



Risk management



Why spend time on it?





The nature of risk management

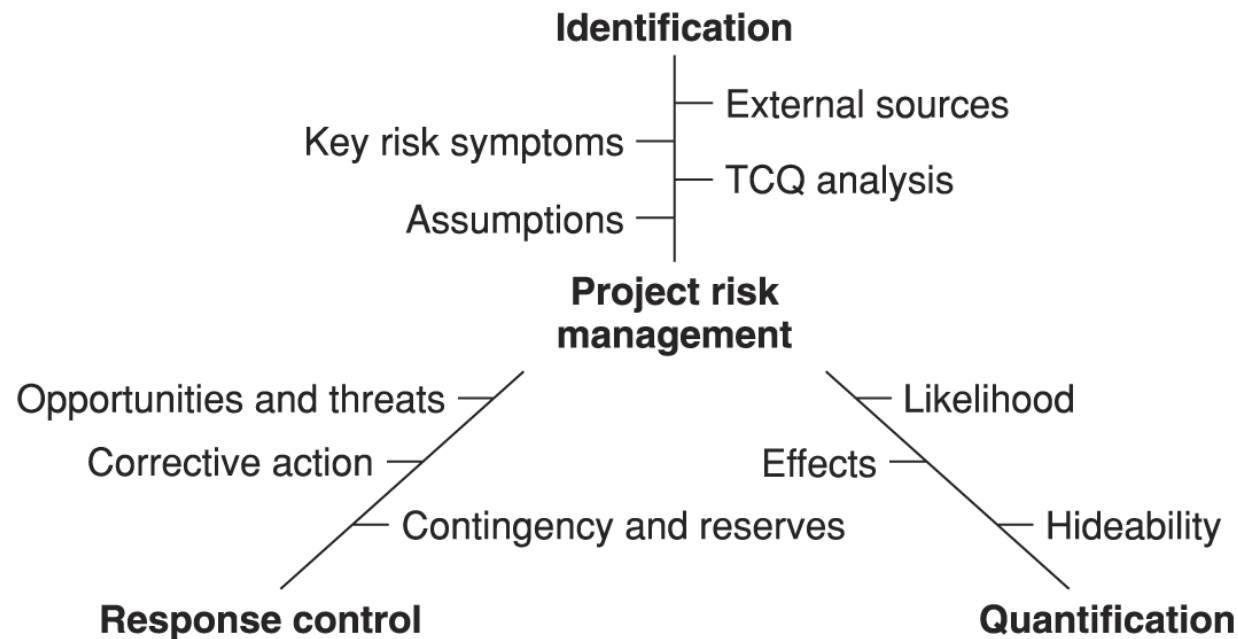
‘Known knowns’ form the basis of planning
‘Known unknowns’ are uncertainties
‘Unknown unknowns’ are not known in advance

- Definitions of risk:
 - The possibility of suffering harm or loss.
[PMBOK 2004]





Proactive risk management





Risk management

"Project management is about accepting and living with risks and uncertainties. If you can't handle it, you should do something else for a living."

Torbjörn Wenell





The nature of risk management

How to identify risks

- By brainstorming
- By consultation activities
 - Seek the wider stakeholder views
 - Seek the view of experts
- Refer to the WBS
- Look to time, cost and quality plans





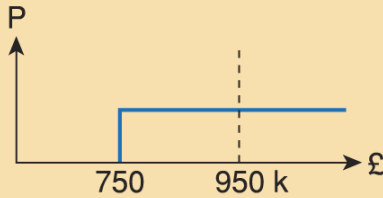
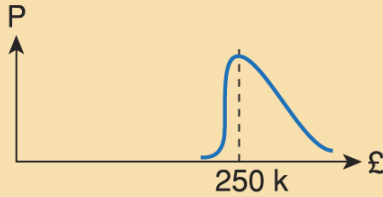
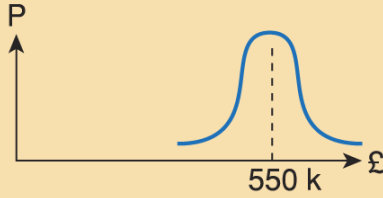
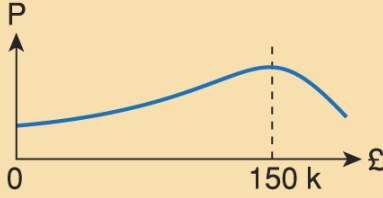
Qualitative approaches

<i>Activity</i>	<i>Severity</i>	<i>Hideability</i>	<i>Likelihood</i>	<i>RPN</i>
Development carried out by contractors	8	9	2	144
Development carried out in-house	8	2	7	112



