



جامعة الجميع الذكية  
EVERYONE'S SMART UNIVERSITY

# Everyone's Smart University

## Assignment 1 (Spring 2021)

**Student Name : Abdulmohsen Abdulaziz Othman**

**Students I.D : 2021201768**

**Section**

**Master of Project  
Management**

**Date**

**18 / 02 / 2021**

**Course Code**

**(PMG510)**

## Project Risk Management

---

**Instructions:**

---

**Instructor's Name: Eng. Mosaab M. Hamed**

حتى الآن من المفترض أن تكون أصبحت قادراً على التعرف والتمييز بين أنواع المخاطر المختلفة وكيفية التعامل معها. كما يمكنك الآن رؤية كيف يتم هذا الأمر في الشركات الكبيرة والمرموقة.

في هذا الواجب: قم باختيار واحدة من الشركات التالية:

أرامكو السعودية

البنك الأهلي التجاري

شركة الاتصالات السعودية

قم باختيار واحدة من الشركات الثلاث المذكورة أعلاه ثم ابحث عن أي 4 مخاطر تواجهها هذه الشركة .

لكل خطر من هذه المخاطر قم بالاجابة عن الأسئلة التالية:

1. لماذا اعتبرته خطراً؟
2. ماهو نوع هذا الخطر؟
3. ماهي احتمالية هذا الخطر؟ وفي حالة وقوعه مامدى قوة وتأثير هذا الخطر؟
4. ماهي السياسة أو الاستراتيجية التي تتبعها هذه الشركة للتعامل مع هذا الخطر وإدارته؟

\*\* يمكنك الاجابة باللغة العربية أو الانجليزية على ألا تتجاوز اجابتك صفحتين من النوع A4

\*\* يتم تسليم جميع الاجابات في ملف بصيغة pdf.

\*\* حجم الخط 12.

\*\* نوع الخط Arial.

\*\* المسافة بين الأسطر (line spacing) 1.5

أمنياتي بالتوفيق.

Throughout this course you have learned about the different types of risk and how businesses manage them. Now you will be able to see how it is done in a well-known company.

Your assignment is to choose one of the following companies:

Saudi Aramco

The National Commercial Bank

Saudi Telecom Company

Do some research on any of the aforementioned companies and identify four risks they are facing.

For each risk please answer the following:

1. Why is this a risk?
2. What type of risk is it?
3. What is the likelihood of the risk? How great is the impact?
4. What strategy or policy does the company use to manage the risk?

\*\* Your answers could either be in Arabic or English.

\*\* You should submit your assignment in a pdf formatted file.

\*\* Font size should be 12.

\*\* Font type is Arial.

\*\* Line spacing is 1.5.

All the best.

Saudi Aramco has a robust risk managed process to maintain its production capacity of 12 million barrels of oil per day consistently through its Maintain Potential Programme (MPP). Rajagopalan Srivatsan, vice-president of India's L&T Hydrocarbon Engineering (LTHE), explains how the contracting strategies of Aramco help implement this programme in a collaborative environment of committed capacities and reasonable costs.

The engineering, procurement and construction (EPC) project risk management process being implemented by Saudi Aramco is designed to increase the probability and impact of positive events and decrease the impact of negative events in a project cycle.

Aramco is committed to retaining market share in oil supplies. It has critically evaluated the resource availability in the market and identified competent service providers to support its investment programme. The company has fostered a collaborative environment by facilitating the formation of consortiums to manage the risks inherent in such projects.

**MUTUAL BENEFITS:** The application of project risk management is to ensure that risks are managed effectively by allocating their management to the relevant party. In November 2013, almost 40 contractors from across the world made a pitch for inclusion in the long-term agreement (LTA) programme for engineering; project management; and engineering, procurement, installation and commissioning work. LTHE, in a consortium with Ezra's subsea services division, EMAS AMC (now EMAS Chiyoda Subsea), received a six-year contract with a possible extension of up to six more years.

The LTA process offers the assurance of committed capacities across the value chain of the project. Under the conditions of the framework agreement, contractors are aware of the terms and can effectively compete without fears of surprise participants and differing commercial terms.

Aramco's ongoing tenders are each worth more than \$1 billion, and it is expected that the upcoming tenders in this programme will be valued cumulatively at about \$1 billion or more, one in each upcoming quarter.

The LTA structure has created a risk mitigation framework by providing access for multiple engineering, procurement, installation and commissioning contractors to the

client with more than two proficient contractors available to carry out the entire scope of each tender at any time competitively and efficiently.

Aramco can also align contractors' capabilities to mitigate the probable project risks. By the framework agreement, all the contractors have submitted the unit rates for a reference facility, which helps Aramco to budget reasonably. Aramco will be able to evaluate specific additional requirements for each new project for review, and any variations will be adjusted reasonably. Often with large tenders, contractors should bid as part of a consortium, especially if EPC firms have complementary capabilities and can collectively deliver an end-to-end service better than if they were to do so individually.

Fixed-price, or lump-sum turnkey, contracts, are term contracts with a specified budget. The budget is defined at the starting point of the project and cannot be changed during the project execution. This type of contract can lead – if planned and executed correctly – to reasonable earnings.

To narrow down risks, it is essential to plan precisely, to distinguish possible secondary expenditures and to prepare an accurate schedule. A project that does not have reasonable returns hurts all the participants.

Saudi Aramco also addressed the risk of variations associated with lump-sum turnkey contracts by way of the framework agreement, which is adjusted every three years for any significant variations.

**FUTURE GUARANTEES:** Based on this LTA, contractors hope for periodic tenders and expect benefits from the trust of a long-term anchor customer that awards repeat contracts. Aramco has signed six-year agreements with contractors as part of the potential programme, extendable twice by three more years, with these contractors. The contractors' rates would be adjusted if the market changes significantly over the first term of the LTA. The financial risks both with client and contractors would be revisited to mitigate the uncertainties in the market.

All LTA contractors will get an opportunity to learn of the client expectations. The programme closely aligns EPC contractors' and clients' requirements. As Aramco awards contracts to each one of the four prequalified companies, the companies will develop closer relationships with Aramco, better understand its requirements and execute a timely and cost-effective job.

**LOCALISE:** One of the key expectations for Aramco is to increase in-country value as much as possible. Under the long-term agreement, contractors are hopeful of seeing significant improvements in local capabilities, developing a stronger supply chain in the kingdom.

EPC contractors should develop a diverse and capable team that can execute a multitude of projects for major clients in Saudi Arabia. This will also help in developing the local talent and expertise in the country.