Project Management

Risk Management

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Risk Management

- Aims
  - To understand the project risk.
  - To understand quantitative and qualitative value of project risk and prioritize them.

- Expected Outcomes
  - Students are able to identify the project risk.
  - Students are able to determine quantitative and qualitative value of project risk and prioritize them.

- References
  - William, R.T. 2013. Project Management. Random Exports
  - Heagney, J. 2012. Fundamentals of Project Management. American Management Association.
  - Richardson and Gary, L. 2010. Project Management theory and practice. Taylor and Francis.

Content

- Risk management
- Risk assessment

Risk Management

Definition: A process which stabilizing the operational and economic costs to achieve project goal.

Risk Identification

Risk tolerance of project managers can be viewed as one of the following:

1. Risk-averse decision maker
Example: If offered either $50 or 50% chance of receiving $100, a risk-averse person will take $50 or even something less than $50 rather than taking the gamble and possibly receiving nothing.

2. Risk-seeking decision maker
Example: A risk-seeking person will take the 50% chance of receiving $100 and possibly winning $100.

3. Risk-neutral decision maker
Example: A risk-neutral person would have no preference between the two options.

Risk classification

Internal
1. Able to control by project managers and stakeholders.
2. Example: cost, scope, recourse requirement, management decision and organizational politics.

External
1. Disable to control by project managers and stakeholders.
2. Example: computer viruses.

Risk Assessment

Definition: The determination quantitatively / qualitatively the risk value in a project.

Quantitative
1. Quantitative risk analysis
2. Data gathering and representation technique
3. Simulation and modelling technique
4. Expert judgment

