

Project risk management business plan examples

[Business](#), [Risk Management](#)



Question 1

I have been mandated the task of managing a construction for a non-profit organization. The construction involves building of a 6, 000 square foot office and an attached 20 residential hotel-like rooms for its beneficiaries. The budget for the project is tight, and the NGO requires to have the facility ready in the shortest time possible. The project is in the planning stage, and there is the availability of funds and some requirement documents. In this report, an analysis of how risk management is undertaken. The report will detail the application of risk management, the most important considerations with respect to the project, the model of risk management applied and the concurrent steps, and a risk breakdown structure of the project. Also, the risk identification tools to be applied in the project is mentioned and the reasons behind it. The second part of the report details the operational risk management and disasters. Here, the report will document some of the disasters/risk management failures that are likely to occur and relation to their occurrence in a specific disaster. Finally, the last part of the report will describe the main sources of the project scope, schedule and resource risks.

Project Management Risks

Risks management is one of the nine factual sectors proliferated by the Project Management Institute. Risk management in the construction industry is key to the completion of projects in a timely and cost-effective way. Prior to the economic meltdown of 2009, the construction industry was fairly stable. However, the post-recession construction industry has drastically

changed with companies closing operations, rising unemployment, and postponement and cancelation of projects. This is where risk management comes in. It is a systematic and comprehensive way of identifying, analyzing and responding to risks to achieve the project aims. Risk management is beneficial because it aids in the identification and analysis of risks facing a project to improve the construction project and utilize the resources in a sound manner.

Determining risks in a project is one of the most difficult aspects of a project. In this project, risk management will be approached by considering some of the risk processes that are applicable. For example, the project will commence with risk management planning. This is where a plan is incepted on how to identify and manage risk. Risk identification is then done. Here, the risks that are probable in the project are determined, and their sources known. The subsequent steps include risk qualitative and quantitative analysis. The risks are documented, and their magnitude known to establish the best way to mitigate them. The final steps will include risk response planning and risk monitoring and control. Here, the processes that are engaged in responding to risks and mitigation techniques are laid out sufficiently.

Risks management considerations for a construction project

Among the most important considerations in project risk management include communication, winding down and conservation practices and restarting operations. There may reach a time where the project may enter a standstill. Financial difficulties might emerge and, as a result, cost saving techniques should be applied. However, as financial [problems emerge, the

temptation to lower skilled labor qualifications or reduce site safety protocols may be overwhelming. Such actions may quickly transform a well-running project into a severely distressed project. Other cost saving considerations that may be taken by the project owner and managers include reducing overall management oversight at the construction site. The consequence of this action is personnel safety issues or property risk exposure that may affect its quality in the long run.

Another prime consideration in risk management is communication.

Proactive communication among project owners, project contractors, facility engineers, purchasing and supplies and insurance providers is key in cases where the project may grind to a standstill. Communication is key to satisfying contractual obligations contained in construction programs with respect to cessation and continuation of work at a project site.

In the event that a project goes to a standstill, the loss prevention efforts that are undertaken during the standstill to maintain equipment and worksite will help facilitate the resumption of operations. There should be a well-documented and functioning standstill protocol together with a comprehensive record of site operations, building and equipment preservation techniques and incident details to be referred to while resuming operations.

Steps of Project management using the PMP model

The general steps to risk management include risk identification, quantitative and qualitative analysis, risk response planning and risk monitoring and control. Risk management planning should be the foremost

in the project because it will affect other aspects of the project such as scope, resources, time, quality and procurement.

The plan risk management process comprises of six inputs that include:

Project scope statement – the scope of the project will reflect the type and amount of risk to be anticipated; therefore the scope statement concisely provide the definition of the risk zones

Cost management plan – The budgetary allocation to the project, the spending plan, advance and subsequent payments and other cost matters will touch on key risk areas and is, therefore, an essential ingredient

Schedule management plan – The plan of operations and their timing including internal and external aspects will help enumerate some risks

Communication plan – Comprise of information on all the stakeholders and particular concerns for specific risks

Environmental issues – This project might have some environmental impacts that need to be sought out with law enforcement agencies or regulators

Organizational process assets – This comprises of the processes, procedures and corporate information regarding aspects learned from previous projects or tools and templates to be utilized to manage risks in this project

The output from the plan risk management will comprise of the risk management plan of how the five risk areas identified will be managed. An essential consideration is the risk tolerance limit or the risk appetite of the organization. The risk that the company anticipates and terms it allowable in the execution of the construction project is referred as the risk appetite . The

risk management plan will describe how the risks will be managed, who will be responsible for risk activities, the duration, work and effort reserved for risk activities and the communication of the risks to all the project parties. The main tool that will be utilized for managing risks in this project is planning meetings and analysis. This is the risk workshop that is conducted for all the stakeholders to the project to establish overall risk levels and the tolerable levels. The meeting will serve to brainstorm some of the likely risks and establish the best approach to mitigating the risk and bring the project to completion without adverse effects.

