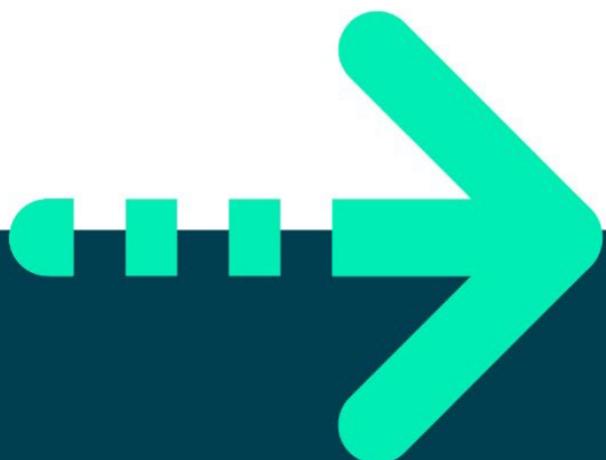




Management of Risk

Edition 4

Scenario and Exercises





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Scenario

Scenario 3 WorldView: an example of risk management in a global charity

WorldView is a charity that partners with local communities in 20 of the world's poorest countries to tackle poverty and injustice through sustainable development. Over the last year it has decided to make its middle- and back-office operations completely virtual. It has sold its headquarters building and all staff now work from home. Their job is to support the frontline staff by raising funds and organizing campaigns, to ensure that they have resources where and when they need them. Office staff also safeguard the frontline workers who put themselves at significant personal risk in carrying out some of their humanitarian work.



This change to the operating model was managed as a programme. Although it is still 'live', there is still some way to go before WorldView stabilizes its ongoing operations, with all the new change capabilities embedded and realizing benefit. It is currently working with a larger staff base than will be needed when it is fully transitioned. Of course, it can be difficult to keep staff motivated when some of them know their roles will disappear soon, and the WorldView management team is aware of this. It is also just learning of some of the downsides of having a widely dispersed team, so it has recently started a new project to establish new ways to build and sustain relationships across the team as it goes forward.

WorldView's frontline operations are managed as projects, as are its large funding campaigns. This results in a change portfolio that is a complex mix of ongoing projects and programmes, some of them delivering core business, and others focused on improving it. Balancing risk and reward across the different areas of work can be challenging, and governance is not WorldView's greatest corporate strength. However, it is committed to meeting all the requirements of the new governance code for the charity sector. Thinking about how to manage risk to both create and protect value is a new concept for WorldView, but it is working on this and starting to get some good results.



Suggested Project objective

All middle-office and back-office operations (150 staff) to work from home (Objective = £200k budget; 26 weeks).

Suggested calibration scales

Probability	% average
Very high	0.80 (80%)
High	0.60 (60%)
Medium	0.40 (40%)
Low	0.20 (20%)
Very low	0.05 (5%)

Impact	Cost average
Very high	£15k+ (20k)
High	£7 - 15k (11k)
Medium	£3 – 7k (5k)
Low	£1 – 3k (2k)
Very low	£0 – 1k (0.5k)

Impact	Time average
Very high	5 wks + (10 wks)
High	2 – 4 wks (3 wks)
Medium	1 – 2 wks (1.5wks)
Low	4 – 7 days (5 days)
Very low	1 – 3 days (2 days)

Proximity	Decision
Event or time driven	Time driven in the form of a specific date



Velocity	Descriptor	Definition
5	Very high	Immediately
4	High	Few days to few months
3	Medium	Few months
2	Low	Many months
1	Very low	1 year plus

Suggested risk tolerance

Any individual risk with a rating value of 0.18 (see slide) must be escalated immediately.



Exercise 1 – Key terms

- 1.1** Risk versus issue
- 1.2** Benefits of risk management
- 1.3** What is corporate governance and Environmental Risk Management (ERM)



Exercise 2 – Purpose of each principle

Please match up the principle to the correct summary statement. Each answer can be used only once.