Qualitative
1. Risk probability and impact assessment
2. Probability and impact matrix
3. Risk data quality assessment
4. Risk categorization
5. Risk urgency assessment
6. Expert judgment
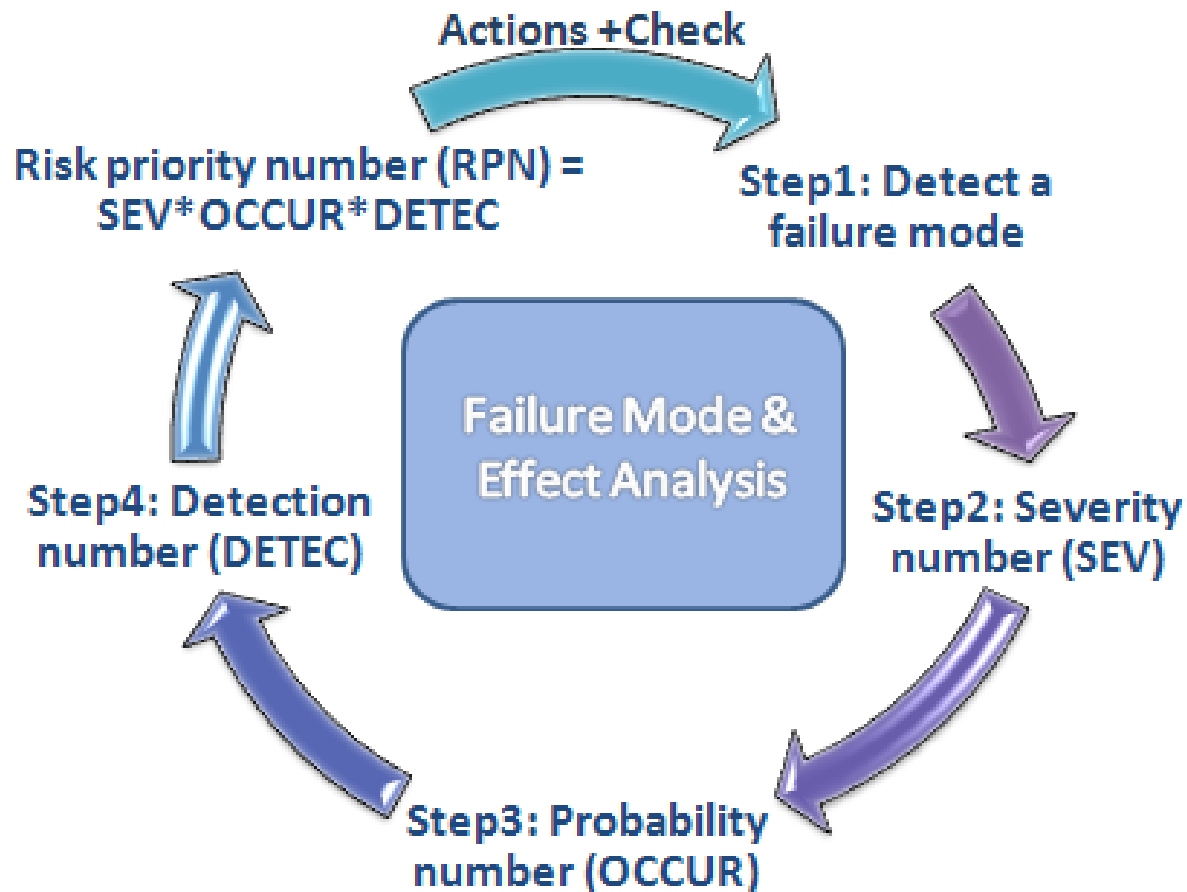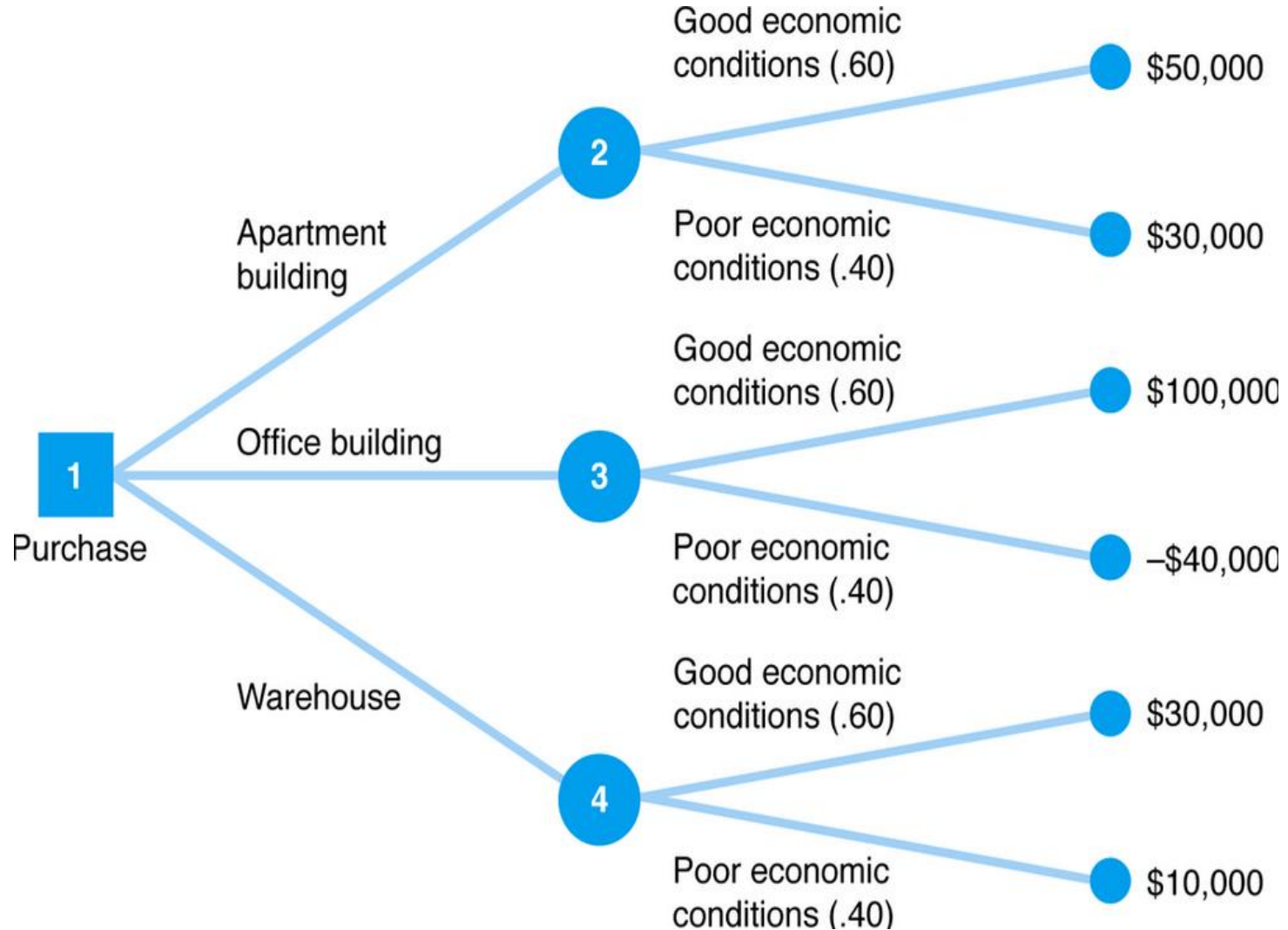
Conclusion of The Chapter

- Conclusion #1
  - Students are able to identify the project risk.

- Conclusion #2
  - Students are able to determine quantitative and qualitative value of project risk and prioritize them.

Project Management

Lecture 5

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