8. HANDLING RISK

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8.5 Risk administration

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Risk management

Identify risks
Identify and categorise risks

Analyse probability and impact
Consider how likely risk is to occur
Consider what the impact would be if it does

Devise risk mitigation strategies
Take action to reduce chance of risk occurring
Find ways to reduce impact if it does

Apply control and documentation
Have an owner for each risk
Have mechanisms to monitor and deal with risks

Risk assessment

Risk planning

Risk administration

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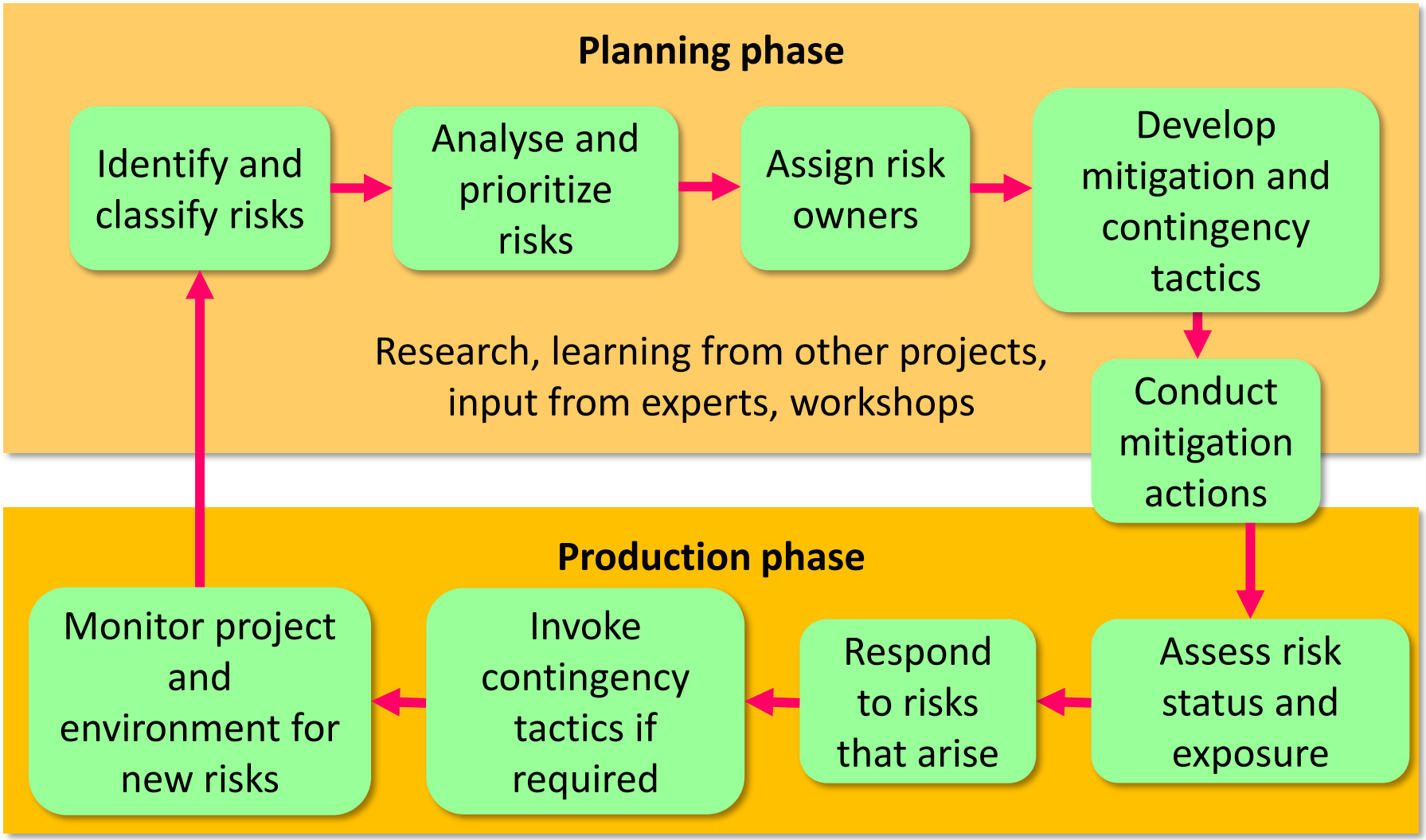
The risk management process



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The pedal car race

- **Second time college team has entered**
- Car back axle broke after 17 hours last time
- **No means to fix it**
- College expects a better result this time
- **This year's race takes place in 120 days time**

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Pedal car race risks on day 1

Risk event	Owner	Probability (Likelihood)	Impact (Severity)	Risk Priority Number	Rank	Mitigation
College does not approve race entry	Project sponsor	8	10	80	1	Produce business case for entering, by lobbying senior managers
Risk accommodation is unavailable	Project manager	6	8	48	2=	Book accommodation early and pay for it
Car is disqualified for rules infraction	Car designer	6	8	48	2=	Have a group to review rules, raise queries with organisers
Car breaks down during race	Team manager	4	10	40	4	Identify areas for additional endurance testing
Team member falls ill	Team manager	6	6	36	5	Train squad with two extra people
Team fails to meet training targets	Team manager	4	8	32	6	Increase training until team meet targets

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Pedal car race risks on day 50

Risk event	Owner	Probability (Likelihood)	Impact (Severity)	Risk Priority Number	Rank (was)	Mitigation
College does not approve race entry	Project sponsor				(1)	
Risk accommodation is unavailable	Project manager	8	8	64	1 (2)	Book accommodation NOW and pay for it
College cancels entry to cut costs	Project sponsor	6	8	48	2 (-)	Lobby finance manager
Car breaks down during race	Team manager	4	10	40	3 (4)	Identify areas for additional endurance testing
Team fails to meet training targets	Team manager	2	8	16	4= (6)	Team to follow a high endurance testing
Car is disqualified for rules infraction	Car designer	2	8	16	4= (2)	Rules confirmed with organisers, prepare for checking at the race
Team member falls ill	Team manager	6	4	24	6 (5)	Have a team of seven in training. Have weekly health checks.

