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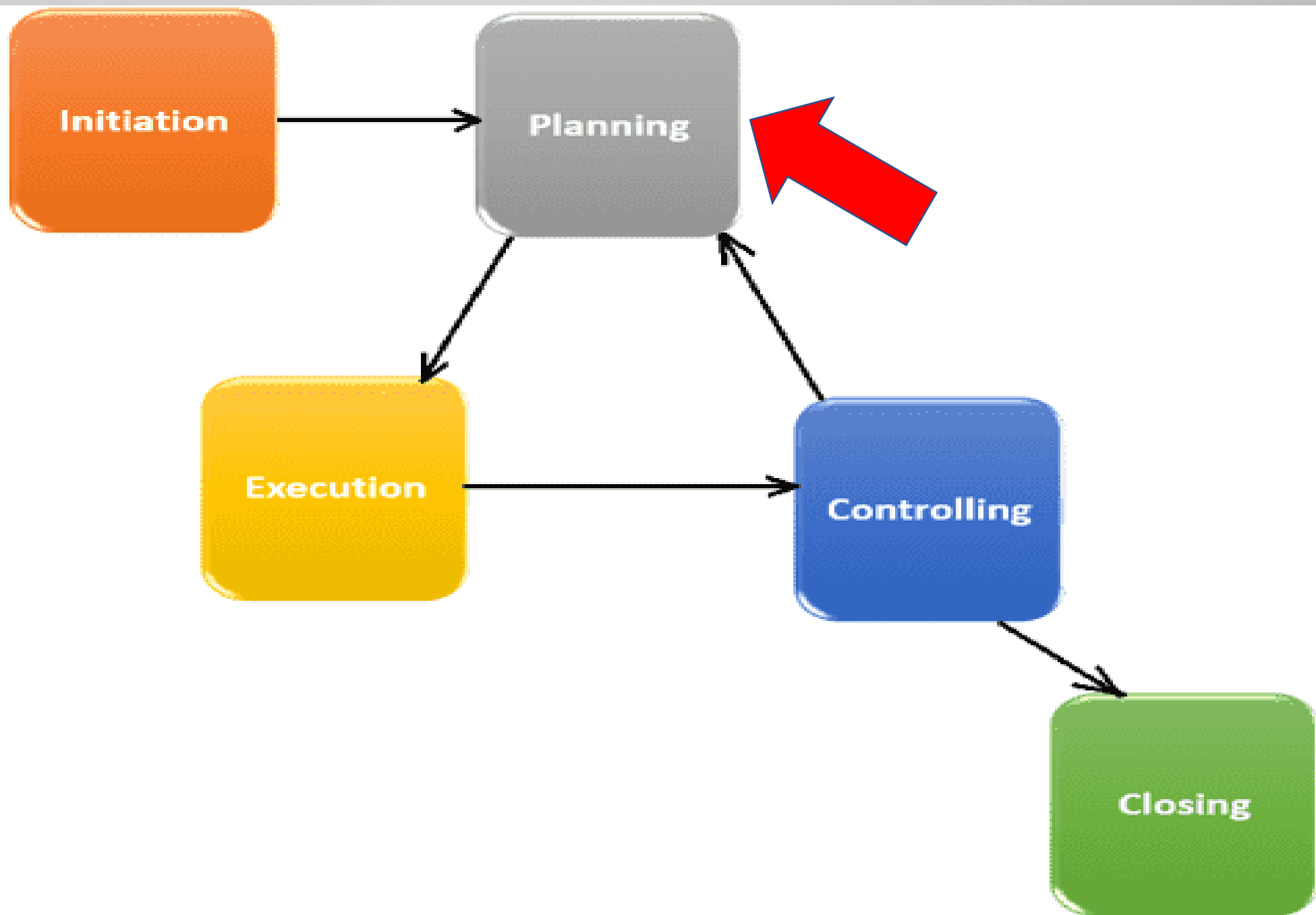
Project Planning

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PMG202

Lecture 4

Project Planning- Risk management





Learning Outcomes

At the end of this chapter, students should be able to:

- Discuss the definition of risk and risk management.
- Discuss the terminology used by risk managers
- Identify the steps of the risk management process.
- Identify the types of the risk management.

Project Planning

Project Planning

Once a project is selected for execution, the structural project planning approach prescribes that the project get planned in detail prior to the actual start of the project.

Project planning consists of 4 main stages:

- 1. Risk Management**
- 2. Quality Management**
- 3. Human Resource Management**
- 4. The Project Schedule, and budget**

Risk Management

Risk Management definition

What is Risk Management?

- Risk is an uncertain event that may have a positive or negative impact on the project.
- Risk Management is the process of identifying and migrating risk.



Importance of Risk Management

Why is it important?

- Risk affects all aspects of your project – your budget, your schedule, your scope, the agreed level of quality, and so on
- Increase probability of positive event.
- Reduce the occurrence of negative event.