Aligns with objectives	Creates and protects value / tracks performance
Fits the context	Choices based on (un)known information
Engages stakeholders	Capture and share learning across perspectives
Provides clear guidance	Leadership is flexible and adjusts to environment
Informs decision-making	Clarity of risk appetite/risk tolerance per target
Facilitates continual improvement	Discuss perception of risk without fear
Creates a supportive culture	Provides clarity on how to tailor risk, RM policy
Achieves measurable value	Ensures risk identification is thorough from anyone with an interest/affected by the outcome



Exercise 3 – Purpose of each perspective

Please match up the principle to the correct summary statement. Each answer can be used only once.

Operational

Temporary organization that looks to create one or more products according to a business case

Portfolio

A number of related projects that deliver enhanced capability and to achieve benefits

Product

Focus is to lead the organization

Strategic

Organized around self-managing teams to develop, launch, and replace/retire products or services

Programme

Routine to run and manage an activity, product, or service

Project

A segment/grouping of change to deliver strategic objectives



Exercise 4 – Engages with stakeholders

4.1 What is a stakeholder?

4.2 Why is it important to engage?

4.3 How do you engage and typically when in the lifecycle?

Exercise 5 – People

5.1 Building individual competence

- What are the four building blocks?
- Why is it important?
- How does this work?

5.2 Shaping a supportive culture

- What are the four main aspects of risk culture?
- Why is it important?



Exercise 6 – Identify context and objectives

6.1 Engage stakeholders

- Identify any three stakeholders
- Position each one on the model supplied
- For each stakeholder create a stakeholder engagement plan

6.2 PESTLE analysis

- Consider all six categories

6.3 Benefits mapping

- Identify outputs, outcomes, and benefits and map to organizational objectives



Exercise 7 – Identify threats and opportunities

- Identify any three risks in the format provided
- One risk must be an opportunity



Exercise 8 – Prioritize risk

For one risk already identified:

- Using the scales provided assess likelihood and impact
- Calculate expected value
- Assess proximity
- Assess velocity



Exercise 9 – Plan responses

For one risk already identified:

- Consider risk responses and recommend one
- Identify any secondary risks
- Re-calculate expected value based on success of risk response



Exercise 10 – Capability Maturity Model (CMM)

Please match up the CMM level to the correct summary statement. Each answer can be used only once.

Level 1 - Initial

Achieves measurable value
Process measures in place, but not performance

Level 2 - Repeatable

Aligns with objectives
Risk management influences objective setting

Level 3 - Defined

Creates a supportive culture
Senior leaders actively champion risk

Level 4 - Managed

Fits the context
Thoroughly examined for threats and opportunities

Level 5 - Optimizing

Facilitates continual improvement
No risk management training



Exercise 11 – Functional vs product operating models

Consider all of the following:

- Principles
- Six perspectives
- People considerations
- Process cycle



Exercise 12 – Principles in real life

- Primary outcome
- Key points
- How we achieve principle
- Biggest challenge to achieve



Exercise 13 – Principles application

Please match up the principles to the correct summary statement. Each answer can be used only once.

1. There is no feedback from situations where risks have turned into issues.

Which principle helps to resolve this?

2. Senior management team are taking on more risk than it should.

Which principle helps to resolve this?

3. The risk register is unstructured, varies from team to team. Unclear who raised risk.

Which principle helps to resolve this?

4. Ensuring that risks are kept up to date with the organizations changing environment.

Which principle helps to resolve this?



Exercise 14 – Integrated risk management

Please read through the rules below. Please also note these apply to the programme perspective (if it helps, you are the programme manager).

Rule	Definition
1	Project risks remain within the project until the agreed risk tolerance is predicted to be exceeded. It is escalated to the programme.
2	Risks impacting more than one project are escalated to the programme.
3	Risks for other parts of the organization outside of this programme should be transferred.
4	Risks impacting either strategic or programme objectives should be managed at the perspective impacted.

