Project Management Fundamentals

Identifying & Managing Risk

PROJECTinsight
Project & Portfolio Management Software
Initiate Project Intelligence®
Things to Know...

- All participants will be on mute

- Questions are welcome
  - Please use the questions box to ask questions
  - The moderator will select questions
  - All questions will be answered today or by email at info@projectinsight.net

- Webinar recording available in the PI Community
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Training in project management,

PMP® and CAPM® certification, leadership,
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Project Management Institute

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Poll: Who Is on the Call?

Are you:

- A Project Manager without your PMP certification?
- A PMP or non-PMP looking to get into project management?
- A PMP in the role of a Project Manager?
- A program manager?
- Just looking for ways to use Project Insight more effectively?

PROJECTiInsight
Initiate Project Intelligence®
Goals of the Fundamentals Series

- Deepen your understanding of fundamental project management concepts
- Identify tools and techniques that can be implemented to manage projects more effectively
- Discover practical applications for your existing projects
- Use project management software more effectively

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Objectives of this webinar

At the end of this webinar, you will be able to:

- Describe techniques to Identify
- Prioritize risks
- Use a risk register to document risk planning and control
- Define best practices to implement within Project Insight
Poll: Let’s Take a Survey

How do YOU manage risk?

- Formal planning process
- Informal process
- Quick review of prior projects
- Are you kidding? Who’s got the time to plan for risk?
Risk Management Overview

- Purpose of risk management
  - Maximize positive risk events
  - Minimize negative risk events

- Difference from other PMBOK® Guide Knowledge Areas
  - Managing risk is part of EVERYTHING a project manager does
  - The outputs of other processes could result in a new risk
  - Managing risk well can improve your chances of success
What’s New in Risk Management?

- **Risk appetite**
  - Degree of uncertainty an entity is willing to take on in anticipation of a reward

- **Risk tolerance**
  - Degree, amount, or volume of risk that an organization or individual will withstand

- **Risk threshold**
  - Measures along the level of uncertainty or the level of impact at which a stakeholder may have a specific interest
  - Accept risk vs. won’t tolerate
Question for YOU

- Do you know your own appetite for risk?
- What is your organization’s tolerance for risk: high, medium or low?

Please submit your ideas through the question box

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## Risk vs. Issue

<table>
<thead>
<tr>
<th><strong>Risk</strong></th>
<th><strong>Issue</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>An uncertain event or issue that, if it occurs, has a <em>positive</em> or <em>negative</em> effect on a project’s objectives</td>
<td>A point or matter in question or in dispute, or a point or a matter that is not settled and is under discussion</td>
</tr>
<tr>
<td></td>
<td>A planned or unplanned risk that <em>HAS</em> occurred</td>
</tr>
</tbody>
</table>

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Identifying Risks

- Tools and techniques to identify risks
  - Document reviews
  - Brainstorming
  - Interviewing
  - Root cause analysis
Question for YOU

How do you identify risks in your projects?

Do you identify positive risks?

Please submit your ideas through the question box

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Busy Foods Inc. – Our Case Study

Customer Needs

Busy Foods, Inc.

Organizational Needs

Project Charter

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Factors Affecting Busy Foods Inc.

Overview
• BUSY FOODS services over 200 clients world-wide.
• Most of BUSY FOOD’S clients are large restaurant venues who can serve thousands in a single day.

Situation
• In recent years, long-term clients have started to leave for a competitor who promises overnight delivery of restaurant equipment without a minimum order.

