

Module 5: Risk Management



5-1

Instructor Notes

This module refers to pages 35-37 in the Learning Log.

Learning Objectives:

- Understand risk concepts and definitions
- Be able to identify and analyze risks, and create a risk response plan

Module 5 Timing

This module lasts for 1 hours and 35 minutes, 10:35 – 13:10, on day 2. The agenda is:

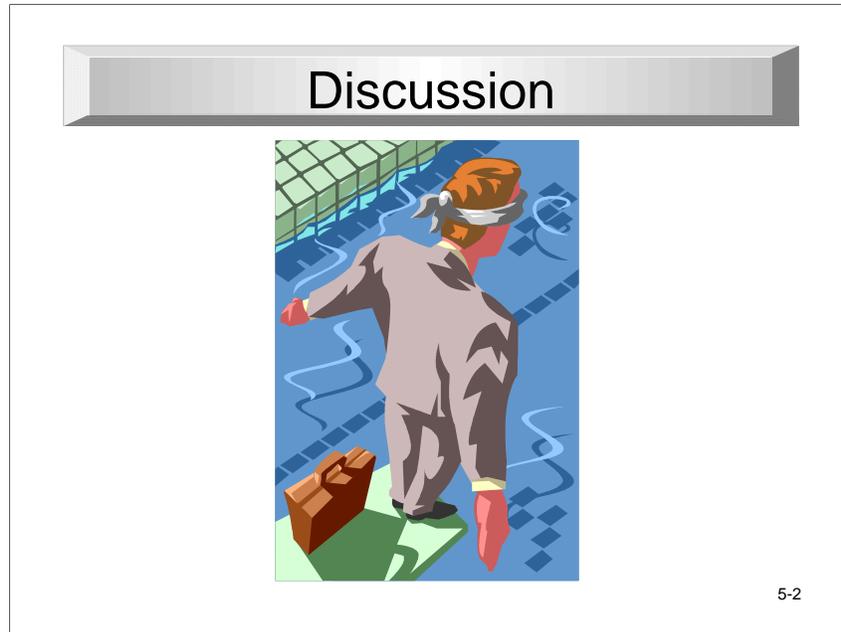
Start	End	Length	Subject
10:35	11:00	25	Discussion
11:00	11:50	50	Risk Activity
11:50	12:50	60	Lunch
12:50	13:10	20	Debrief and PM Feedback

Summary of Documents

- Case Study 5-1 The Lessons Learned in Barcelona.
- Case Study 5-2 Perry Fields memo, IBM White Paper..
- Case Study 5-3 Change of Location.
- Case Study 5-4 Offshore Contractors.
- Case Study 5-5 Perry Fields memo, Reorg. Meeting.
- Case Study 5-6 The SWATCH letter.
- Case Study 5-7
- The Risk Management Plan Template. This is a template for the students to use.
- Project Manager Feedback Form

Documents from Previous Modules That Teams Should Use

Documents in Modules 2, 3, and 4 contain more risks. Teams should review these.



The Module in the pre-class study covered:

- Defining risk management
- Discussing the reasons for risk management in project management
- Describing the risk management process, including the following steps:
 - Identification
 - Analysis
 - Response planning
 - Tracking & Control
 - Reaction

Ask the participants to define:

- Risk
- Issue
- Problem

Ask the participants to explain the different strategies for responding to risk.

Definitions Recap

Definitions:

- **Risk** – A potential event or future situation that may adversely affect the project (proactive).
- **Issue** – An event that has occurred that can not be addressed by members of the project team. (reactive)
- **Problem** – A materialized risk or issue that can be addressed by members of the project team. (reactive).



Risk Responses:

- **Transfer risk.** Using a transfer strategy, you transfer all or a portion of a risk to another party.
- **Insurance.** When you have insurance coverage, you can use it to cover the cost of a risk event.
- **Contingency.** In this strategy, you set aside funds to be used when the risk occurs or when later containment is deemed to be appropriate.
- **Mitigate.** When mitigating risk, you take specific action to minimize or avoid the occurrence and effect of a risk.

5-3

Here are some formal definitions as a reminder and some of the strategies you can employ to manage risk on your projects.

Have any of you seen these responses on your projects? Can you share that with us?

Note to trainer: Ensure that the participants understand clearly WHY risk management is important for them to understand and apply on their projects.