Questions to consider

Question	
1	A project risk contributes to a total project risk exposure of £27k. The agreed total project risk tolerance is £27k.
2	The chief executive identified a risk which is an opportunity for an operational area.
3	A project risk which exceeds the risk tolerance of the project.
4	A project risk that may cause a significant problem with the achievement of one of the programmes objectives.
5	A programme risk. If it materializes, the programme will fail to deliver the strategic objectives of a 10% saving.
6	A risk appears to be affecting only the resources of one project.



Answers to consider

Answer	
A	Delegate from strategic perspective to programme.
B	Escalate to strategic perspective.
C	Delegate to project.
D	Retain within the programme.
E	Transfer.



Exercise 15 – Application of improving strategic control

Please match up the summary statement to the correct control. Each answer can be used only once.

1. Communicate to all airline staff to remind them of their responsibility to have clear aisles on take-off as stipulated by company policy.

Internal control environment

2. Execute an event to understand why there were two stowaways on board the aeroplane.

Risk policy and process

3. Multiple risk registers are needed for the airline - guidance on how to adapt this is needed.

Scenario planning

4. Implement changes to the check-in desks to ensure supervisor authorization is given before opening it up.

Compliance



Exercise 16 – Application of typical PROJECT roles

Please match up the summary statement to the correct role. Each answer can be used only once.

1. Rod will be appointed to deliver risk awareness sessions and how to interpret risk trends.

Project executive

2. Jay will ensure that team members understand how to apply risk in their work packages.

Project office lead

3. Freddy will maintain the project risk register and produce monthly progress reports.

Agile coach or team manager

4. Rachael will approve the project objectives and be responsible for overall project success.

Risk specialist



Exercise 17 – Perspective

- Purpose
- Key points
- Typical role and summary of what they do
- Related codes and practices



Exercise 18 – Decision bias

- What can happen?
- What can we do to address this?



Exercise 19 – Techniques to identify threats and opportunities

Technique name	What is it? Provide an example	What are the benefits of using this technique?
Individual idea generation		
Group idea generation		
Prompt lists		
Checklists		
Assumption's analysis		
Constraint's analysis		
Johari window		
Pre-mortem analysis		
Failure mode effect analysis		



Exercise 20 – Application of risk responses

Please match up the summary statement to the correct risk response. Each answer can be used only once.

1. Request weekly performance trend reports from the Fintast managers.

Share the risk

2. Enter into an agreement that contains benefits and penalties with a specialist supplier.

Prepare a contingent plan

3. Incentivize the product teams to reduce poor performance.

Enhance an opportunity

4. Draft a press release should the offices have to close.

Reduce a threat

5. Use a local celebrity to host a product launch.

Accept the risk



Exercise 21 – Agree contingency

21.1 Sizing time contingency

- Calculate and recommend based on risk data provided
- How does this technique help and hinder?

In our operational area, we have 5 risks:

- Risk threat 1 has a 50% probability chance of it occurring and if it does occur the cost impact is £10,000
- Risk threat 2 has a 10% probability chance of it occurring and if it does occur the cost impact is £20,000
- Risk threat 3 has a 20% probability chance of it occurring and if it does occur the cost impact is £100,000
- Risk opportunity 4 has a 50% probability chance of it occurring and if it does occur the cost impact is £20,000
- Risk threat 5 has a 70% probability chance of it occurring and if it does occur the cost impact is £30,000

Risk ID	Average % probability (P)	Average impact £ (I)	Expected value (P x I)
1			
2			
3			
4			
5			
Total			



21.2 Sizing time contingency

- Create a gantt chart and recommend based on risk data provided
- How does this technique help and hinder?

Our next project is to build a model of the 'Titanic' in Lego. We will focus on the 'hull' of the ship only, which is currently NOT on the critical PATH. There are three work packages needed to be performed on a finish-start relationship. These are:

- Work package 1 will focus on the design of the hull and the estimated duration is 4 days
- Work package 2 will focus on the build of the hull and the estimated duration is 5 days
- Work package 3 will focus on the test of the hull and the estimated duration is 2 days

Risk has been raised against work package 1 and 2. The time impact is below:

- Work package 1 = 2 days late delay
- Work package 2 = 3 days late delay

21.3 Create a business continuity plan

- Based on fuel shortage out in the field
- Source: Appendix A Document template



Exercise 22 – Extract from the Strategic risk register

Please review all entries. There might be errors and some of the statements may not be shown under the correct heading or even in the correct document.

