# Effective Risk Management for Small Projects

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# Small Projects Need a Risk Plan

- Large projects often get a lot of attention relative to risk management since they obviously expose the organization to significant “threat” risk.
- Depending on the organization’s risk management maturity, large projects often focus as well on “opportunity” risk.
- Small projects often are neglected relative to risk planning and implementation because:

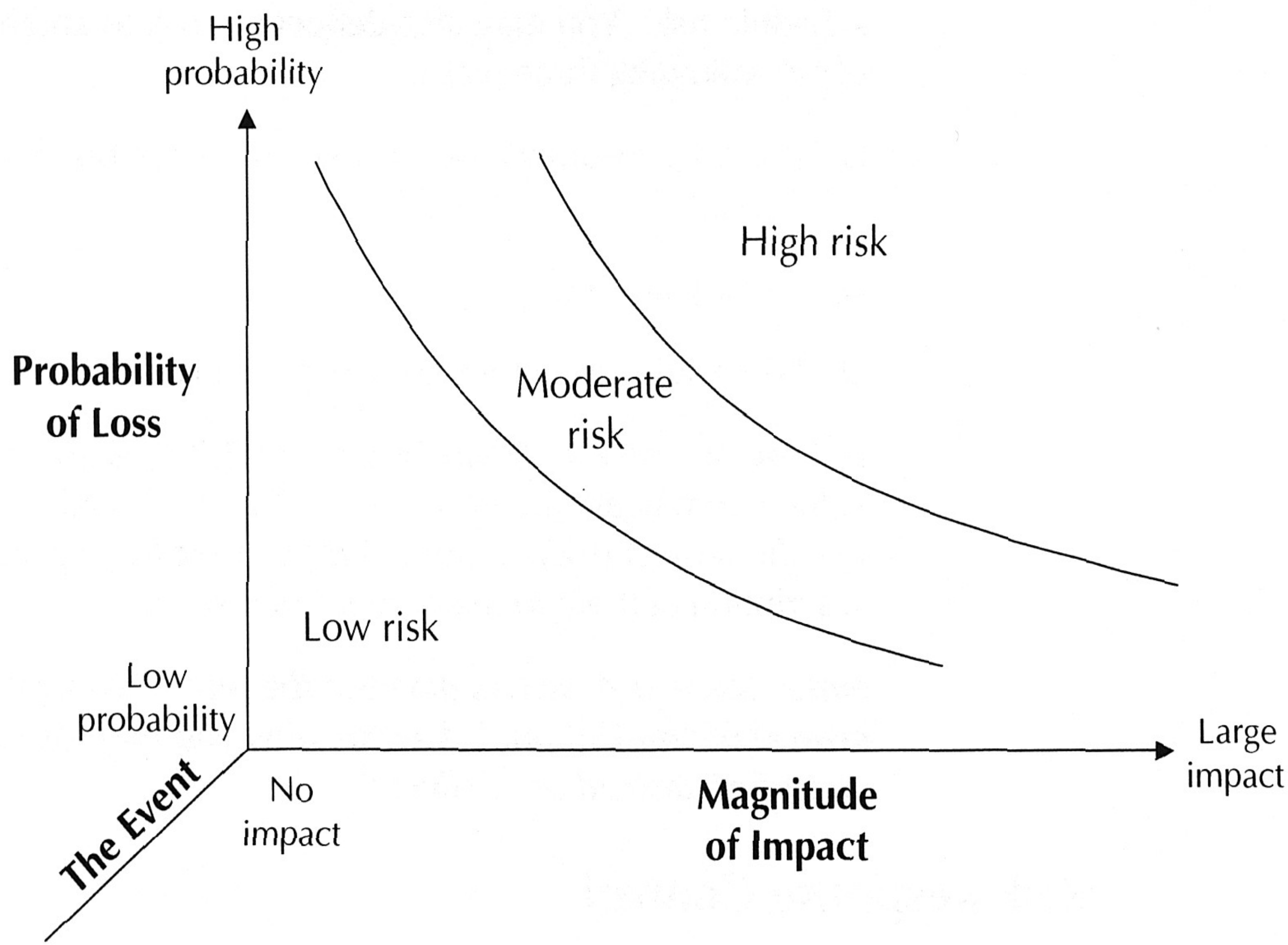
❖ No time. Let’s get started!