Possible topics to facilitate this discussion could include:

- How did the project manager go about identifying risk and what priority did they place on it?
- What effect does not identifying or planning for risks have on project cost, schedule, and requirements (scope)?
- Ask participants if they have been involved in a project where risks were not planned for, and what they learned (reference back to Day 1 where we looked at Process vs. Behavioral skills).
- As team members on projects have they ever been asked by their PM what could go wrong with the tasks they have been assigned? What did (could) that feel like? How did you respond? Point out that a great tip as a project manager, is to encourage each team member to identify at least three things that could go wrong and, then plan for them to happen.

If the project manager doesn't ask and prepare accordingly, the team members could assume that no risks exist or that they have had enough experience to handle anything that could go wrong with the task they have been assigned. What might be overlooked is that a particular team member might move on, leaving the team with someone less experienced.



One of the most important aspects of the Risk Management process is that it is a continuous process and it happens continuously throughout the entire lifecycle of your project.

One great way to continually think about risks across your project, is to use the Seven Keys as a framework to ensure you have thought about all possible areas that risks could arise – so what are the risks that might arising from my stakeholders? Are their risks associated with business benefits being realized? Are there any risks within my own team that I need to think about and plan for? And so on.

Point out that there is a difference between using the Seven Keys as a framework to assist with identification of risks on your project (as all projects have risks) and assessing the “color” of the Risk Key.



To support you in determining and developing your risk plans IBM has designed the GS Risk tool specifically for internal use - it is the standard risk management tool approved by World Wide QA/ Risk Management.

Some key points on GS Risk

Lessons learned from thousands of services projects were used to create risk assessments and provide best practices mitigation suggestions for individual risk management plans.

The tool is designed to provide thorough risk assessments while minimizing the time it takes to use by eliminating the need to key-in risk statements and containment actions. With a minimal amount of input, a risk assessment can be completed and a risk management plan can be created for your project.

GS Risk allows you to:

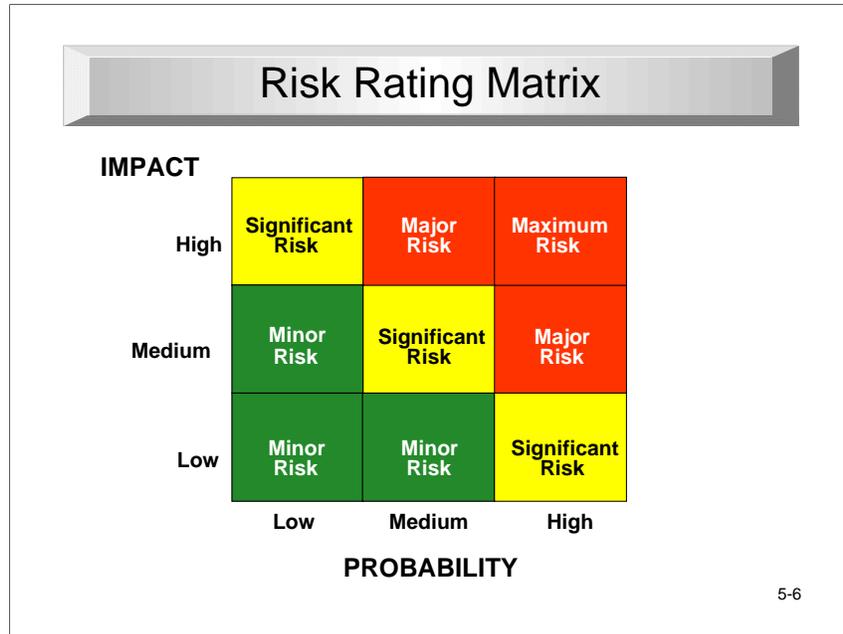
- 1) identify risks
- 2) establish a risk rating and
- 3) develop a Risk Management Plan for any proposal or any internal or external project or engagement

Its functionality includes:

- Risk Assessments to fit the type of proposal or project you are reviewing
- Multiple reviewer comparisons of assessments on the same engagement
- Prioritized list of risks by severity level
- Recommended containment actions to help mitigate the identified risks
- An easy-to-use Risk Management Plan generator
- Customized Reports
- Exports to QA Workbench and Microsoft Project Plans

GS Risk tool also includes the capability to assess project management health. The PMR Health function in GS Risk helps identify areas of project management strengths and/or concerns. In addition, the PMR function provides a project management classification of "A, B, C or D" with detailed explanations of how the classifications are assigned. An "A" project is considered a well-managed project with no significant issues. On the other hand, a "D" project indicates that there are significant issues that need to be addressed. In addition, users can use the PMR functionality to build action plans to address the areas of concern.

