



جامعة الجميع الذكية  
EVERYONE'S SMART UNIVERSITY

## Everyone's Smart University

### Project (Spring 2021)

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| Student Name | Ahmed Mohammad Islam Abdul hakim | اسم الطالب    |
| Students I.D | 2021201718                       | الرقم الجامعي |

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## Project Risk Management

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## **Introduction**

Risk management is an independent function responsible for planning, directing and organizing a measure to reduce, accommodate and control the potential impacts on the project from the risks that arise in conducting its operations, and more precisely, it considers the orderly application of policies, procedures, management practice and the task of analyzing, evaluating, treating and controlling the risk (Alaseer, 2000).

Miscalculation of the budget or inadvertently expanding the scope of the project leads to many problems in delaying the delivery or sometimes even closing it completely. This is the focus of the study. In addition, there are several important risks that we will address it that may face the small project can be classified into two types:

### **1. Risks can be expected**

- Contract Expenditure is Overrunning

This should be noted before it causes significant project spend. If the project entered into an agreement with a supplier and now the bills start to go up. This can happen if the agreement is on a time and material basis, or a fixed price plus additional costs for changes in location.

- Resource Expenditure is Overrunning

When payment has to be made for internal or external resources, costs can soon accrue. It becomes not difficult for a business owner to find himself loser with escalating resource costs then he will stop project. The most likely causes are misjudgment and many requests for change (Al-Awami, 2018).

- Risks of budget deficits

The simplest definition of the concept of budget deficit is the excess of expenditures over revenues, and there are other is the negative balance of the state's general budget, meaning that when performing a budget review, the income (revenues or revenues) must be equated or balanced with expenditures (expenditures), and when the output is Expenditure exceeds revenues We can say that there is a deficit in the budget, and when revenues exceed expenditures, this is evidence of a surplus in the budget, which is the positive balance of the budget, and the reverse case of its deficit (Al-Awami, 2018).

## **2. Risks that are difficult to expected**

- Job Dropout Risks

This type of risk occurs frequently in start-ups due to the inability to pay competitive salaries in the market. Therefore, the entrepreneur must be ready to provide an alternative, by creating a database of suitable candidates to cover any vacant position. It is also necessary to take a staff rotation policy as much as possible, so that there is a ready employee to cover the vacant job duties until a replacement is found.

- Competition risk

Many emerging projects are based on new ideas, which helps them to enter the market quickly, while when any project is successful; We find similar projects that enter the market and result in strong competition that may sometimes cause the main idea owner to leave the market, if he is not ready for this competition. Therefore, development must be sought continuously, by understanding customer needs, listening to their complaints in order to address them, and not allowing competitors to exploit these opportunities to expand their market share at the expense of the main project owner (Al-Awami, 2018).

- Reputation risk in the market

This risk results from poor service or product quality for several reasons. There are two main reasons for this, which is the inefficiency of the staff or the reception of work that exceeds the project capacity. Therefore, care must be taken to train employees appropriately and not to assign them to practice work until after they are sure of their competence to fully cover the tasks required of them. The project owner must also refrain from accepting any work that exceeds the project's capacity, as it may cause a decrease in the quality of the work, and thus damage the reputation of the project.

Risks of change in regulations: The laws and regulations related to the systems of labor offices or the Ministry of Trade are always changing in all countries, bearing in mind that this is preceded by an appropriate period of time so that the project owner can amend his situation in proportion to these new regulations. Therefore, care must be taken that the project owner is constantly aware of these regulations, the dates for their activation, and how to adhere to them. In order to avoid fines or procedures that may harm the project when not complying with these regulations.

## **Literature Review**

### **1. Factors affecting the level of risk disclosure in projects budget**

Study of ( Achmad , Tarmizi et al,2017) Which aimed to study some factors affecting the level of disclosure of risks, as this study dealt with the relationship between some characteristics of the companies (represented by the size of the company, and the profitability of the company) and corporate governance (represented by the size of the audit committee, the independence of the members of the board of directors, institutional ownership, ownership Administrative) and the level of risk disclosure, as it was applied to the public Indonesian companies listed on the stock exchange during the year 2013, as the number of observations in the sample of this study reached 115 views, and the study found a substantial direct relationship between the size of the audit committee, the size of the company and the financial performance (profitability of the company) And between the level of accounting disclosure about risks, and this study also found that there is no relationship between the independence of the members of the board of directors, corporate ownership, and administrative ownership on the one hand and between the level of accounting disclosure about risks on the other hand, and this study used the method of content analysis for the purposes of measuring the level of The accounting disclosure of risks, whereby a non-weighted index for disclosure was built in Weighting Disclosure Index using 38 items of risk information. We will conduct future research on the role of risk management in maintaining the origin budget, and this is part of what the current study offers.