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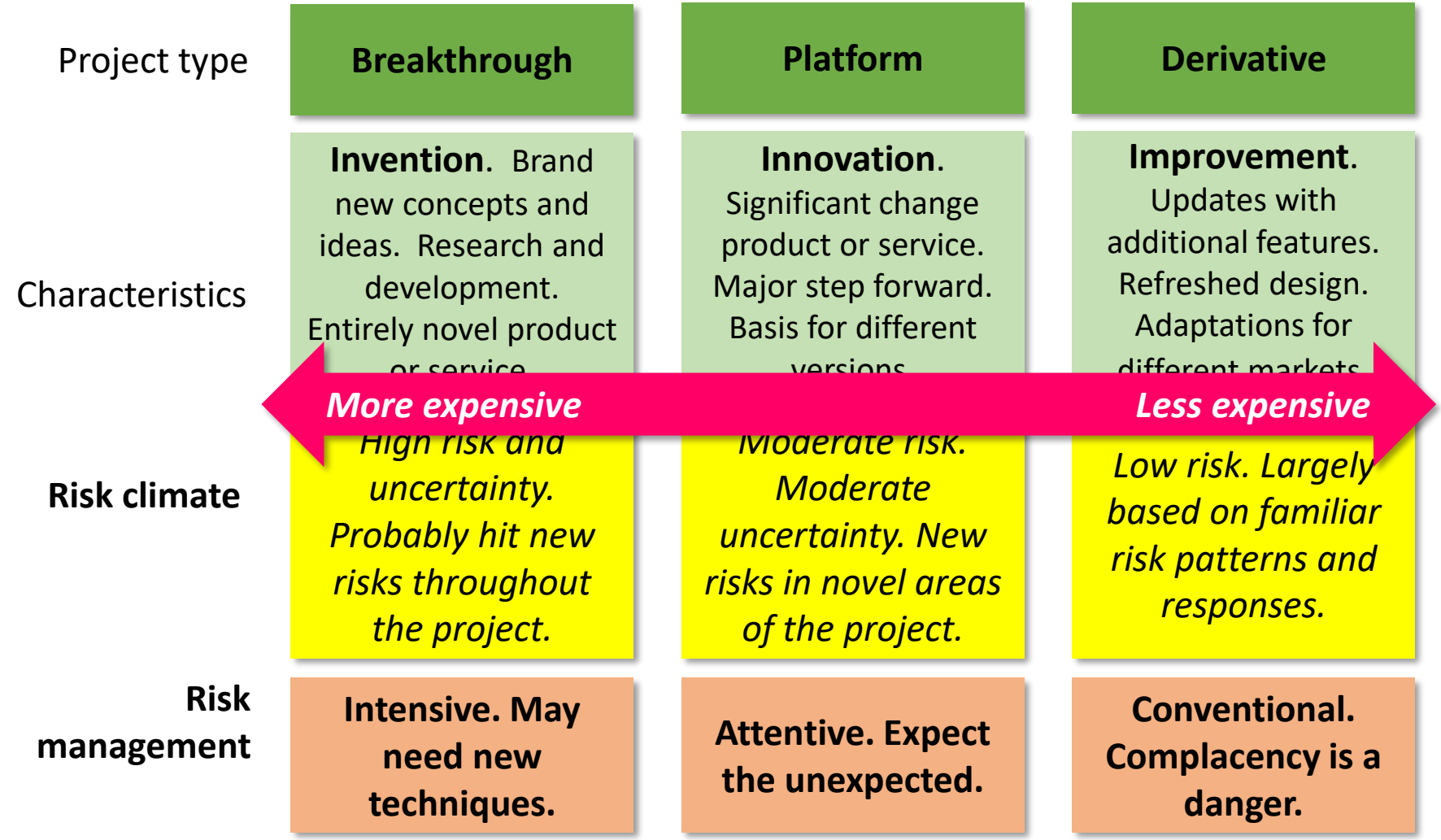
Getting the balance right



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Early warning systems

Risk reviews as part of regular reporting and meeting cycle

Noticing threatening activity in the external environment

Discovering that risks have been concealed

Visits to partners and key suppliers to gauge risk management there

Spotting signs risks may be materialising – reports coming in late, evidence that problems are not being escalated

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Opportunity knocks!

An **opportunity** is an **unexpected event** that could have a **significant beneficial impact**

- on the project output
- for the project client
- for the project supplier

- **Define the potential scale of the opportunity (e.g. unspent budget, early delivery, quicker approval of the output)**
- Advise the customer and understand what extra benefits the client desires most that this bonus can make possible
- **Agree how the bonus should be shared (e.g. extra output for the client, a little extra profit for the supplier)**
- Re-plan the remaining part of the project to produce desired additional benefits

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