❖ Why bother? Threats are small because projects have a short duration and costs are relatively low.

❖ Putting together a risk plan is too complex and I really don’t know how to do it (simply).

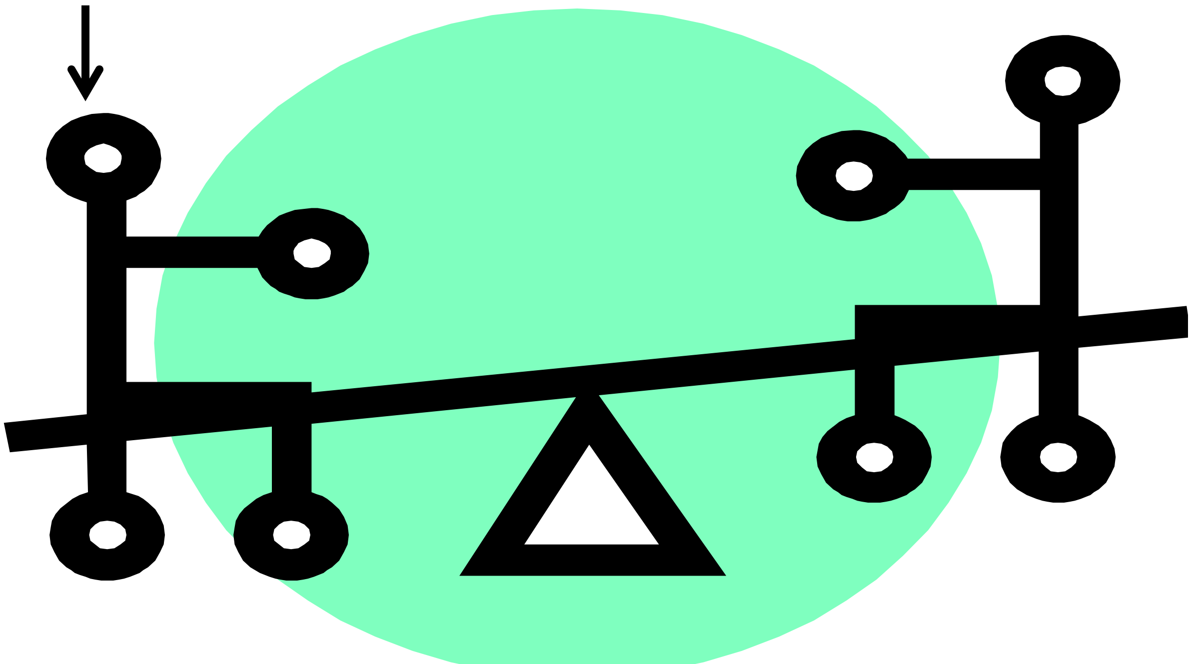
*Rather than taking the “wishing and hoping approach”, here’s a simple way to do it which is effective, low cost, and not time consuming.*

# Let's first take an overall perspective: The Impact Analysis Grid and the EpI-center of risk Recognize the "dual nature" of risk!



