Risk Management Plan Preparation Guidelines

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1. PURPOSE OF DOCUMENT

Instruction:
This section provides the purpose of the document.

Recommended text:

The purpose of this document is to outline the risk management approach for **<insert name of project>** It provides standard terminology, clear roles and responsibilities, a detailed description of the risk management process, and the standard templates used in that process. It is designed to guide the project team and stakeholders.

2. DEFINITION OF RISK MANAGEMENT

Recommended Text:

Risks are problems that may or may not happen in the future and that may have a negative impact on a project.

Risk management is the process of identifying, analyzing, responding to, tracking, and reporting risks.

3. OBJECTIVES OF RISK MANAGEMENT

Recommended Text:

The overall goal of risk management is to protect a project from the negative impacts of risks.

The objectives of risk management are to:

- Monitor the project to identify new or changing risks.
- Understand and minimize the cost and other impacts of project risks.
- Focus management attention on higher priority risks.
- Ensure risk-related decisions are made at the proper level of authority.
- Communicate clearly about risks with the team and project stakeholders.
- Maintain a clear and accurate record of risks over the life of the project.

4. TERMS, ACRONYMS AND ABBREVIATIONS

Recommended Text:

All terms, acronyms, and abbreviations used in this document are defined in the Project Management Glossary at www.qnpm.gov.qa.

5. RISK MANAGEMENT METHODS

Recommended Text:

This section outlines risk management methods to be used on the project for each step of the risk management process.

These steps are risk identification, risk analysis, risk response, and risk tracking and reporting. Note that the first three steps happen in sequence, and the final step, risk tracking and reporting, occurs throughout the process.

General tips for this section:

- Remember that projects, once approved, should commit to undertaking the risk management process and methods described in this document. The Project Manager should be held accountable for completing activities described in this Plan by the Sponsor or Steering Committee.
- Avoid providing general descriptions of risk management best practice. This section should describe the nature and extent of risk management activities for a specific project.
- The time and budget required to complete risk management activities described in this document should be included in the overall Project Schedule and Budget.
- The cost and complexity of the risk management methods used on a project depends on the cost and complexity of the project. Factors contributing to project complexity include the following: team size, budget size, timeline length, strategic or political importance, impact on stakeholders, number of agencies and suppliers involved, number of dependencies on other projects.
- In identifying risk management methods for a project, aim to balance the cost of using these methods with their effectiveness in protecting the project from risk.
- Determine who should be involved in risk management activities. Options are to (i) limit activities to the Project Manager and team or (ii) include stakeholders.

5.1 Risk Identification

Instruction:

This section outlines the activities the team will undertake to identify risks. Good risk identification is essential because risks can only be managed if they are identified.

To do a thorough job in identifying risks, it is important to do the following:

- Involve people with the right knowledge. Risk identification requires knowledge of the organization, its customers, its legal, social, political, and cultural environment, and its strategic and operational goals. If the team does not have this knowledge, it is important to involve people who do.
- Make risk identification a continuous activity. The job of identifying risks does not end once the Project Plan is written. New risks can develop at any stage of a project.
- Involve the team in risk identification. Team members should feel that it is everyone's responsibility to identify risks, and the Project Manager should identify how best to encourage team members to identify risks and communicate them to the Project Manager. Teams sometimes need risk management training or review.

The following table provides some methods for consideration. This list needs to be customized for individual projects.

Examples:

The table below lists activities the project team may undertake to identify project risks.

Activity	Frequency
Generic project risk assessment using the QNPM Project Risk Assessment Worksheet	Beginning of project and then quarterly
Review of risk checklists for specific project type	Beginning of project and then once every 2 months

Activity	Frequency
Brainstorming session with team	Beginning of project
Brainstorming session with Steering Committee	Beginning of project and then at the beginning of each new project phase
Risk management training for team	Beginning of project
Interviews with stakeholders and subject matter experts	Once at beginning of project and as needed for the duration of the project
Environmental scan	Beginning of project and then every six months
Facilitated session with stakeholders	Beginning of project and then yearly
Team status meeting – risks on standard agenda	Weekly

5.2 Risk Analysis

Instruction:

This section outlines how newly identified risks will be analyzed and how risks that are already identified will be periodically reanalyzed to capture any changes. What follows is a description of method that accompanies the Risk Analysis Worksheet Job Aid provided at www.qnpm.gov.qa.

If another method will be used, describe it here. Other options for risk analysis are as follows:

- More Simple: Use only probability and impact to analyze risks.
- More Complex: Use risk software that provides more advanced quantitative methods to analyze risks, such as Monte Carlo simulations.

Recommended Text:

Risk analysis includes two main tasks: (i) assessing each risk for its potential to harm a project and (ii) prioritizing all risks for attention and action. What follows is a description of how risk assessment and prioritization will be undertaken for the project.

5.2.1 Risk Assessment

Risks will be assessed according to four factors: probability, impact, timeline, and status of response activities. Based on scoring against each of these factors, each risk will be assigned a risk score between 0 and 81. The higher the score, the greater the danger the risk poses to the project.

