



جامعة الجميع الذكية
EVERYONE'S SMART UNIVERSITY

Everyone's Smart University

Assignment 1 (Spring 2021)

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Section

**Master of Project
Management**

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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 وادارته؟

** 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.

Dr. Mosab,

Even though the assignment requirements stated not to exceed 2 pages, however, for the sake of dissecting the topic comprehensively, my answer has been expanded. If not interested in reading the complete paper, you may start reading from the risk types section.

Risk Management: Case of Saudi Aramco

Among different types of industries, the oil and gas industry is considered a volatile industry. It is inundated by several risks and regulations that may range from worker safety to environmental concern. Besides, it is designated as a capital-intensive industry due to the overwhelming amount of capital it needs compared to labor to produce results (Fabbri, 2019). Nevertheless, in such a high-cost and profitable industry, all varying risks carry elevated costs and pricy fines. In other words, an organization's financial goals are threatened to be achieved due to risks.

Therefore, Yanting & Liyun (2011) insisted that risk management is significant to identify, measure and analyze risk and on this basis to deal effectively with risk, to achieve maximum security at minimum cost. Thus, this paper sheds the light on different types of risks Saudi Aramco (SA) Oil Company may face, the magnitude and likelihood of the risks, and what strategies the company use to manage the risk.

SA Company is one of the leading companies in the oil and gas industry. Such an industry has a wide array of risks that spread across all areas of business. These can be economic, political, environmental, and operational risks (Fabbri, 2019). Other economists include other risks such as Price risks, cost risks, and supply and demand Risks. According to Shutterstock.com (2019), SA disclosed a catalog of risks, ranging from terrorism to government interference, the impact of climate change on demand, and even currency exchange difficulties. However, only four risks will be discussed.

1. Law and Regulation Risks: Compliance risk.

The abundance of such regulations in Saudi Arabia may hinder SA's business functioning for many weeks, if not months. It can be perplexing to identify the compulsory requirements and start implementing them first, instead of wasting time and resources on merely recommended suggestions. The requirements continuously change in different locations, multiplying the work required to align with them. However, with proper risk management, the probability for compliance risk to occur is low. On the other hand, non-compliance with the rules and regulations may result in high magnitude risk and impact which can be exemplified in penalties, fines, and

reputational damage which may disrupt the company's activities and operations. Nevertheless, SA followed several strategies to manage such risk which include:

- Before beginning exploration for oil and gas drilling, SA obtains a development permit, a drilling permit, and an operating permit (Investopidea, 2020).
- Complying with various standards and rules when operating in the oil and gas operations and activities (Investopidea, 2020).

2. Supply and Demand Risks: Control risk

SA's results of operations and cash flow are significantly impacted by international crude oil supply and demand and the price at which it sells crude oil. With the uncertainties of demand and supply, the lack of reliable and timely data about consumption, production and inventory levels, and the unreliability of short-term forecasts, it is difficult for SA to anticipate the direction of the market (Fattouh (2007). A disruption in a supply chain can have a significant impact on a firm's short-term performance. Its probability to occur is very high and it may hinder the company's operation and logistics. Nevertheless, SA manages the supply chain risk through:

- Identifying new suppliers and developing better sourcing strategies that focus on demand and supply issues while minimizing risk and cost (Procurement and logistics, n.d.)
- Identifying manufacturing facilities for critical materials, creating enterprise leveraging agreements, and lending subject-matter-expert consulting services to SA projects and joint ventures everywhere (Procurement and logistics, n.d).

3. Political Risk: Control Risk

SA exports a substantial portion of its crude oil and refined products to customers in Asia, and adverse economic or political developments in Asia could impact SA's results of operations (SA annual report, 2019). The

impact of this risk may be loss of production due to loss of access to the facilities, oil spills and loss of equipment, the cost of rescue of the Company staff and other costs associated with military actions. Nonetheless, SA follows an important approach in mitigating this risk includes careful analysis and building sustainable relationships with international oil and gas partners hoping to remain in business for the long run. Furthermore, SA continuously reviews and aid security in the region, review and assess exposure in high-risk regions, and Maintain relationships with government and local population.

4. Operational Risk and Hazard: Hazard risk

SA is subject to operational risks and hazards that may have a substantial impact on its operations or result in significant liabilities and costs. These risks could result in damage to or destruction of SA's properties and facilities, death or injury to people and harm to the environment, which could have a major impact on SA's operations or result in significant liabilities and remediation costs (SA annual report, 2019). Such occurrences could also interrupt SA's operations, delay its projects or damage SA's reputation, which could have a material adverse effect on its business. If SA's critical transport systems or processing facilities were subject to disruption, it could have a material adverse effect on SA's business, financial position and results of operations (Institute and Faculty of Actuaries, n.d). Hence, SA actively promotes a culture that values employee health and well-being and enforces strict safety protocols in all of its facilities and workplaces to avoid obstacles that may hinder the company's performance and productivity.

References

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