Goal
• BUSY FOODS would like to improve their distribution process to match the competition.
Deliverable

Improve the time from order intake to shipping restaurant equipment) to less than 8 hours

Deliverable

Develop and launch a marketing campaign to clients to educate them on the new equipment shipping process

Deliverable

Train all internal staff affected by the new business process
## Busy Foods’ Project Schedule

### Table:

<table>
<thead>
<tr>
<th>Name</th>
<th>Duration</th>
<th>Hours</th>
<th>Start Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Distribution Process Improvement</td>
<td>218d</td>
<td>721.00</td>
<td>Fri 11/2/13 8 AM</td>
</tr>
<tr>
<td>Project Kick-off</td>
<td>1d</td>
<td>5.00</td>
<td>Fri 1/18/13 8 AM</td>
</tr>
<tr>
<td>Analyze current business process</td>
<td>10d</td>
<td>120.00</td>
<td>Mon 1/21/13 8 AM</td>
</tr>
<tr>
<td>Marketing Plan</td>
<td>5d</td>
<td>20.00</td>
<td>Fri 11/2/13 8 AM</td>
</tr>
<tr>
<td>Create Marketing Message</td>
<td>8d</td>
<td>30.00</td>
<td>Thu 2/7/13 8 AM</td>
</tr>
<tr>
<td>Determine areas for improvement</td>
<td>5d</td>
<td>30.00</td>
<td>Tue 1/22/13 8 AM</td>
</tr>
<tr>
<td>Review improvement opportunities with Management</td>
<td>2d</td>
<td>10.00</td>
<td>Tue 1/29/13 8 AM</td>
</tr>
<tr>
<td>Approval on Improvements</td>
<td>1d</td>
<td>2.00</td>
<td>Thu 1/31/13 8 AM</td>
</tr>
<tr>
<td>Design training materials</td>
<td>8d</td>
<td>10.00</td>
<td>Fri 2/1/13 8 AM</td>
</tr>
<tr>
<td>Deliver training to staff</td>
<td>5d</td>
<td>10.00</td>
<td>Wed 2/13/13 8 AM</td>
</tr>
<tr>
<td>Deliver marketing message through several modes</td>
<td>10d</td>
<td>100.00</td>
<td>Tue 2/19/13 8 AM</td>
</tr>
<tr>
<td>Implement improvements</td>
<td>25d</td>
<td>250.00</td>
<td>Fri 2/1/13 8 AM</td>
</tr>
</tbody>
</table>

### Diagram:

[Gantt Chart of Busy Foods’ Project Schedule]
Question for YOU

What are some risk events that might relate to training the internal staff in the Busy Foods case study?

Positive risks?

Please submit your ideas through the question box

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Assessing Risks

- Qualitative assessment
  - Prioritize risk events
  - Primarily subjective

- Quantitative assessment
  - Determine affect in monetary terms
  - Usually requires some form of statistical analysis

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Sample 5x5 Probability & Impact Matrix

<table>
<thead>
<tr>
<th>Probability</th>
<th>Risk Score = P x I</th>
</tr>
</thead>
<tbody>
<tr>
<td>5</td>
<td>5  10  15  20  25</td>
</tr>
<tr>
<td>4</td>
<td>4  8   12  16  20</td>
</tr>
<tr>
<td>3</td>
<td>3  6   9   12  15</td>
</tr>
<tr>
<td>2</td>
<td>2  4   6   8   10</td>
</tr>
<tr>
<td>1</td>
<td>1  2   3   4   5</td>
</tr>
<tr>
<td>1</td>
<td>1  2   3   4   5</td>
</tr>
</tbody>
</table>

Impact (Ratio Scale)

HIGH
MED
LOW

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<table>
<thead>
<tr>
<th>Probability</th>
<th>Impact</th>
</tr>
</thead>
<tbody>
<tr>
<td>L</td>
<td>L</td>
</tr>
<tr>
<td>M</td>
<td>M</td>
</tr>
<tr>
<td>H</td>
<td>H</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Med/Med</td>
</tr>
<tr>
<td>Risk Event</td>
<td>Probability</td>
</tr>
<tr>
<td>---------------------------------------------------------------------------</td>
<td>-------------</td>
</tr>
<tr>
<td>If the shipping time cannot be reduced from 3 days to 8 hours, then Busy Foods may lose more clients.</td>
<td>5</td>
</tr>
<tr>
<td>With over 300 employees to train, who are located across the country, it is critical to have training materials completed on time.</td>
<td>3</td>
</tr>
<tr>
<td>If the rate of customer loss increases, the project team may not have the luxury of having 6 months after implementation to see project results.</td>
<td>4</td>
</tr>
</tbody>
</table>
## Risk Register Example