# Why Opportunities and Not Just Threats

THREATS

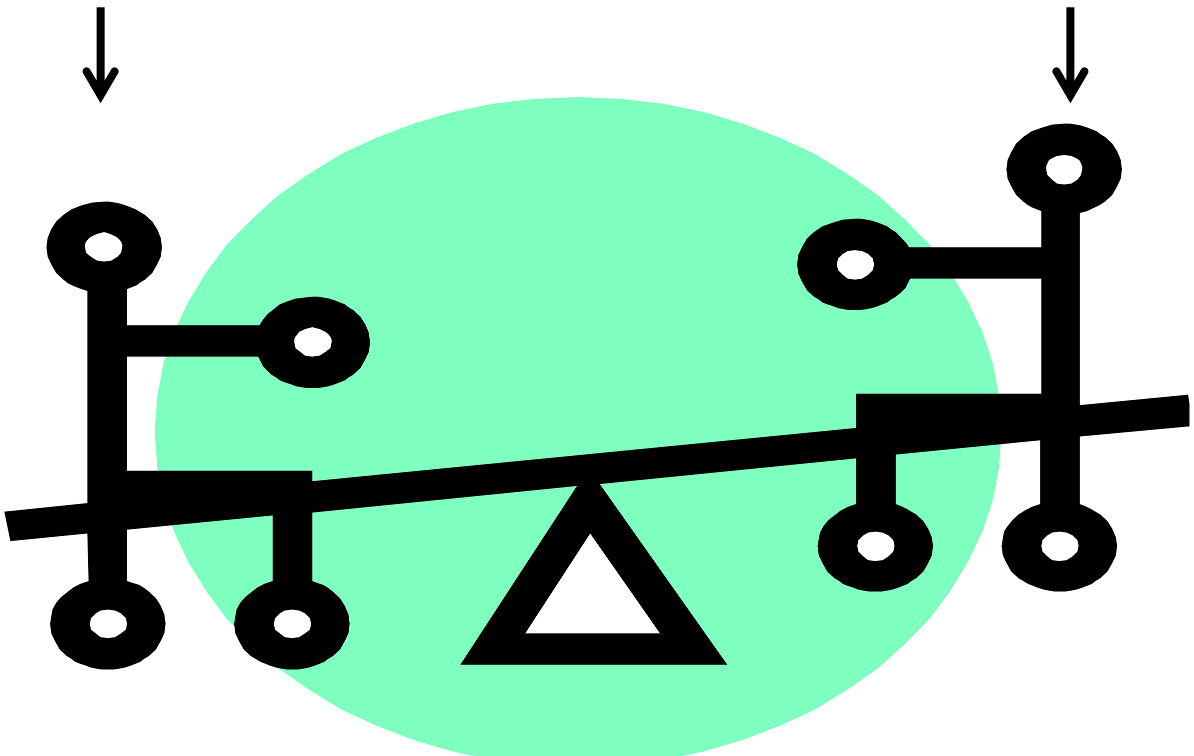


Increase costs
and/or Increase
Schedule Time

# Why Assess Opportunities and Not Just Threats?

THREATS

OPPORTUNITIES



Increase costs and/or Increase Schedule Time

OFFSET THE EFFECTS OF THREATS

# Risk Management

"…includes the processes of conducting risk management planning, identification, analysis, response planning, and controlling risk on a project"

- PMBOK ®

**What are the processes?**

Plan Risk Management

Identify Risks

Perform Qualitative Risk Analysis

Perform Quantitative Risk Analysis

Plan Risk Responses

Control Risks

***Note that the first 5 above belong to the Planning Process Group***

# First Steps: Plan Risk Management & Identify Risks

**Plan Risk Management**- Your understanding of what tools/techniques your organization uses, and your organization's risk tolerance.

Are there definitions of risk types or categories and specific definitions of *low, moderate,* and *high* probability and impact?

**Identify Risks**- Most simply done on small projects by brainstorming with the team leads and others with experience with your type of project. Remember when brainstorming, do not make judgments about the validity of the identified risk (unless it is ridiculous).

