**Project Risk Management**

**(Project Name)**

Student Name

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Date

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# Project Risk Management Purpose

Project risk management planning involves deciding **how** risk management activities will be conducted over the life of a project. The output of project risk management planning is the project risk management plan. Risk management is an iterative process. The risk management plan should be updated when any substantial changes to the project are made and/or when a risk event occurs.

* Describe the purpose of a project risk management plan. (2–3 paragraphs)
* Describe the components of a risk management plan. Your description should include at least four components. (4–5 paragraphs)

# Project Risk Management Approach and Process

The project risk management process is designed to provide proactive and continuous focus on the uncertainty that exists in all projects. It is critically important to first identify and analyze potential risks to a project using a well-defined and structured approach to ensure accuracy and completeness. It is also important to avoid under- or over-estimating project risks. Under-estimated risks may jeopardize project success. When risks are over-estimated, opportunities may be lost.

* Describe at least four steps in the project risk management process that will be used to identify, analyze, and respond to risks for the Pepsi Refresh project. (4–5 paragraphs)
* Explain how risk management will be approached for the Pepsi Refresh project. (3–4 paragraphs)

# Project Risk Identification

Once the approach and process for managing project risks have been determined, it is time to identify potential project risks and document them in a risk register. It is helpful to think about possible sources or categories of project risks as a way to organize the risk list. It may not be possible to identify every risk that could occur during the project but risk management is an iterative process. Over the life of the project you will review risks often, and you will update the risk register as needed.

* Describe the process you will use to identify risks for the Pepsi Refresh project. (3–4 paragraphs)
* Describe three types of risks you will identify for the Pepsi Refresh project, such as operational, technical, regulatory, etc. (3–4 paragraphs)
* Describe three sources of project risks you will identify for the Pepsi Refresh project, such as weather, vendor, staffing, technology, etc. (3–4 paragraphs)
* Document the project risks identified for the Pepsi Refresh project in the risk register in columns A–F.

# Project Risk Assessment (Qualitative)

Once project risks have been identified, the project team must analyze them to try to determine the likelihood (probability) of occurrence and the effect to the project (impact) should a given risk event occur. All risk analysis begins with qualitative analysis. To ensure accuracy and completeness, the project team should study both the risk event itself and the interactions between risk events.

* Explain how risk measurement scales will be developed for the Pepsi Refresh project. Will you use a standard organizational set of measurements or define your own? (3–4 paragraphs)
* Explain how risks will be prioritized for the Pepsi Refresh project based on the defined qualitative measurement scales. (3–4 paragraphs)
* Document the risk measurement scales and their meaning in the project risk register in columns H–J. For example:
	+ What does a “2” mean for probability? Is that 20% or 20–40%?
	+ What does a “4” mean for impact? Is that “project fails to meet one objective” or “project exceeds budget or timeline by 20%”?

# Project Risk Assessment (Quantitative)

Once project risks have been qualitatively assessed, the project team must review those with the highest risk factor scores (probability x impact) and further analyze them using quantitative risk analysis methods.

**For this project, use expected monetary value (EMV) as your quantitative method.**

* Explain how risks will be prioritized for the Pepsi Refresh project based on the EMV method. (3–4 paragraphs)
* Document the EMV risk measurement information in the project risk register in column K.

# Project Risk Response

Risk responses and action steps are defined during the risk response planning phase. Here the project team must plan the actions that will be taken should any identified risk actually materialize. This is typically done for some subset of the total population of risk issues identified—most likely those that are of the highest probability and/or impact. Risks can be both negative (threats) and positive (opportunities). The possible strategies for responding to negative risks include: avoid, transfer, mitigate, and accept. The possible strategies for responding to positive risks include: exploit, enhance, share, and accept.

* Summarize the approach for developing risk response strategies. For example, which risks will you first attempt to avoid? Will you do it based on the risk factor score (P\*I) or EMV? (3–4 paragraphs)
* Describe the process you will use to determine risk triggers (the event that tells you that the risk event is imminent). (3–4 paragraphs)
* Document the risk triggers in the project risk register in column G.
* Document risk response strategies (plans) for each risk in the project risk register in columns L–M. The risk response strategies should be derived from the eight strategies in the *PMBOK® Guide*.

# Risk Register

**Note:** The first line is an example. Delete it when creating your own risk register.

|  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **A** | **B** | **C** | **D** | **E** | **F** | **G** | **H** | **I** | **J** | **K** | **L** | **M** |
| **Risk No.** | **Risk Name** | **Risk Event Description** | **Risk Impact Description** | **Risk Type** | **Risk Source** | **Risk Trigger** | **Impact Score****1 to 5**  | **Prob. Score****1 to 5** | **Risk Factor****P\*I** | **EMV\*** | **Response Type** | **Response** |
| X | Rain | Rain on the day of the picnic reduces the number of attendees. | Results in a less festive event, reduced employee morale, and costs that can’t be reimbursed. | Other | Weather | Chance of rain of ≥30% is forecasted 7 days prior to picnic. | 4 | 2 | 8 | $20,000 | Mitigate | Set up enough large tents to house all scheduled attendees. In addition to outdoor activities, plan indoor events or activities in tents. Encourage everyone to come rain or shine. |
| 1 |  |  |  |  |  |  |  |  |  |  |  |  |
| 2 |  |  |  |  |  |  |  |  |  |  |  |  |
| 3 |  |  |  |  |  |  |  |  |  |  |  |  |
| 4 |  |  |  |  |  |  |  |  |  |  |  |  |
| 5 |  |  |  |  |  |  |  |  |  |  |  |  |
| 6 |  |  |  |  |  |  |  |  |  |  |  |  |
| 7 |  |  |  |  |  |  |  |  |  |  |  |  |
| 8 |  |  |  |  |  |  |  |  |  |  |  |  |
| 9 |  |  |  |  |  |  |  |  |  |  |  |  |
| 10 |  |  |  |  |  |  |  |  |  |  |  |  |

\*EMV = probability of risk event \* cost/impact if it does occur.
Example: If it rains and we do nothing, people will not show up and we will lose the $100,000 that is due to caterers, event planners, etc. With a 20% chance of it raining, the EMV can be calculated as follows: $100,000 \* 20% = $20,000. If we can mitigate the impact for less than $20,000 by implementing the response plan, it may be considered a good investment to do so.