Risk Breakdown Structure

A risk breakdown structure is a form of a risk management plan that describes how all the risks will be grouped and risk processes applied. It is a hierarchical diagram that breaks down the different categories of risks into smaller details. With respect to this construction project, the risk breakdown structure is as shown below:

Question 2

Operational Risk Management and Disasters

Risk management is subject to the context of the risk niche. A disaster risk specialist is obligated to look at the hazards that could result in catastrophic impacts. This may include earthquakes, explosions, terrorist activities and floods. The causes of these disasters are natural and manmade. For instance, earthquakes and floods are beyond the control of man and its impacts can only be mitigated by the proper design of infrastructures.

Terrorist activities and explosions are a result of mankind activities and can

be totally prevented from happening.

Operational risks differ from disasters because they are as a result of organizations activities. In the context of this project, operational risks can be as a result of crane failures, occupational injury, ergonomics or conveyor belt malfunctions. Their impacts are subject to the safety measures put in place to safeguard such occurrences. Operational risk is caused by a company's business functions, its people, systems, or processes through which a company operates. The risks extent to include such categories as fraud risks, legal risks, environmental and physical risks. Operational risks can result in disaster risks. There are case examples of operational activities in an organization that resulted to disasters and loss of human life and property and degradation of the environment. 2010, BP oil spill in the Gulf of Mexico is an example. The spill occurring in 2010 was as a result of risk management failures on the part of B. P L. C., Transocean Ltd and Halliburton Co., the cement specialist. The operational failures of all the three companies lead to an explosion that claimed the lives of 11 men and injured 17 others. The accident was termed as the largest accidental marine accident in the history of the petroleum industry and resulted in environmental impacts that are still felt today.

Question 3

Main sources of main sources of project scope, schedule, and resource risks
It has been said that project well began is like a half completed. Although beginning a project well will not mean completing half of it, poor commencement of projects leads to disappointments. A lot of projects risks can be unearthed during the commencement stage. This is the earliest

stages of the project when defining the scope of the project.

There are risks associated with the triple project management constraints of scope, schedule and resources. Scope risks come first among the three.

Scope risks account for half of the total impacts and the two broad categories of scope risks relate to changes and defects. The most outstanding cause of scope risks is poorly managed change that translates to scope creep. While some of the risks situations, especially in the category of defects are legitimately considered as unknown risks, there are a few common problems that could have been identified in advance through better definition of deliverables and a more elaborate work breakdown structure. Change risks are the most elaborate in the scope risks and are categorized as scope creep, gaps and scope dependencies. Scope creep is the most serious cause with nearly all the incidents in construction industry demanding unanticipated additional investments of time and money. Other changes are a result of the shift in the specifications to those above and beyond the stated project objectives. Perhaps, in most instances, the changes represent good business decisions but render the project unattainable with the current resources and time, requiring an extension. The project would have been shorter, less expensive and easier to run if the definitions would have been arrived at earlier.

Resource risks represent less than a third of the data in PERIL database. The resources are categorized as people, outsourcing, and money. People risks originate from the project team and may involve the use of unqualified personnel in the project, or understaffing. Outsourcing risks are a result of the use of personnel and services outside the project team to conduct critical

activities in the project. The third category is money and represents such an anomaly in the records of project risks. Money is the key factor that is usually cited in people and outsourcing risks. The effect of insufficient funds is detrimental to many aspects of the project. The single most cause of risks with respect to resources is the delay in outsourced work. People risks are associated with the availability of people and may apply to any of the category of people leaving a project permanently, people leaving a project temporarily, staff entering the project late and queuing issues involving people not committed to the project. The scarcity of certain skills in the project is also an issue. For example, the absence of structural engineers in the commencement of the project will delay it considerably. If there are conflict related to people, it introduces another risk. For instance, where two simultaneous projects have the same objective, and each interfered with the continuation of the other, there could be conflicting and subsequent delay. Low motivation may also contribute to delay risks, especially for long activities. Failing morale is a risk that affect projects executed for long periods.

Schedule risks are common in construction projects and result from delays, dependencies, and estimations. Delays occur when any information, material or part required for a project deliverable are delayed. Delivery and availability issues are the root causes of delay. The issues of logistics, international shipping, paperwork and other concepts may delay the arrival of some parts required for execution of an activity. The delay also applies to defective material that need to be replaced and the slow decision-making processes that accompany them.

Dependency is another source of scheduling risks. Dependency risks from other projects are the most apparent with an average wait time of five weeks. Some small projects in a large project interact and link with one another while feeding information and deliverables to each other that satisfy well-defined specifications. This is a scope risk exposure, and because each project within must synchronize with others, the timing of schedules becomes a complex activity.

Finally, there is the problem of estimation. This is prevalent in technical and construction projects. People in the technical industry are well aware how incorrect their estimates are. The estimation problems revolve around learning curve issues when new technology or people are involved. Risks also emerge when the estimates are poor, and the cause was external to the project.

Works Cited

Kendrick, Tom. Identifying and Managing Project Risk: Essential Tools for Failure-Proofing Your Project. AMACOM, 2009.