### **2. impact of some of the quality elements of the Risk Management Committee**

(Amron,2016) Which aimed to study the impact of some of the quality elements of the Risk Management Committee (represented by the existence of an independent risk management committee, the independence of the members of the risk management committee, the accounting and financial qualifications of the members of the risk management committee, the number of years spent by the committee members, the number of meetings of the risk management committee and the presence Director of Risk Management as a member of the Risk Management Committee) at the level of accounting advice about risks, and the study also dealt with some of the characteristics of companies

represented in the size of the company, its profitability, the type of industry and its impact on the level of accounting disclosure of risks. It was applied to non-financial companies listed in the **Top 40 index** of the Johannesburg Stock Exchange in South Africa in 2011, and the sample size of this study reached 29 non-financial companies, and the study found that the number of meetings of the Risk Management Committee and the presence of the Director of Risk Management as a member of the Management Committee Risks are the only factors affecting the level of accounting disclosure of risk in the model presented by this study.

### **3. The most important risks that threaten projects falter in KSA**

(Abdullah, 2011) Ten risks threaten to stumble and fall about 90 percent of small and medium enterprises in Saudi Arabia, the most prominent of which are the high volume of debtors, broad differences between partners, and the absence of financial and accounting systems. Poor efficiency and managerial experience, accumulating debts as a result of poor sales, focusing on one product, one customer, or one supplier, failing to prepare the second row of leaders, and finally not reading well the market and constantly following up on its indicators. He pointed to the importance of resorting to what is known as the risk matrix, which represents a global application for diagnosing, detecting and anticipating risks before they occur, and said that it analyzes and investigates the problems that threaten the entity of the facility.

#### **3.1 The most important challenges that small project face**

- Knowing the nature, requirements and details of the activity, the technical labor characteristics, their needs, and the suppliers.
- Penetrating markets and linking with value chains, or first supply chains for specific customers in the area in which the project is located.
- Formation of good financial management for the project or establishment, and the ability to maintain regular accounting books.

All these challenges require long-term plans and an operational strategy from the start. Through project management, after benefiting from the services of new small enterprises development and support officials in various development and financing institutions; to help identify the risks and challenges of your new venture.

## Methodology

While creating risk matrix and determining the probability and impact for each risk mentioned above, we have constant fact to risk register (Low=0:0.29, Medium=0.3:0.69, High=0.7:1)

## Impact – Probability Matrix:

| Impact            | Probability                 |                            |                           |                           |
|-------------------|-----------------------------|----------------------------|---------------------------|---------------------------|
|                   | High<br>80%:100%            | Medium High<br>80%:60%     | Medium Low<br>60%:30%     | Low<br>30%:0              |
| <b>A = High</b>   | (Exposure Very High)<br>100 | (Exposure Very High)<br>80 | (Exposure High)<br>60     | (Exposure Moderate)<br>30 |
| <b>B = Medium</b> | (Exposure High)<br>50       | (Exposure Moderate)<br>40  | (Exposure Moderate)<br>30 | (Exposure Low)<br>15      |
| <b>C = Low</b>    | (Exposure Low)<br>10        | (Exposure Low)<br>8        | (Exposure Low)<br>6       | (Exposure Low)<br>3       |

## EVM calculation

| No | Risk Classification                 | Risk Probability (P) | Cost Impact (IC) | Impact                                                                                                                                                                            | Risk contingency (P*IC) |
|----|-------------------------------------|----------------------|------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------|
| 1  | Contract Expenditure is Overrunning | 60%                  | 6800 SAR         | Causes significant project spending                                                                                                                                               | 4080 SAR                |
| 2  | Resource Expenditure is Overrunning | 50%                  | 3000 SAR         | The business owner finds himself with escalating resource costs, this will force him to stop business                                                                             | 1500 SAR                |
| 3  | Risks of budget deficits            | 35%                  | 3500 SAR         | Owner will continue to spend under the original budget mandates, thereby tearing apart any potential for profit.                                                                  | 1225 SAR                |
| 4  | Job Dropout Risks                   | 40%                  | 5000 SAR         | It leads to a state of tension, and consequently, productivity and interaction between the rest of the workers decreases which all affects the quality and reputation of the shop | 2000 SAR                |

**Total EMV= 8805**

## **Result and Discussion**

The project has a large budget, and the use of the budget is important and essential to the success of the project from the beginning, but we must focus on risk management because it is the main factor in the success of the project with regard to the above mentioned weaknesses, As for cost overruns, the reason may be due to the team executing a lot of change requests, which leads to a clause in the contract that allows the supplier to charge more fees, or there are other reasons. So, the process of spending money must be arranged. The administrator should make it clear to the project team that purchase orders must go through for them to be tracked, even if they don't have the authority to sign them. As we said above, mistakes and failures must always be avoided, and this requires conducting a comprehensive research, larger analysis and other matters because if there is a perfect plan or an ideal decision, it may be decided and implemented, and then the return will be much higher than that we take a random decision that leads to disastrous consequences.

## **References**

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