



Everyone's Smart
University

Risk management frameworks – Part 1

Lecture 7

MGM510

Risk Management

PMI-Risk Management framework

There are 5 domains and 6 processes in Project Risk Management. The first five processes belong to the planning process group, and the last process belongs to the monitor and control process group.

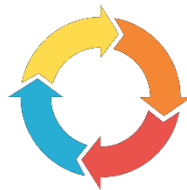
Domains

- Risk strategy and planning (5 tasks)
- Stakeholder engagement (9 tasks)
- Risk process facilitation (7 tasks)
- Risk monitoring and reporting (7 tasks)
- Perform specialized risk activities (3 tasks)



Processes

- Plan risk management
- Identify risks
- Perform qualitative risk analysis
- Perform quantitative risk analysis
- Plan risk responses
- Control risks



Domain 1—Risk Strategy and Planning

Risk Strategy and Planning domain contains activities related to developing policies, processes, and procedures; risk assessment, planning, and response.

The tasks in this domain are the following:

Develop risk assessment processes and tools.

Update risk policies and procedures.

Develop and recommend project risk strategy.

Produce risk management plan for the project.

Establish evaluation criteria for risk management processes.

Stakeholder Engagement domain contains activities related to promoting the understanding of Project Risk Management for stakeholders and project team members, assessing stakeholder risk tolerance, prioritizing project risk, and promoting risk ownership. The tasks in this domain are the following:

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|----------------|--|
| Task: 1 | Promote common understanding of value of risk management. |
| Task: 2 | Train, coach, and educate stakeholders in risk principles and processes. |
| Task: 3 | Coach project team members. |
| Task: 4 | Assess stakeholder's risk tolerance. |
| Task: 5 | Identify stakeholder's risk attitudes. |
| Task: 6 | Engage stakeholders based on risk prioritization. |
| Task: 7 | Provide risk-related recommendations to stakeholders. |
| Task: 8 | Promote risk ownership by proactive communication. |
| Task: 9 | Liaise with stakeholders of other projects. |

Risk Process Facilitation domain contains activities related to facilitating risk identification, evaluation, prioritization, and response among project team members.

The tasks in this domain are the following:

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|----------------|--|
| Task: 1 | Apply risk assessment processes and tools. |
| Task: 2 | Facilitate risk identification. |
| Task: 3 | Facilitate project team's evaluation of the identified risks attributes. |
| Task: 4 | Facilitate development of an aligned risk response strategy and actions. |
| Task: 5 | Facilitate the formulation of project contingency reserve. |
| Task: 6 | Provide risk data to cost and schedule analysts. |
| Task: 7 | Validate potential risk responses, key dependencies, and requirements. |

Domain 4—Risk Monitoring and Reporting

Risk Monitoring and Reporting domain contains activities related to monitoring risk, evaluating risk response against established metrics, and communicating risk response performance to stakeholders and project team.

The tasks in this domain are the following:

Document and periodically update project risk information.

Coordinate with project manager.

Create periodic standard and custom reports.

Monitor risk response metrics.

Analyze risk process performance against metrics.

Update Project Risk Management plan.

Capture risk lessons learned.

Domain 5—Perform Specialized Risk Analyses

Perform Specialized Risk Analyses domain contains activities related to the specialized qualitative and quantitative tools and techniques used by Project Risk Management professionals. The tasks in this domain are the following:

Evaluate the attributes of identified risks.

Analyze risk data produced during the project.

Perform specialized risk analysis.

The project risk is an uncertain event or a condition that has a positive or a negative effect on the project objectives. Project risk is classified into two levels:

1. Individual risk
 2. Overall project risk
- Understanding individual risk helps in overcoming the project-related risks and increases the probability of project success.
 - The overall project risk represents the effect of uncertainty on the project as a whole.
 - The assessment of project risk helps in decision-making at strategic level and in turn at program, portfolio, and project governance levels to decide priorities.

