# Project risk and Procurement Management

## Project Risk management

### 1. What Is Risk Management on Projects?

Project risk management is the process of identifying, analyzing and responding to any risk that arises over the life cycle of a project to help the project remain on track and meet its goal. Risk management isn't reactive only; it should be part of the planning process to figure out the risk that might happen in the project and how to control that risk if it in fact occurs.

### 2. How to Manage Risk

To begin managing risk, it's crucial to start with a clear and precise definition of what your project has been tasked to deliver. In other words, write a very detailed project charter, with your project vision, objectives, scope and deliverables. This way risks can be identified at every stage of the project. Then you'll want to engage your team early in identifying any and all risks.

Don't be afraid to get more than just your team involved to identify and prioritize risks, too. Many project managers simply email their project team and ask to send them things they think might go wrong on the project. But to better plot project risk, you should get the entire project team, your client's representatives, and vendors into a room together and do a risk identification session. With every risk you define, you'll want to log it somewhere using a risk tracking template helps you prioritize the level of risk. Then, create a risk management plan to capture the negative and positive impacts of the project and what actions you will take to deal with them. You'll want to set up regular meetings to monitor risk while your project is ongoing. Transparency is critical.

### 3. What is Positive Risk?

Not all risk is created equally. Risk can be either positive or negative, though most people assume risks are inherently the latter. Where negative risk implies something unwanted that has the potential to irreparably damage a project, positive risks are opportunities that can affect the project in beneficial ways.

Negative risks are part of your risk management plan, just as positive risks should be, but the difference is in approach. You manage and account for known negative risks to neuter their impact, but positive risks can also be managed to take full advantage of them.

There are many examples of positive risks in projects: you could complete the project early; you could acquire more customers than you accounted for; you could imagine how a delay in shipping might open up a potential window for better marketing opportunities, etc. It's important to note, though, that these definitions are not etched in stone. Positive risk can quickly turn to negative risk and vice versa, so you must be sure to plan for all eventualities with your team.

## 4. Managing Risk throughout the Organization

Can your organization also improve by adopting risk management into its daily routine? Yes! Building a risk management protocol into your organization's culture by creating a consistent set of tools and templates, with training, can reduce overhead over time.

That way, each time you start a new project, it won't be like having to reinvent the wheel. Things such as your organization's records and history are an archive of knowledge that can help you learn from that experience when approaching risk in a new project. Also, by adopting the attitudes and values of your organization to become more aware of risk, your organization can develop a better sense of the nature of uncertainty as a core business issue. With improved governance comes better planning, strategy, policy, and decisions.

## 5. Six Steps in the Risk Management Process

So, how do you handle something as seemingly elusive as project risk management? You make a risk management plan. It's all about the process. Turn disadvantages into an advantage by following these six steps.

### Identify the Risk

You can't resolve a risk if you don't know what it is. There are many ways to identify risk. As you do go through this step, you'll want to collect the data in a risk register.

One way is brainstorming with your team, colleagues or stakeholders. Find the individuals with relevant experience and set up interviews so you can gather the information you'll need to both identify and resolve the risks. Think of the many things that can go wrong. Note them. Do the same with historical data on past projects. Now your list of potential risk has grown.

Make sure the risks are rooted in the cause of a problem. Basically, drill down to the root cause to see if the risk is one that will have the kind of impact on your project that needs identifying. When trying to minimize risk, it's good to trust your intuition. This can point you to unlikely scenarios that you just assume couldn't happen. Use a risk breakdown structure process to weed out risks from non-risks.

### Analyze the Risk

Analyzing risk is hard. There is never enough information you can gather. Of course, a lot of that data is complex, but most industries have best practices, which can help you with your risk analysis. You might be surprised to discover that your company already has a framework for this process. When you assess project risk you can ultimately and proactively address many impacts, such as avoiding potential litigation, addressing regulatory issues, complying with new legislation, reducing your exposure and minimizing impact.

### Prioritize the Risk

Not all risks are created equally. You need to evaluate the risk to know what resources you're going to assemble towards resolving it when and if it occurs. Having a large list of risks can be daunting. But you can manage this by simply categorizing risks as high, medium or low. Now there's a horizon line and you can see the risk in context. With this perspective, you can begin to plan for how and when you'll address these risks.