# At this point, we can begin development of the Risk Register (spreadsheet)

| Threat No. | ID'd THREAT (USE "If…then…") | PROBABILITY (1-3) | IMPACT (1-5) | Score (p X I) | Priority | RESPONSE STRATEGY | ACTUAL RESPONSE | Person Responsible |
|---|---|---|---|---|---|---|---|---|
| 1 | | | | | | | | |
| 2 | | | | | | | | |
| 3 | | | | | | | | |
| **Opportunity No.** | *(same columns used for Threats)* | | | | | | | |

# Using a Meta-Language for Identification

- Pushes the team to be specific about the event and its impact, e.g. “late equipment delivery” is not good enough.
- Sometimes when a root cause is determined (for the risk event), using the “Because of____ there is a risk that______ resulting in______ “ language is often helpful in determining the appropriate response. For example, can you eliminate the root cause?
- For opportunities, the PM as facilitator needs to push or encourage the team (and other stakeholders) to “create” opportunities.
- Why not incorporate opportunities into the base plan?

# Next Step: Assess Probability, Impact, & Priority

- Next step, after <u>everyone</u> has had a chance to identify their risks, is to move across and get a consensus (or just "vote") on *probability* and *impact*.
- Then a qualitative calculation of Expected Monetary Value (EMV = p x I) gives you the *Score*.
- The Score then provides the next column, *Priority*.
- Usually there is a natural breakpoint in the Priority, so that you deal with only the top 3, top 5, etc. threats.
- Move lower priority threats to the bottom of your spreadsheet to a *watch list.* Why watch them?

# Plan Risk Response (threats)
# Your Menu:

- **Avoid**-find another approach to get the job done, i.e. eliminate the threat.
- **Accept**-impact is such that you can accept but usually have a contingency plan (active acceptance), e.g. use cost and/or schedule contingencies.
- **Mitigate**-take action to reduce probability or impact.
- **Transfer**-shift to third party, e.g. insurance, payment/performance bonds.

# Plan Risk Response (opportunities)
# Your Menu:

- **Exploit**- make sure it does happen. Eliminate the uncertainty.
- **Accept**- realize that it may happen without being especially proactive. Note that “accept” is a strategy for both threats and opportunities.
- **Share**-both parties benefit from the event e.g. “shared savings” in a firm price or cost reimbursable incentive contract.
- **Enhance**- increase the p or I or both. An example would be adding resources to activities on the critical path to finish early i.e. work the early schedule.

# Next Step: Describe your *Actual Response*

- Important to not just describe a “category” of response but also to document specifically HOW your team will implement the response.
- Again here, as the facilitator, the project manager should encourage specificity in this column of the spreadsheet.

# Almost There: Last Step in the Planning Process

- The PM is accountable for development (and execution) of the risk plan, but not responsible for implementation of each element of the plan.
- It is therefore appropriate to assign this responsibility to particular team members, or certain other stakeholders.
- Would it ever be appropriate to assign management of a particular threat or opportunity to the customer/client?

# Control Risks

- Keep track of risks, implementing the strategy, assessing the effectiveness of the strategy, and identifying and managing new risks.
- Develop workarounds & contingency plans as part of corrective action
- Perform risk reassessment
- Update the project management plan as appropriate
- Most importantly, “keeping it alive” by ongoing review with the team, management and, as appropriate, the customer.

# Keeping It Alive/“Staying Alive”

- The payback for your investment in the risk plan is the reduction of “fire-fighting” during the project with a more proactive approach.
- With face-to-face or virtual team meetings, status work performance, schedule, and cost, AND Risk Status.

# Small Project Risk Management- A Summary

- All projects benefit from the preparation and implementation of a Risk Plan.
- For small projects, a modest time investment with the team (and others with experience), facilitated by the PM is all that is required.
- The Risk Plan gets stakeholders focused on threats & opportunities and gets them “bought into” their responsibility relative to that project’s risk.
- The ROI is large. A small time investment can pay real dividends in terms of cost and schedule impacts, and this proactive approach reduces fire-fighting during the project execution phase.

Thank you for your attention,
and successful risk management on all of your projects!

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