

The background of the slide is a solid blue color. At the top, there are several wavy, horizontal lines in shades of blue and cyan, creating a layered, water-like effect. The lines are smooth and flow across the width of the slide.

Risk Management

Risk

- How many of you/your parents have taken Insurance?
 - Car/Two wheeler Insurance?
 - Life Insurance?
 - Household Theft Insurance?
 - Earthquake insurance for property? #
- Why or Why not?
- Have you considered both Probability and Impact of event ##

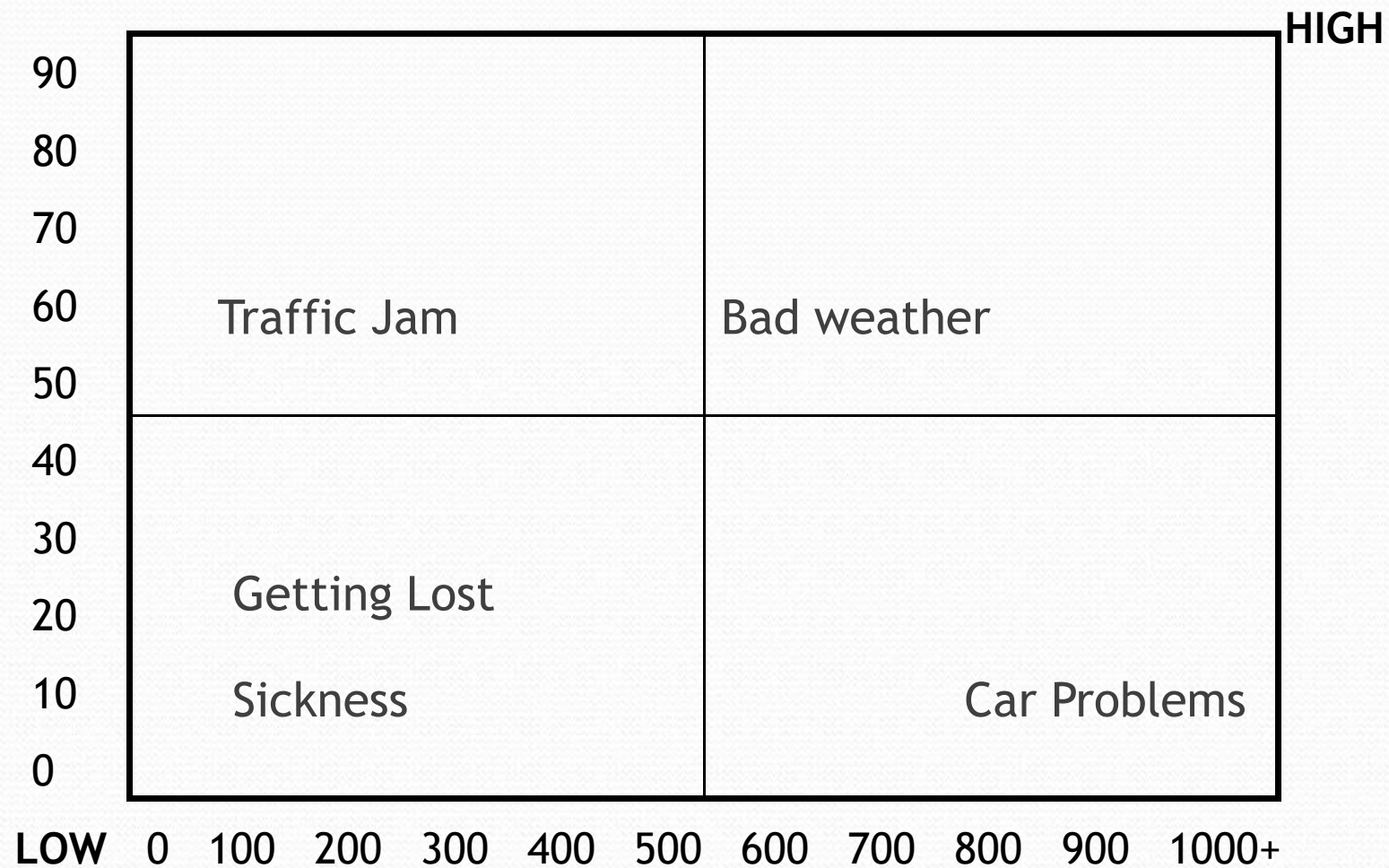
Risk Management - Exercise

- You, your spouse and two young children are planning a trip to Disney World in January from New York. From your research you learned that the distance by road is approx 1000 miles and if you drive continuously and average 50 mph you will complete the trip in less than two days. Since you have confirmed, non-refundable reservations for a hotel in Orlando, it is essential that make the trip in two days or less or you will forfeit \$200 per night as a “no-show”.
- How would you go about managing the risks in this trip?

Risk Identification

- Bad weather
- Car problems
- Major traffic jam
- Sickness
- Getting lost

Probability (Y-Axis) versus Impact (X-axis)



Risk Analysis

Risk Event	Probability	Impact	Prob X Impact	Remarks
Bad Weather	50%	\$600	300	Winter Storm on East Coast One day delay
Car problems	10%	\$2200	220	Delay of two days + cost or repair + cost of rental car
Traffic jam	60%	\$200	120	Late one day
Sickness	10%	\$200	20	Doctor + medicine + 1 day delay
Getting lost	30%	\$200	60	Late one day

Risk Response

- Bad weather
 - Drive only on well-traveled highways (plowed first)
 - Carry extra food
 - Obtain weather forecast & start earlier if required.
- Car problems
 - Get car checked by a reliable mechanic
 - Enroll in AAA or some auto club that provides roadside assistance
 - Carry emergency phone numbers and cell phones