The tool is generally considered very intuitive to use as it provides online assistance via an "Instructions" button on the GS Risk tool bar, and a comprehensive User's Guide using the "Help" button when the application is active. A Quick Reference guide is available in the Downloads section above, to help walk you through your first assessment. Additional education is available through Learning@IBM (aka Global Campus). The course name is "Using the GS Risk Tool to Manage Project Risk - JIT" reference WW Course #PM78G or US Course #PM78D



You should remember this matrix (or something similar) in PM Orientation.

The severity of a risk event, or **risk exposure**, is determined by probability and impact components – so the X and Y axis of the matrix.

We will now use this matrix to assess the severity of some of the risks in the case study project.

Create a Risk Management Plan

Purpose: To continue the risk management process by preparing a risk management plan

Process:

1. Read handouts and identify 4-5 risks.
2. Analyze probability and impact for each risk.
3. Use the risk matrix to identify the top 3 risks
4. Develop a Risk Response Plan for the top 3 risks
5. Add your Risk Actions (tasks) to your WBS using yellow "sticky note"



Participation: Teams led by Project Manager

Product: Completed Risk Template for top 3 risks
Be prepared to present using flipcharts and "sticky notes"

5-7

Set-up Activity

Remind teams:

- That they are using a February date as today's date in this exercise
- To view risk from the perspective of the role they are each playing
- To focus on the process of developing the risk plan rather than getting into all the detail of the case study

Note to trainers: The next slide shows the risk management plan template – take a few moments to briefly talk through it with the participants and then return to this slide so they have the complete Activity steps available throughout the exercise.

Monitor Activity

Give them space but monitor each team. If teams are struggling, provide assistance. Don't let them flounder too long.

Team presentations

Ask one team to present their risks and responses. If during a team's presentation you notice a long list of risks, ask the team to talk about the top 3 risks. Ask each other table for additional comments or risks/responses that differ significantly.

Point out to teams that they should *not* focus on the outcome or impact of an event, but instead on the risk event itself. For example, a schedule slip is not a risk event; it is the outcome or impact of a risk event. A cost overrun is not a risk event; it is the outcome of a risk event.

Teams often fail to include response strategies in their plans *and* to add that action to their WBS.

Risk Management Plan

Use the sample template for the Risks associated with your deliverables

WBS # or RIN #	Risk Name	Probability	Impact	Severity aka Exposure	Rank (sort)	Risk Response Plan
		HM or L	HM or L	HM or L	1	Task/Action

Identify risks – think of the 7 Keys

Analyze: Determine Probability, Impact and Severity for each risk, then Rank them.

After Ranking, develop an appropriate Task Action for the top 3 risks

The documents you have been given (and from previous Modules) contain a large number of risk items.

You will need to figure out how to avoid being bogged down by the number and, often, the pettiness of some potential risks – this is often a reality on projects too!

You can do this by prioritizing the risks using a risk impact and probability table something like this one.

Risks are Being Mitigated



Risks are being mitigated

Healthy Signs	Unhealthy Signs
<ul style="list-style-type: none">• Documented plan• Test-it-first tactics• Regular and systematic probing for risks• Risk and issue follow-up is taken seriously	<ul style="list-style-type: none">• “What risks?”• All-or-nothing tactics

1. Risk management plan is fully implemented, maintained, and supported.
2. Risks are proactively sought in meetings and discussions and are dutifully identified, documented, and assigned for follow-up.
3. Risk tracking and reporting are timely.
4. Mitigations are effective.

5-9

The Risk Key is about determining if a risk management plan exists, if the plan has been communicated to team members, and if it is being actively used. You should remember from your pre-class work that some of the criteria for assessing the Risks are Being Mitigated key include:

- The risk management plan is fully implemented, maintained, and supported.
- Risks are appropriately sought in meetings and discussions are dutifully identified.
- Risk tracking and reporting are timely.
- Mitigations are effective.

So the Risk Key is about whether the risk management is working properly. While other keys could be red, this key could still be green because risk management is working as it should be working. Likewise, all other keys could be green and this key could be red if this is the only key needing corrective action.