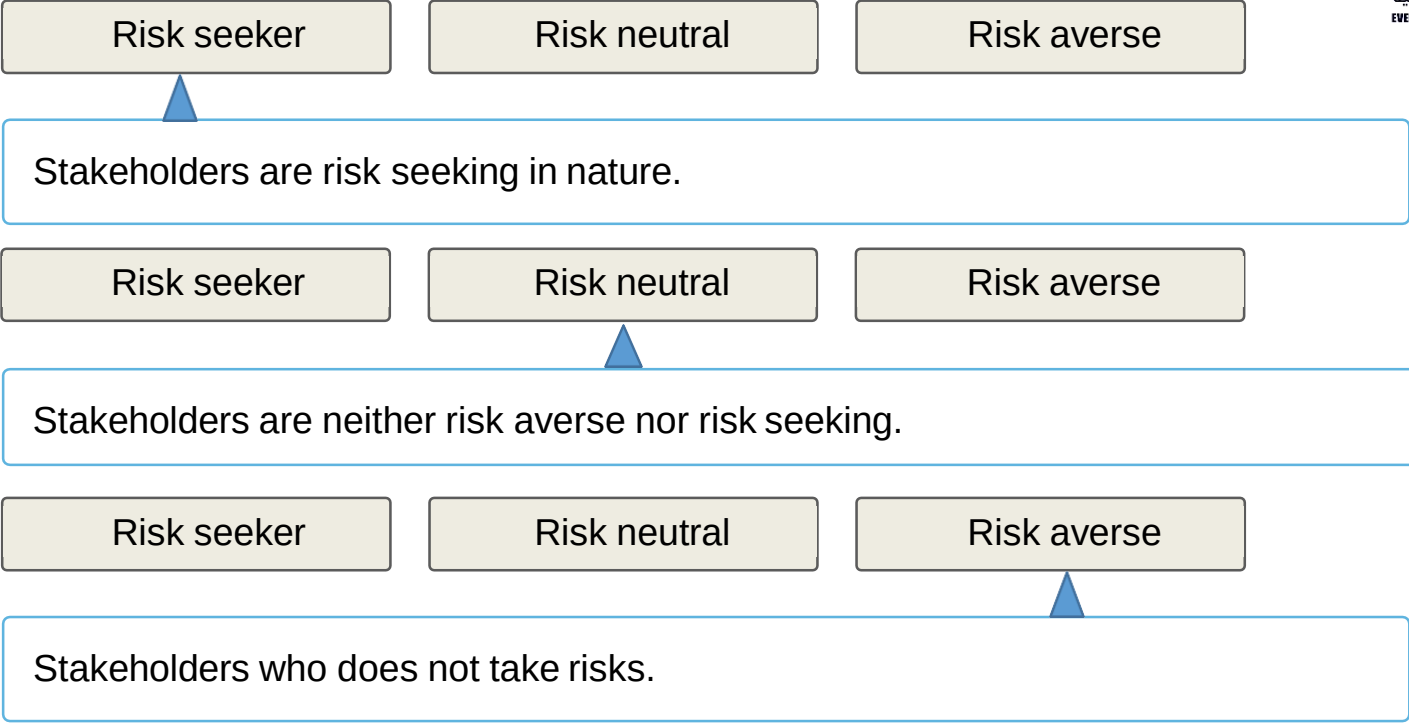


It is important for a project or a risk manager to understand stakeholders' risk attitudes. The risk attitudes of the project stakeholders determine the extent to which an individual risk or overall project risk matters.

It usually result in a desire for increased certainty in project outcomes and it may express a preference for one project objective over the other. Understanding stakeholders' attitudes towards risk is an important component of risk management planning.



The priority of the risk depends upon the risk attitudes and tolerance levels of the stakeholders.



- Risk tolerance refers to the level of risk acceptability of a project manager or key stakeholder when the investment required for managing the risk is compared to the potential payoff.
- The definition of probability and impact scales, and the definition of risk exposures on the probability and impact matrix are influenced by your understanding of the risk tolerance of stakeholders.



Project Manager Role