Some risks are going to require immediate attention. These are the risks that can derail your project. Failure isn't an option. Other risks are important, but perhaps do not threaten the success of your project. You can act accordingly. Then there are those risks that have little to no impact on the overall project's schedule and budget. Some of these low-priority risks might be important, but not enough to waste time on.

**Assign an Owner to the Risk**

All your hard work identifying and evaluating risk is for naught if you don't assign someone to oversee the risk. In fact, this is something that you should do when listing the risks. Who is the person who is responsible for that risk, identifying it when and if it should occur and then leading the work towards resolving it?

That determination is up to you. There might be a team member who is more skilled or experienced in the risk. Then that person should lead the charge to resolve it. Or it might just be an arbitrary choice. Of course, it's better to assign the task to the right person, but equally important in making sure that every risk has a person responsible for it.

Think about it. If you don't give each risk a person tasked with watching out for it, and then dealing with resolving it when and if it should arise, you're opening yourself up to more risk. It's one thing to identify risk, but if you don't manage it then you're not protecting the project.

**Respond to the Risk**

Now the rubber hits the road. You've found a risk. All that planning you've done is going to be put to use. First you need to know if this is a positive or negative risk. Is it something you could exploit for the betterment of the project? If not, you need to deploy a risk mitigation strategy.

A risk mitigation strategy is simply a contingency plan to minimize the impact of a project risk. You then act on the risk by how you prioritized it. You have communications with the risk owner and, together, decide on which of the plans you created to implement to resolve the risk.

**Monitor the Risk**

You can't just set forces against risk without tracking the progress of that initiative. That's where the monitoring comes in. Whoever owns the risk will be responsible for tracking its progress towards resolution. But you will need to stay updated to have an accurate picture of the project's overall progress to identify and monitor new risks.

## 6. Risk Analysis

Risk analysis involves examining how project outcomes and objectives might change due to the impact of the risk event.

Once the risks are identified, they are analyzed to identify the qualitative and quantitative impact of the risk on the project so that appropriate steps can be taken to mitigate them. The following guidelines are used to analyze risks.

# Project Procurement Management

## What Is Project Procurement Management?

Procurement is the act of obtaining goods, supplies, and/or services. Therefore, project procurement is obtaining all the materials and services required for the project. Project procurement management encompasses the processes used for making sure project procurement is successful.

Project procurement management includes three primary processes. These are:

- Plan procurements
- Conduct procurements
- Administer (or control) procurements

*Prior editions of the Project Management Book of Knowledge (PMBOK) included a fourth process, called close procurements, but it was removed from the sixth edition.*

## Plan procurements

The first step in successful project procurement management is making a plan. This includes planning for the following: What can be provided by your company, and what should you purchase elsewhere? This is called the make vs. buy decision. Even when your company can do something in-house, there may be a benefit of outsourcing such as cost savings, faster delivery, etc.

- What are your contract requirements for outside purchases?
- Do you have the required delivery dates?
- Do you want a fixed price contract or cost-reimbursable?
- Are there key milestones to be included?
- What about legal terms and conditions that must be met?
- How will you search for suppliers of the materials or services you need?
- Will you release a request for proposal (RFP)?
- Do you have a preferred supplier?
- What are the criteria for who will win the work?
- Will it be based on price if all contract requirements are met?
- Is there another way to evaluate bidders? For example, will their Better Business Bureau ranking be taken into account?

During the planning stage, it's also important to determine how changes will be handled once a contract is awarded. What happens when a supplier tells you they can no longer deliver on time? Or when you discover you actually need 200 ft. of cable instead of only 150 ft.?

The primary output of this process is a written procurement management plan, which is a subsidiary of your project management plan.

Other outputs may include:

- RFP forms
- Vendor selection criteria
- Statements of work
- Documented make-or-buy decisions
- Change request forms or process documentation
- Any noted risks added to the risk register and risk management plan
- Conduct procurements

This is the execution phase of project procurement management. It's when the RFPs are released, bids are gathered, and selections are made. Any vendor negotiations will occur during this phase, and then the agreed-upon contracts are signed. Conducting procurements also includes the actual receipt of and payment for goods and services.

The control or administer procurements process is focused on monitoring and controlling project procurements to ensure all requirements are met. Two key steps included in this process are:

- Status or progress updates from vendors
- Quality checks of products or services delivered

Schedule and cost monitoring for procurements are also part of this process. Any changes and their impact on the overall project schedule and budget are monitored here. It's important to consider that if a piece of material is going to be two weeks late, how will it impact the rest of the project schedule?