Seven Keys Assessment

Purpose: Practice reviewing the health of the project using the Seven Keys

Process: See the diagram.
 - Record status
 - Think about issues & actions

Participation: Teams led by Project Manager

Product: Status, issues, and actions for Risk, Scope, Stakeholders, Business Benefits, and Team

Time allowed 5 Minutes

Seven Keys Assessment Worksheet

■ Red - Urgent - corrective action required immediately
■ Yellow - Warning - corrective action required in the near term
■ Green - Stay the Course - no corrective action required.

Project Name	Initiator Name	Date	Initiator
Key and Criteria	Noted Issues	Health Up/Down	Proposed Actions
Stakeholders are Committed	>	Red Yellow Green	>
Business Benefits are Being Realized	>	Red Yellow Green	>
Work and Schedule are Predictable	>	Red Yellow Green	>
Scope is Realistic and Managed	>	Red Yellow Green	>
Team is High Performing	>	Red Yellow Green	>
Risks are Being Mitigated	>	Red Yellow Green	>
Delivery Organization Benefits are Being Realized	>	Red Yellow Green	>

5-10

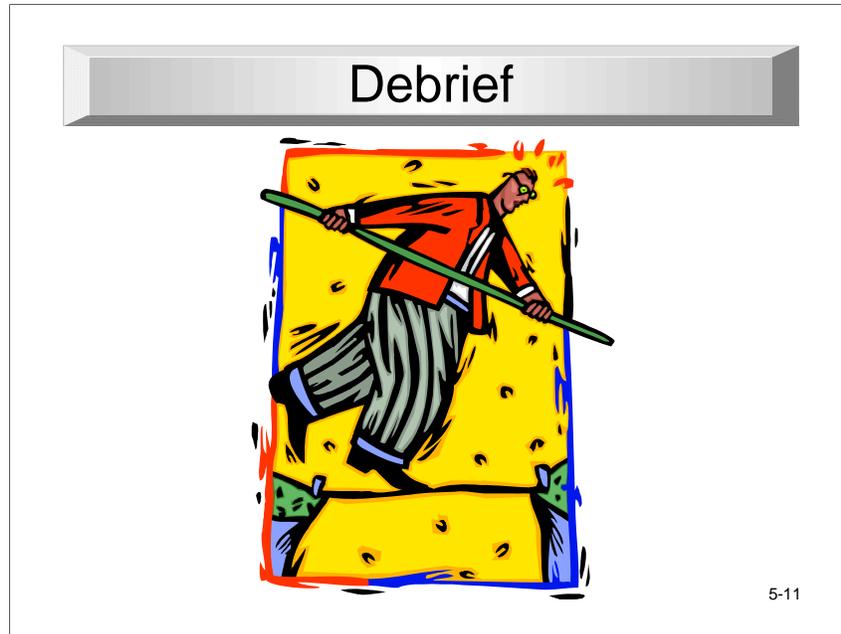
There should already be a flip chart for each team capturing the health of the project from the previous module. Get the teams to update the flip for Module 4 based on their current knowledge of the Case Study project.

Get the teams to think about:

- The status (Green, Amber, Red)
- The issues behind any Yellow or Red keys
- What actions they could propose to resolve the issues

Ask one team to present back and then invite other groups to contribute if they have any major differences. Make a note of which team has presented back since another team should present back in the next module.

Pay particular attention to the Risk, Scope, Stakeholders, Business Benefits and Team keys since these are the main ones being addressed in this module.



Debrief Activity

Once all the teams have shared something on the content, conduct a debrief.

Explore did they do

- What method, such as brainstorming, nominal group technique, or previous projects, did you use to identify risk?

Explore what the participants learned

- What worked well?
- What are the “Even Better Ifs”?
- What could have contributed to that? (cause and effect)
- What key things did you learn from this exercise?
- What advice would you give someone about to start this exercise?

Explore how the participants can apply the learning

Now that you have completed a risk plans consider the following:

- How often should you update your risk management plan?
- Who should be involved?
- How should you communicate the plan to your project team?
- What will you do differently when you go back to your project?

Remind teams that this is the first, not the final, version of their risk plans.

PM Feedback

After the case study exercise:

- The PM describes what went well
 - The team describes what went well
 - The PM describes what could have been better
 - The team describes what could have been better
 - Hand the feedback forms to the PM
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- After providing the PM feedback. Document your lessons learned in the Learning Log.
 - This should include any changes that you plan to make to your work as a result of this exercise.



5-12

After teams have presented their results, give them a few minutes to provide feedback to the participant playing the PM for the activity.