Risk unique identifier	AO12
Risk description	Cause: The local government tax department has brought in external project and programme expertise Event: The fragmented culture and low staff morale may be further affected by staff not being offered a chance to demonstrate their project management skills Effect: The corporate programme fails to deliver its 'improving staff morale' objective
Assessment of Likelihood	High
Assessment of impact	The fragmented culture and low staff morale will continue to affect all aspects of its operations
Assessment of proximity	Medium
Risk response option	Transfer
Risk response action	Introduce a professional development programme for potential project managers within the local government
Secondary risk	Cause: Internal staff being qualified in project management Event: Trained staff will be able to replace contract staff Effect: Further contribution to the strategic financial objective of a 10% cost saving on expenditure
Risk owner	Head of People Team
Risk action owner	Head of People Team



True or false?

1. The cause and event in the risk description will result in the stated effect.	
2. The stated impact for the risk is an appropriate entry for the risk register.	
3. The stated proximity for the risk is an appropriate entry for the risk register.	
4. The risk response option matches the risk response action.	
5. The risk response action would create in principle, the identified secondary risk.	
6. The secondary risk is correctly worded.	
7. The risk owner and risk action owner can't be the same role.	



Exercise 23 – Process vs potential decision bias

For all eight processes:

- Describe the purpose
- Identify how decision bias could manifest itself within the process



Exercise 24 – Key documents

All teams to describe the purpose and main content of the following four key documents:

- Strategic risk management policy
- Strategic risk management process guide
- Perspective-level risk approach
- Any other document found in Appendix A

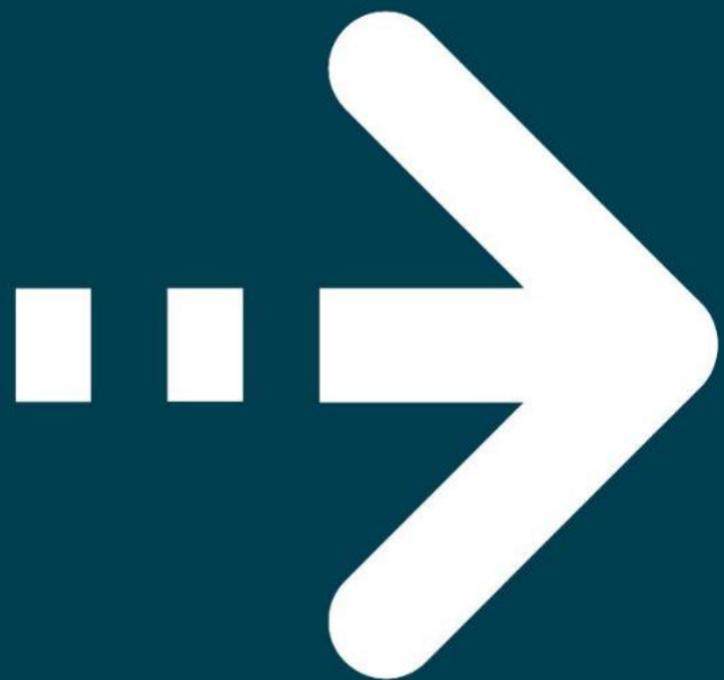


Exercise 25 – Overcoming common challenges in risk management

For each challenge, state how you could address it in real life.

Challenge	Descriptor	How you could address it in 'real life'
1	Disengaged stakeholders (tick the box)	
2	Disbelief (can't happen)	
3	Desire for positive 'can do' attitude	
4	Different approaches (confusion)	
5	Discussion	
6	Downside thinking (opportunity lost)	
7	Data not used	
8	Disconnection (decision making)	
9	Delegation of actions (not done)	
10	Disinterest (only plan A)	
11	Dysfunctional reporting (can provide a false picture)	
12	Denial that things can't be improved	

End of exercises



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