<table>
<thead>
<tr>
<th>ID #</th>
<th>Risk Event</th>
<th>Risk Owner</th>
<th>Major Impact Area</th>
<th>Probability</th>
<th>Impact</th>
<th>Risk Response</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>What is it?</td>
<td>Who will manage the risk?</td>
<td>What will be affected on the project? (scope, budget, schedule, quality, resources, etc.)</td>
<td>What is the likelihood? (high, med, low, OR numeric values OR percentages)</td>
<td>What are the consequences, outcomes, or results? (high, med, low, OR numeric values OR dollar values)</td>
<td>What will you do about it?</td>
</tr>
<tr>
<td></td>
<td>Example: Lose writer of training materials</td>
<td>Example: Training coordinator</td>
<td>Example: Schedule may be delayed</td>
<td>Example: Low probability</td>
<td>Example: Medium impact; Increased cost to hire new writer and expedite; 1 – 2 week delay</td>
<td>Example: Identify backup writer within company</td>
</tr>
</tbody>
</table>
Link to Project Insight

Add delivery of marketing messages throughout development

Validate potential performance throughout the project

What about training? How should that be addressed?
Recording Risks in Project Insight

Validate potential performance throughout the project.

- Determine areas for improvement
- Review improvement opportunities with Management
- Approval on Improvements
- Design training materials
- Deliver training to staff
- Deliver marketing message through several modes
- Implement improvements
- Validate Improvement 1
- Validate Improvement 2
- Test improvements as a prototype
- Approve improvements

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**Recording Risks – Training Budget**

### Design training materials

<table>
<thead>
<tr>
<th>Start Date</th>
<th>End Date</th>
<th>Assigned To</th>
<th>Additional Resources</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fri 2/1/13 8 AM</td>
<td>Tue 2/12/13 5 PM</td>
<td>QA Unassigned</td>
<td></td>
</tr>
</tbody>
</table>

**Duration:** 8d  
**Work Hours:** 10.00

**Percent Complete:** 0.00%

### Resource: QA Unassigned

| Resource: QA Unassigned | Work: 10.00 | % Alloc: 15.62% | Work Comp.: 0.00 | Actual Hours: 0.00 | Billable Hours: 10.00 | Burden: $50.00 | Billed: $50.00 |

### Description

- **COMMENTS**

  - **Diane Altman**: With over 300 employees to train, who are located across the country, it is critical to have training materials completed on time.
  - **Risk Avoidance**: RESOURCE DEDICATED  
  - **All Overtime will be approved**
Issues Log

When do you record Issues?

- When risks are triggered
- When situations occur that need discussion
- When situations occur that could impact the outcome of the project
- Others?
Question for YOU

How do you record issues?

Please submit your ideas through the question box

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Benefits of Recording Issues

- Link the Issue to the task
- Improve awareness for the team
- Make readily available to the person performing the work
- Create another task to address the issue
- Provide documentation to help plan future projects
- Communicate!
### Issues Log

<table>
<thead>
<tr>
<th>Issue</th>
<th>Status</th>
<th>Date Recorded</th>
<th>Owner</th>
<th>Work Package</th>
<th>Target Date for Resolution</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
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</tr>
<tr>
<td>-----------------------------------------------------------------------------------------------------------------------------------------------</td>
<td>-----------------------------------------------------------------------</td>
<td>---------------</td>
<td>----------</td>
<td>-------------------------------------------</td>
<td>-----------------------------</td>
</tr>
<tr>
<td>The training material writer was called away for a personal family emergency, impacting the delivery date of materials</td>
<td>Resolved – New resource found</td>
<td>Jan 30, 2009</td>
<td>Sue</td>
<td>Design Training Materials</td>
<td>Feb 1, 2009</td>
</tr>
<tr>
<td>A current shipping process has been identified that is required by law to complete. It currently takes a minimum of 3 hours to complete. The team needs the legal department to evaluate.</td>
<td>Resolved – Workaround found that allows process to be completed within an hour.</td>
<td>Jan 18, 2009</td>
<td>Bob</td>
<td>Determine areas for improvement</td>
<td>Jan 20, 2009</td>
</tr>
<tr>
<td>Approval on improvements has not been completed. Sr. Manager has been on vacation for the past week.</td>
<td>Open</td>
<td>Jan 27, 2009</td>
<td>Mary</td>
<td>Approval on Improvements</td>
<td></td>
</tr>
</tbody>
</table>
Recording Issues in Project Insight