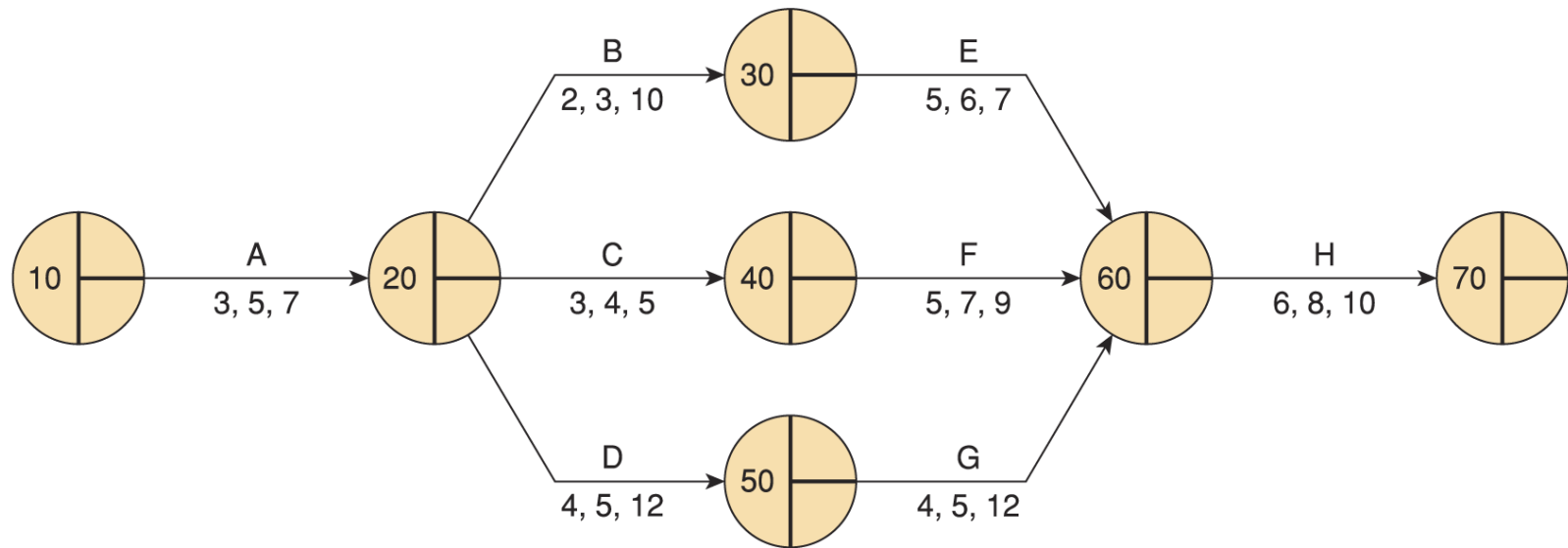


Monte Carlo simulation

Activity/cost-centre	Cost/income	Distribution
Revenue	£950 000	
Materials cost	– £250 000	
Labour cost	– £550 000	
Profit	= £150 000	

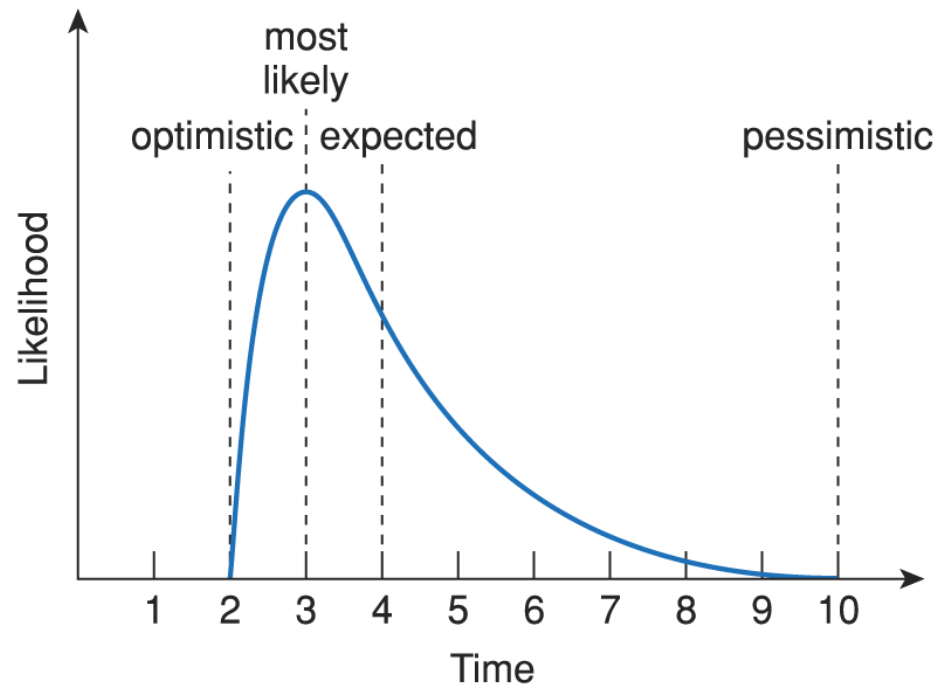


PERT





PERT





The nature of risk management

Consider

- Corrective action
- Contingencies and reserves
- Outsourcing the risk to contractors, experts or insurance