Case study: Using risk management tools

Thus far, you have learned that **risk management**—the process of identifying, evaluating, and addressing potential risks and issues that could impact a project—is a core part of a project manager's role. You also learned about techniques to identify potential risks and address their effects, including creating risk registers and building mitigation plans. In the following case study, we will imagine how a project manager might utilize these tools.

The project: Paw Snacks Puppy Treats

Paw Snacks is an online retailer of tasty and nutritious pet treats. Over the course of three years, the business has grown from a small startup to a 350-person organization. Paw Snacks wants to expand its offerings even further by adding a new line of treats for puppies.

The issue

Six weeks before the new product line is scheduled to debut, Naja, the project manager leading the launch, receives a frantic phone call from a manager at the commercial bakery hired to produce the treats. The bakery manager informs Naja that the bone-shaped cookie cutters required to shape the treats have not yet arrived. Naja knows that baking needs to start the following day in order to stay on schedule for the launch.

Naja thanks the bakery manager for the warning and asks her teammate, Abe, to call the cookie cutter manufacturer to check on the status of their order. Abe learns that the order is delayed due to a product shortage and that the cookie cutters are now expected to arrive at the bakery two days after the original expected delivery date.

Naja recognizes that this delay threatens her team's ability to launch their product on time. Even worse, her team doesn't have the option to push the launch date, since the Paw Snacks marketing team has already purchased nonrefundable advertising placements for the day of the launch. Luckily, Naja and her team are already prepared for an issue like this one.

Planning for risks ahead of time

Months earlier, long before the team started work on the project, Naja and her team brainstormed potential risks that could impact the project. They created a **risk register**, a table or chart that contains a list of risks and is often paired with a probability and impact matrix. During the process, the team determined that a delay in the cookie cutter order had a medium probability of occurring and would result in a high impact on the project. Naja added the risk to the risk register and assigned Abe to create a **mitigation plan**, which outlines steps to decrease the chances of a risk occurring or decrease the impact of a risk if it does occur. This plan would indicate how the team would handle an issue if it were to materialize. The mitigation plan was then approved by the project sponsor and other stakeholders.

Managing the issue

Now that the cookie cutter issue has occurred, Naja and Abe consult the mitigation plan for this particular risk. In this case, Abe identified two options for handling the risk: The first option is to work with the bakery to slightly increase the number of treats produced in order to make up for the two days they have lost due to the cookie cutter delay. The second option is to place an order with a second bakery to help speed up the pace of production. Naja and Abe discuss the two plans and settle on option one to avoid the work of bringing in a second bakery.

Before moving ahead with the plan, Naja and Abe meet to brainstorm potential risks associated with the new plan. Together, they determine that a smaller order of dog treats will likely have a minor—but manageable—impact on the organization's projected growth for 2021. They determine that the best course of action is to accept the risk to avoid delaying the project further. To ensure that the project stakeholders are aware of and comfortable with this change, Naja requests a meeting with her project sponsor to communicate the plan, outline the minor risk to projected growth, and recommend accepting the risk. The sponsor agrees and approves Naja's new plan.

Naja tasks Abe with communicating the adjusted plan to the bakery manager. Though baking begins two days behind schedule, Naja's new plan helps ensure that the team is prepared to launch the new line on time.

Pro tip: While the term mitigation plan is used more often in project management, you may also hear the term **contingency plan**. These terms are often used interchangeably, but there are some key differences. A mitigation plan is a planned risk response strategy. If a project manager is able to identify the potential known risks that impact any of the key project parameters (schedule, cost, or scope), they should make a plan to mitigate those risks early in the project. A contingency plan, on the other hand, is mostly related to funds the project manager keeps aside (outside of the planned project budget) to support any of these known risk response plans if they go beyond the planned amount or to manage any unforeseen risks during execution.

Key takeaway

In this case study, early risk management planning enabled Naja to act quickly when an issue presented itself at a pivotal time during the project execution phase.

By consulting an existing mitigation plan and weighing two options for moving forward, Naja and Abe were able to make an informed decision about the best path forward. Naja also communicated the growth-related risks associated with the plan to the project sponsor in a timely fashion.

As you manage projects of your own, issues will come up again and again. When you do the heavy lifting of risk management planning before starting work on the project, you will be better equipped to respond to problems quickly.

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