Risk Management Plan Template

Project Name:

The purpose of this document is to understand the approach used to manage risk and to facilitate communications between all project stakeholders involved in the risk management process.

The risk management plan will provide an approach or methodology for managing risk. The following activities will be performed to manage risks:

- Risk Identification
- Risk Evaluation and Analysis
- Risk Documentation
- Risk Control and Management
- Risk Reporting

Roles and Responsibilities

This section explains the people (or departments) involved in the risk management process.
List all risk-related activities for your project. Common risk activities are included.
For each activity, determine who performs, reviews, owns, and approves a given activity.

The table below should be modified to accommodate the level of detail required for your project.
For instance, you could have several risk identification entries specified by business area, business process, or departments.

Risk Activity	Performed by	Reviewers	Owners (Responsible)	Approvers
Risk Identification				
Risk Evaluation and Analysis				
Risk Responses				
Risk Budget				
Risk Control and Management				
Risk Reporting				

Risk Identification

Risk identification is the first step in the risk management process. All project-related risks should be identified and recorded. The following techniques will be used to identify risks on this project (keep all relevant items):

Risk workshops with various project stakeholders	Interview with senior leaders	Review of historical project risk registers
Internet research for risks in similar projects	Discussions with senior project managers	Discussions with vendors
List additional activities as required		

Risk categorization will also be performed to group risks together. This enables the stakeholders to see where risks reside for this project. It also helps stakeholders think of risks in that category. Common categories include (modify as appropriate):

Budget	Resources	Safety
Regulatory	Facilities	Equipment
Vendors	Schedule	Scope
Data Integrity and Security	Integration	

Once risks have been identified and categorized, they will be recorded in the risk register, even if it is later determined the risk will not be mitigated for this project.

The next step in the risk management process is to review and analyze the identified risks.

Risk Evaluation and Analysis

During the evaluation process, each risk will be evaluated based on:

1. Probability of the risk occurring
2. Impact on the project if the risk occurs

Below is a matrix that can be used to communicate the type of analysis to be performed based on the probability and impact of a given risk. This matrix should be modified based on your project and your organization's risk tolerance levels.

		Probability		
Impact		**Low**	**Medium**	**High**
	High	Monitor closely	Deep dive	Deep dive
	Medium	Monitor closely	Some mitigation	Some mitigation
	Low	Review regularly	Review regularly	Some mitigation

For each rating (high, medium, low), a definition should be created. Below is an example of possible definitions. Modify as required for your project.

- Low probability has a 25% or less probability of occurring
- Medium probability is 25–75%
- High probability is 75% or greater
- Low impact has a minimal impact
- Medium impact has moderate impact
- High impact has a substantial impact

Any assumptions made during the evaluation process should be recorded.

Once the probability and impact for a given risk is agreed, the risk response (mitigation approach) can be created.

The risk appetite is the degree of uncertainty that is acceptable. For organizations with a low risk appetite, the matrix above would likely rate a risk with high probability and medium impact as "deep dive" (instead of some mitigation).

Risks that are classified as "deep dive" will require a detailed analysis to identify and evaluate several risk mitigation approaches to reduce the risk level.

For risks evaluated as "some mitigation," a meeting will be held to discuss the mitigation activities to lower the risk. There should not be a lengthy analysis as the risk level does not warrant the effort required for a deep dive.

For risks evaluated as "monitor closely," the project manager (or the risk owner) will review those risks two times a month to determine if the probability and/or impact is changing.

For risk evaluated as "review regularly," the project manager (or the risk owner) will review monthly to determine if the probability and/or impact is changing.

Risk Responses

For risks (threats) that will be mitigated, there are four risk response strategies available to address the risk threat:

1. Avoid: The project team acts to eliminate the risk threat or protect the project from its impact. Scope may need to be reduced or an approach changed to avoid the threat.
2. Escalate: The risk is outside of the project's sphere of influence and shifts the ownership of a risk to a higher level within the organization where it is more effectively managed.
3. Transfer: Shift the impact of a threat to a third party, along with ownership of the response: for example, leveraging a vendor or purchasing insurance.
4. Mitigate: The project team performs risk mitigation activities to decrease the probability of a risk threat occurring or reduce the impact if it does occur.

For opportunities that will be enhanced, there are four risk response strategies available to address the risk opportunity:

1. Exploit: A change to the solution approach means scope will be enhanced, and the alternate solution assures a more positive outcome.
2. Escalate: The risk is outside of the project's sphere of influence and shifts the ownership of a risk opportunity to a higher level within the organization where it is more effectively managed.
3. Share: Shift the opportunity to a third party, along with ownership of the response; for example, leveraging a vendor.
4. Enhance: The project team performs risk mitigation activities to increase the probability of a risk opportunity occurring.

Once the risk evaluation and analysis are performed, you should have the complete list of risk response activities to be performed for risks that require mitigation.

Risk Documentation

The documentation used to record and manage risks can vary based on tools available within an organization. Assuming you do not have tools available, the minimum documentation to manage risk will include:

1. Risk management plan
2. Risk register to record each risk, including risk response activities
3. Detailed risk record for high risks, including historical information
4. Project risk summary for reporting purposes
5. Risk glossary

Risk Control and Management

Risk control and management is the process by which risks are monitored. As risk will change throughout the project, all risks will need to be reevaluated periodically.

Any time a project change record is approved, there will be an evaluation to determine if new risks are being introduced or existing risks impacted.

A formal risk review will be performed quarterly (or a different time frame, based on the project) with key project stakeholders to review all project risks.

High risks will be formally reviewed monthly (or a different time frame, based on the project) with senior management.

The risk register will be updated after each risk review. The risk review will include a broad set of stakeholders, similar to the risk identification workshop at the beginning of the project. In addition, new risks can be added to the risk register at any time based on changes to project scope, market movements, and business changes.

If a risk event does not come to fruition, the risk register should be updated noting that the risk is closed. The risk should remain in the register.

A risk register can also contain risk response residual values. If a risk was evaluated as high impact and medium probability *before* risk mitigation activities, the risk register would also contain the anticipated impact and probability ratings after risk mitigation activities. This helps to demonstrate the value of risk response activities and ensures the mitigation activities are working as intended.

Risk Budget

A budget for risk mitigation will be established once the project risks have been identified and analyzed and the risk responses agreed.

The monies necessary to mitigate risk will be planned into the overall project budget. Each risk response activity should be quantified financially and funded for high- and medium-level risks. Once the funding is approved, the risk responses can be added to the project work breakdown structure and actioned accordingly.

Risk Reporting

The risk register will be updated and distributed monthly to project stakeholders by the project manager.

All high risks will be included in the project manager's biweekly status report (or a different time frame, based on the project) to senior management. This report will include the trending for each risk (that is, is it trending worse or better?).

Below is a matrix that can be used to summarize the risks on your project.

Project Risk Summary Matrix

		Probability		
		Low	**Medium**	**High**
Impact	**High**	4	3	2
	Medium	2	5	4
	Low	5	4	1

In this example, we have:

5	**High Risks**
4	**Medium-High Risks**
12	**Medium Risks**
9	**Low Risks**

You should change this matrix based on your risk tolerance. For example, a risk that has a high probability and medium impact, you may classify as a high risk.