 "Risk Management- Principles and Guidelines"