### Risk Management

**Definition of a Risk:**

A Risk is defined as a condition that could cause some loss or otherwise threaten the success of a project. Risks by definition are “possible” occurrences that when they occur become problems and are tracked as issues. Risks are planned for so that as they become issues you have a mitigation plan ready for action.

**Risk Management:**

By applying process to risk management, you will be able to contain project risk within acceptable limits. Risk management provides a standard approach for identifying and documenting risk factors, evaluating their potential severity, and proposing strategies for mitigating the risks. The process of risk management involves:

Risk Assessment: The process of examining a project to identify areas of potential risk. This is done during Project Initiation. Risk is assessed for both the proposed solution and the project schedule. The costs estimated during Project Initiation should be adjusted for risk.

Risk Analysis: You examine the potential consequences of specific risks to your project.

Risk Prioritization: Focuses on the most severe risks by assessing the potential risk exposure from each. “Risk Exposure” is a function of both the probability of incurring a loss due to the risk and the potential magnitude of that loss.

Risk Avoidance: One way to deal with a risk.

Risk Control: This includes Risk Management Planning, Risk Resolution, and Risk Monitoring. Risk management planning produces a plan for dealing with each significant risk, including mitigation approaches, contingency plans, owners, and timelines. You can try to prevent the risk from becoming a problem at all, or you can try to reduce the adverse impact if it does. Risk resolution involves executing the plans for mitigating each risk. Risk monitoring involves tracking your progress toward resolving each risk item, which should become part of your routine project status tracking.

**Documenting Project Risks:**

Risk should be documented as part of the Project Initiation Report/Project Plan. The mitigation plan is an important part of the documentation for each risk. The mitigation plan is one or more approaches to control, avoid, minimize or otherwise mitigate the risk.

**Communicating Risk Occurrence:**

The reason for documenting risk as part of the Project Initiation Report/Project Plan is so that the Project Board is made aware of it during the proposal of the project solution. For those risks that are not adequately controlled, the Project Board can either initiate corrective actions or make a conscious business decision to proceed in spite of the risks.