**L&T\_Risk\_Management**

**Slide\_10:**

Let us start with the objectives of the course. At the end of the course, you will be able to:

* Define Risk Management.
* Appreciate the importance of Risk Management in Projects.
* List the steps in a Risk Management Process.
* Describe the tools and techniques used in Risk Management.
* Explain the different approaches to handle risks.

**Slide\_11:**

AX2: In any industry, the product is priced after it is made, unlike the construction industry where a price is fixed before commencement of work and project team strives to fit the cost within the estimated price.

**Slide\_12:**

AX4: The uncertainty may arise due to lack of information or incomplete information.

**Slide\_16:**

AX2: As a project manager, you will find yourselves in a situation in which you can either take a risk or you can be at risk!

**Slide\_22:**

AX2: Many times, you are rewarded not just for the work you execute but for the risk you take. Risk and rewards are related, and one should take only those risks, which one is confident of handling if it occurs.

**Slide\_23:**

AX1: Before learning how to manage risks, let’s first find out the different approaches one can have towards risk. There are four ways in which you can approach different types of risks.

* The first is the umbrella approach, where the Project Manager allows for every possible eventuality by adding a large risk premium.
* The second is the ostrich approach, where the PM assumes that every thing is fine and that somehow one shall get through.
* The third is the intuitive approach, where PM relies more on intuition or gut feeling.

And the fourth is brute force, which focuses on uncontrollable risk and the force required to control such a risk, which may not be possible all the time.

**Slide\_24:**

AX1: After learning about the different approaches to risk, let’s now learn about two common approaches

These are the AGAP (or all goes according to plan) approach, where you assume everything will go as planned—which is the most optimistic approach

AX2: The second approach you should be aware of is the WHIF (or what happens if) approach.

You must have brainstorming sessions of destructive thinking to throw up ideas about things that might go wrong, thus, identifying loopholes if any in the prevention or protection system. This is also the pessimistic approach.

**Slide\_25:**

AX1: The WHIF approach takes into account the uncertainty of performance by one or the other agency, leading to serious ripple effects. This compels project managers to find solutions, almost on a continual basis, to eliminate or minimize various risks.

AX2: We can, therefore, call risk management a dynamic process which continues as the project progresses. In a broad sense, the parties should know the major risks that cannot be transferred and that need to be apportioned among project participants.

**Slide\_38:**

AX1: Risks can be classified as:

* Primary risk is the main risk.
* Secondary Risk is a risk that arises as the result of implementing a risk response to ~~a~~ primary risk. It does not exist if the risk response was not taken. It should be evaluated for appropriate action. The severity of the secondary risk or risks may eliminate the risk response as an option, if it falls outside of the project risk tolerance.
* Residual is the risk that remains after a risk response has been taken.