Types of risk management

Conventional risk management



Financial risk management



Optimal risk management



Managing intangible risks

Types of risk management

(1) Conventional risk management

- Focuses on the risks arising from **physical or legal reasons**
- **for example:** natural disasters or fires, accidents, death, and lawsuits

Types of risk management

(2) Financial risk management:

Is the practice of **protecting the economic value** in the company by using financial tools to manage exposure to risks

for example: credit risk, market risk, foreign exchange risk, liquidity risk, inflation risk.

Types of risk management

(3) Optimal risk management:

It means that **priorities** are given, so that risks with large losses and a high probability of occurrence are dealt with first, while risks with less losses and a lower probability of occurrence are treated later.

This process can be **very difficult**, and the balance between risks with high probability and low losses against risks with low probability and high losses may be misjudged.

Types of risk management

(4) Managing intangible risks:

They are those that have a **100% chance of occurring** but are ignored by the organization due to the lack of ability to identify them.

for example: knowledge risk, which occurs when incomplete knowledge is applied, as well as relationship risk, which occurs when there is ineffective cooperation.

Risk management steps

Preparation

Risk identification

Evaluation

Response to Risks

Developing a plan

Implementation

Review and evaluation of the plan

Limitations / Obstacles

(1) Preparation:

It includes planning and mapping the scope of work and the basis for risk assessment.

Risk management steps

(2) Risk Identification:

At this stage, risks of importance are identified. Common ways to identify risks include:

- Goal-based selection:

Organizations and teams working on a project all have goals, and any event that interferes with achieving these partially or completely is considered dangerous

- Scenario selection:

In the process of scenario analysis, different scenarios are created that may be alternative ways to achieve a goal, so any event that generates a scenario that is different from the one that was envisioned and undesirable, is defined as dangerous.

Risk management steps

(2) Risk Identification:

At this stage, risks of importance are identified. Common ways to identify risks include:

- **Classification selection:**

It is a breakdown of all possible sources of risk.

- **Check out the common risks:**

In many institutions there are lists of potential hazards.

Risk management steps

(3) Evaluation:

- After identifying the potential risks, you must conduct an **evaluation process in terms of their severity in causing losses and the possibility of their occurrence**, sometimes it is easy to measure and other times it is not possible to measure.
- The difficulty in evaluating risks lies in determining the rate of their occurrence, as statistical information on previous incidents is not always available, and also evaluating the severity of the results is usually difficult.

Risk management steps

(4) Response to Risks:

Response to risks usually takes one of the following forms:

1. **Avoidance:** A business strives to eliminate a particular risk by **getting rid of its cause.**
2. **Mitigation:** Decreasing the projected financial value associated with risk by **lowering the possibility of the occurrence of the risk.**
3. **Acceptance:** In some cases, a business may be forced to accept risk. This option is possible if a **business entity develops contingencies to mitigate the impact of the risk,** should it occur.

Risk management steps

(5) Developing a plan:

It involves making decisions regarding the selection of the set of methods that will be used to deal with risks, and each decision must be recorded and approved by the appropriate level of management

Risk management steps

(6) Implementation:

At this stage, the methods planned to be used to mitigate the effects of risks are followed.

Risk management steps

(7) Plan Review and Evaluation:

Initial plans for risk management are not complete. Through practice, experience and losses that appear in the real life, there is a need to adjust the plans and use the available knowledge to make different decisions.

Risk management steps

(8) Limitations (obstacles)

If risks are improperly assessed or prioritized, this may lead to wasting time in dealing with risks that are unlikely to occur, leading to the loss of resources that could have been exploited more profitably.

Summary

- Risk Management definition
- Importance of Risk Management
- Types of Risk Management
- Steps of Risk Management



Questions

-----Focus on the risks arising from physical or legal reasons

conventional risk management

Financial risk management

optimal risk management

All answers are correct

**----- It is the practice of protecting the economic value in a company
by using financial instruments to manage risk exposure**

Financial risk management

conventional risk management

Perfect risk management

All answers are correct

Questions

----- means that priorities are given, so that risks with large losses and a high probability of occurrence are dealt with first, while risks with smaller losses and a lower probability of occurrence are treated later

Optimal risk management

Financial risk management

conventional risk management

All answers are correct

----- These are the risks that the probability of occurrence is 100%, but they are ignored by the institution due to the lack of the ability to identify them.

Intangible risk management

Optimal risk management

Financial risk management

conventional risk management

Questions

The risk management process begins with -----

- preparation
- Risk identification
- Evaluation
- Response to risks

Risks are determined according to---

- All answers are correct
- Goal-based selection
- Scenario selection
- Classification based selection

Questions

A company strives to eliminate a particular risk by eliminating its cause - this phrase expresses any form of response to risk:

avoidance
mitigation.
admissions
loss

Exchange rate risk from ----

financial risks
Conventional risks
Economic risks
All answers are incorrect

Questions

Natural disasters are -----risks.

Conventional risks

financial risks

Economic risks

All answers are incorrect

knowledge risk is an example of----

Managing intangible risks

Conventional risk management

Financial risk management

Optimal risk management

Questions

Natural disasters are -----risks.

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knowledge risk is an example of----

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Thank You

