Risk Management: Significance of Risk Management in Ensuring a Successful Project

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Research Question

To what extent can risk management promote the success of a project?

Introduction

Risk management in every project is useful in identifying the unforeseen risks. In large projects, project managers have to minimize the impact of the project threats. Upon identification of the risks involved in every opportunity, the possible actions that can be taken to remove threats to the project activities and outcomes are established. However, the process should be done collectively so that all the members of the management team can develop a sense of risk managing actions. The most apparent activities include identification of risks, analysis, and response to threats that surround a project. Risk management is just a subsidiary plan in the entire project management strategy. However, it plays a crucial part in the implementation of a successful project since it combines all the driving forces that cause the project management team to apply some mitigation measures.

Project risk management plan is intended to guide the project management team through the entire process of managing risks involved in the whole project. Some of the typical steps involved in risk identification include risk identification, risk analysis, risk response and risk control. As a result, the findings from a successful project plan provide the team with the necessary engagements that can protect the project from the unknown and identified threats. The most crucial aspect of the risk management process is the ability to identify new opportunities that every project presents. Based on this information, this essay seeks to determine the extent to which a risk management process can lead to a successful project.

Hypothesis

Risk management is beneficial in identifying the unseen risks and hence increases the chances of success in every project. Proven risk management schemes can lead to practical solutions at all times.

Literature Review

Different project managers use various risk management methods to identify risks posed by a project undertaking depending on the nature of the project. In most cases, project managers have only focused on some parts of the project as opposed to the entire sections of the plan. According to Jui-Feng & Tsung-Chieh (2016), the majority of risk management initiatives in Taiwan mainly focus on the relationship between the stakeholders and the locations of responsibilities. Most of the managers of the project in this country relied on qualitative analysis of the projects and mainly carried out the process at the site of the project. Such an approach made it necessary for the project managers to use a general algorithm for the analysis of the reality of the risk control. However, applying such a proposal to the risk management cannot lead to desirable results since it does not cover in entirety all the shares of the project. As a result, effective measures of must be used to reinforce the already established strategy. For the case of Taiwan, mitigation measures involve an extraction of the most critical risk causes (Jui-Feng & Tsung-Chieh, 2016). The second mitigation process may entail development of a correlation between the cause of the risk, risk mitigation strategy and the cost of risk mitigation strategy.

Business environment changes from time to time. During every transformation process, new risks are manifest and hence requires new strategies to control them. An efficient organization cannot merely rely on a conventional risk mitigation process. On the contrary, the process involved in regulating the possible risks must have the capacity to deal with all forms of dangers efficiently involved. A study carried out by Wiebke, Vinit, & David (2016) proposed a new risk management strategy for the product-service systems (PSS). The PSS is a new form of marketing strategy that is multifaceted but leads to more desirable levels of customer satisfaction. The authors revealed that adoption of this process leads to increased riks. Since the process intensifies the interaction process between the customers, new forms of risks such as increased level of conflicts, disagreements, and opportunistic behavior appear. As a result, the strategies that were used to manage risks in the previous century cannot lead to desirable results in a firm that uses PSS. Wiebke, Vinit, & David (2016) helps to underpin the observation that risk management should be mainly focused on the challenges affecting the specific business at a specified period. Therefore, risk management strategies cannot be universal.

Some products share the same markets. However, the demographics in various markets are varied. Srivastava (2015) carried out a comparative study on the demographics of emerging markets. The results indicated that such demographics are diverse. The example used was the Indian example of fast foods, which showed that Indians prefer global fast-food chains compared to the local Indian food chains. Making a simple assumption on the orientation of such a market may result in significant losses and a more extended payback period. Therefore, an extensive research must be used to identify the varying demographics of every market. Using such an approach can lead to very desirable results.

Some risks in the business are hard to predict and just appear in various in the process of service delivery. As a result, the nature of the risk management used should be flexible enough to accommodate changes where necessary. John, Scott, Donna, & Pamela (2014) carried out a study to show the effectiveness of using a previous data to develop decision trees that can efficiently manage new risks. Although their research mainly focused on the hospital setting, such an approach can be beneficial to businesses that do not change their nature frequently. The method ensures that the experience in a firm can play a significant role in managing any anticipated risks. Huber & Kuhberger (1996) also demonstrated the effectiveness of the decision tree in managing the risks involved in every project.

Conclusion

Risk management is an essential aspect of every business setting. All the operations are uncertain, and when all factors are not considered, businesses can incur significant losses. Every project manager must have some provisions for all the possible risks in every mission. From the exploration carried out, it is clear that risk management cannot rely on universal qualities. Different business settings have various risks and uncertainties. As a result, project managers must consider all the risks involved in a specific project and then develop effective means of controlling them. The business environment is dynamic and hence varies from time to time. Consequently, the risk management skills should also change accordingly with the aim of developing practical solutions to the possible uncertainties. The findings have disapproved the thesis statement by showing that universal risk management cannot lead to desired results. Therefore, risk management can only promote effective solutions when carried out concerning the dominant traits of a business operation.

References

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