The training material writer was called away for a personal family emergency, impacting the delivery date of materials.

Type: No Selection
Priority: No Selection
Status Type: No Selection
Found Date: 9/8/2009
Assigned To: No Selection
Resolution Project and/or Task: Restaurant Distribution Improvement Project

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## Risk Management Strategies

<table>
<thead>
<tr>
<th>Negative Risks</th>
<th>Generic Strategy</th>
<th>Positive Risks</th>
</tr>
</thead>
<tbody>
<tr>
<td>Avoid</td>
<td>Eliminate uncertainty</td>
<td>Exploit</td>
</tr>
<tr>
<td>Transfer</td>
<td>Allocate ownership</td>
<td>Share</td>
</tr>
<tr>
<td>Mitigate</td>
<td>Modify exposure</td>
<td>Enhance</td>
</tr>
<tr>
<td>Accept</td>
<td>Include in baseline</td>
<td>Accept</td>
</tr>
</tbody>
</table>
Sample Question

Question

You are the project manager for a construction company in Florida. Your project is scheduled to put in the foundation during the month of August. Completing the project before the end of the year is critical. What would be most helpful in identifying risks to the schedule?

Answers

A. Cost estimate, schedule, qualitative analysis
B. Stakeholder analysis, project budget, WBS
C. Network diagram, milestone schedule, detailed requirements
D. Schedule performance baseline, risk register, quality plan

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Sample Question

Your software project is about halfway complete and your senior business analyst tells you there is a problem with the database design. The database will have to be redesigned to ensure that the system can meet some critical business requirements. What should you do next?

**Question**

**Answers**

A. Review your risk management plan to determine what strategy to use.

B. Review the risk register to see if a response was identified.

C. Assess the issue to determine the impact on the project.

D. Begin developing a workaround.
Review of Objectives

- Identify and prioritize risks
- Differentiate between risks and issues on a project
- Discuss strategies to manage risks

Questions and answers???
Goals of the Fundamentals Series

- Deepen your understanding of fundamental project management concepts
- Identify tools and techniques that can be implemented to manage projects more effectively
- Discover practical applications for your existing projects
- Use project management software more effectively
Books for Credentials

- Achieve PMP® Exam Success
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is now available online!

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- Find tips and techniques to help you gain control of projects
- Learn about more complex topics in project management
- Discover concepts, tools and ways to better manage projects

http://www.coreperformanceconcepts.com/tools.html

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2013 Fundamentals Webinar Series

- The 2nd Wednesday of Every Month - 8:00am PT

- Topics
  - Jan 9 – Estimating Time
  - Feb 13 – Estimating Cost
  - Mar 13 – Get to Know the *PMBOK® Guide 5th Edition* (NEW!)
  - April 10 – Identifying and Assessing Project Risk
  - May 8 – Meeting Effectiveness
  - June 12 – Agile PM: What It Is and What It Isn’t
  - July 10 – A New Focus on Stakeholders
  - Aug 14 – Avoiding Communication Pitfalls
  - Sept 11 – Mastering Business Networking
  - Oct 9 – Delivering Quality in Projects
  - Nov 13 – Earned Value Basics
  - Dec 11 – The Global Challenge in Projects

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- Knowledge Areas: Integration, Scope, Time, Cost, Risk
- Process Groups: Planning, Executing, Monitoring and Controlling
- Enter the information provided on your proof of attendance
- Click continue

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