Case – Risk Identification

- Go thru the case “Count your risks before they hatch”
 - Identify the risks individually

Risk Management

- Risk is an **uncertain** event having a positive or negative effect on project objectives
- Risk Identification
- Risk Analysis and Prioritization
- Risk Response – Strategy, Actions & Response Owners
- Residual and Secondary Risks
- Risk Monitoring and Control ##

Risk Identification

- Think like Murphy: Whatever can go wrong will go wrong!
- Identification Tools – Checklists, Interviews, Brainstorming, Doc Reviews
- Risk Categories - Technical, Resource, Constraints, Customer, Vendor
- Review Plans, Scope, WBS, Network Diagram for Risks
- Lack of clarity or ambiguity in scope may be a risk
- Any work package that is difficult or not understood is a risk
- Multiple critical paths or many paths converging is a risk
- Negative impact means Risk; Positive Impact means Opportunity ##

Risk Analysis and Prioritization

- We cant manage all risks – so need to prioritize
- Analyze the probability and potential impact
- High Probability & High Impact – must manage
- Low Probability & Low impact – just watch
- High Probability & Low impact?
- Low Probability & High Impact?

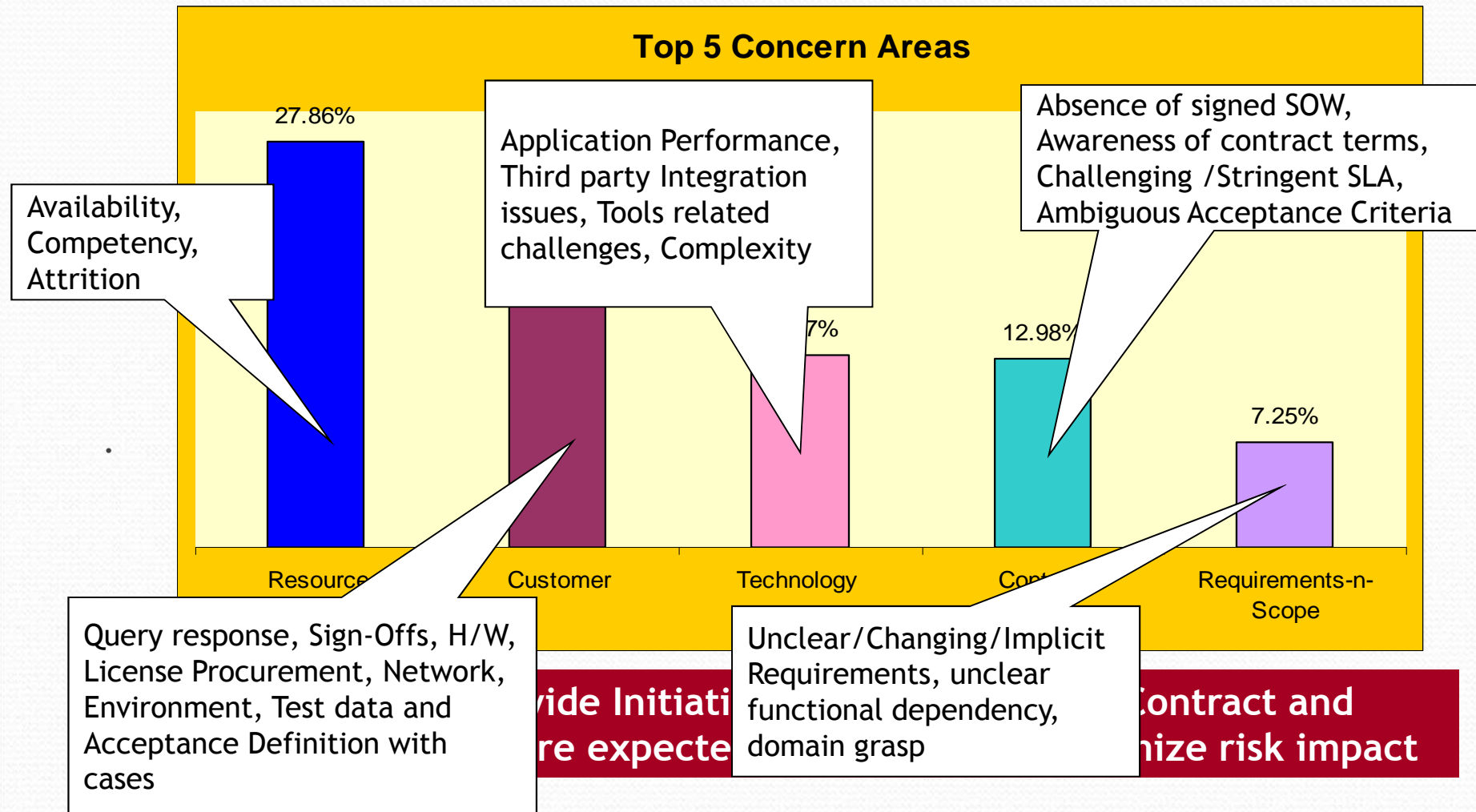
Risk Response

- Strategies: Acceptance; Mitigation; Transfer; Avoidance
 - Acceptance – impact is low or no options available
 - Mitigation – actions to reduce probability or impact
 - Transfer – pay premium to 3rd party for compensation
 - Avoidance – risk is too big; change the project plan
- Identify Response Owners – decide strategy and identify specific actions (risk response plan)

Risk Monitoring and control

- Decide frequency; watch for risk triggers;
- Execute risk response plans; evaluate effectiveness;
- Watch for changes in identified risks; Watch for new risks;

Top Concern areas



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