Newly identified risks will be assessed by the Project Manager within one week of being identified. Risks that are already documented will be reassessed every two weeks to ensure that changes in probability, impact, timeline, and status of response activities are understood and reflected in the risk score.

5.2.1 Risk Prioritization

Risks will be prioritized based on the risk assessment score as described in the table below. Risks with a score of zero are candidates to be closed.

Risk Assessment Score	Category	Priority
Greater than 35	Red	High
Between 18 and 35	Yellow	Medium
Less than 18	Green	Low

5.2.2 Risk Definitions

Risk assessment and prioritization will be based on the following definitions for probability, impact, timeline, and status of response activities.

5.2.1.1 Probability Definitions

Probability is the likelihood of a risk occurring. Below are definitions for high, medium, and low probability. These standard probability definitions can be used for most projects.

Category	Definition
High	Risk has greater than 70% probability of occurrence
Medium	Risk has between 30% and 70% probability of occurrence
Low	Risk has below 30% probability of occurrence

5.2.1.2 Impact Definitions

Impact describes the loss for the project if the risk occurs. Below are definitions for high, medium and low impact. Note that the definitions of high, medium, and low vary by the impact type. For example, budget impact is measured in Riyals, and schedule impact is measured in months. Note also that some risks can have more that one type of impact on a project. Impact types and definitions vary by project: what follows below is for illustration purposes only.

Tips:

- Use the same impact definitions for issues, risks, and changes.
- Consider a broad range of impact types relevant to a specific project.
- A useful way to set budget and schedule impact definitions is to use percentages of the overall budget and timeline. For a QAR 50,000 project, a QAR 25,000 budget impact is a 50% difference and is likely to be considered high impact. However, for a QAR 10,000,000 budget, a QAR 25,000 budget impact is only a .25% difference and is likely to be considered low impact.

Impact Type	High Impact	Medium Impact	Low Impact
Budget	> QAR 100,000	QAR 25,000-100,000	<QAR 25,000
Schedule	> 6 months	1 – 5 months	< 1month
Safety	Worker fatality or serious injury	Worker minor injury	Worker very minor injury
System	Loss of system	Major system damage	Minor system damage

5.2.1.3 Timeline Definitions

Timeline indicates when the risk may occur. Below are definitions for near term, medium term, and far term. Timeline definitions vary by project. The definitions below are for illustration purposes only.

Category	Definition
Near Term	Risk could occur in less than 3 months
Medium Term	Risk could occur in between 3 months and 6 months
Far Term	Risk could occur later than 6 months

5.2.1.4 Status of Response Definitions

Status of Response indicates the progress and success of risk response activities to date for a risk. Below are definitions for four types of status. These standard definitions can be used for most projects.

Category	Definition
No Plan	There is no plan to respond to the risk
Plan	This is a plan to respond to the risk, but no action has been taken yet
Plan Enacted	The plan for responding to the risk has been enacted, but it is too soon to tell whether or not it has been effective
Enacted Effective	The plan for responding to the risk has been enacted, and it has effectively eliminated or mitigated the risk

5.3 Risk Response

Risk response includes two main tasks: (i) planning how to respond to risks and (ii) executing and monitoring action plans for responding to risks. What follows is a description of how risk response activities will be undertaken on the project.

There are four main types of risk response:

1. **Avoid:** Change the Project Plan and Schedule to avoid the risk completely
2. **Accept:** Document and communicate the risk, but do not plan to take action
3. **Transfer:** Transfer the risk to another party through insurance or contracting out
4. **Mitigate:** Take action to reduce the probability and impact of a risk to a reasonable threshold. There are two types of risk mitigation activities:
   - **Prevention:** These are activities the team can do before the risk occurs to reduce its probability and impact. Planned prevention activities answer the question "what can we do now?" Prevention activities are included in the project work breakdown structure.
   - **Contingency:** These are activities the team can do once the risk occurs to reduce its impact. These activities can be written in a Contingency Plan. Contingency activities answer the questions "what can we do if the risk happens?"

When writing this section, consider the following:

1. Under what circumstances should risks be accepted? It is common for Project Managers to accept risks that are low impact and low probability or to accept those with a risk score under a certain amount. No activities are planned to respond to risks that are accepted. All other risks require an action plan for responding to the risk.
2. Under what circumstances must Contingency Plans be written? Contingency plans are not written for every risk. It is common to write Contingency Plans for the top five risks. On larger projects, Contingency Plans are written for the top five risks for each project team or subproject. Another guideline is to write Contingency Plans for all high priority risks.
3. What financial reserve is available for implementing Contingency Plans? If Project Managers do not have a reserve, they have to request funds and resources every time a risk becomes an actual problem.
4. Who is responsible for detecting risk triggers? Risk triggers are indications that a risk has occurred or is about to occur. Triggers are sometimes called risk symptoms or warning signs.
5. Do any risk response decisions require the approval of the Sponsor or Steering Committee?

5.3.1 Risk Response Planning

Example:

Risk response activities are the responsibility of the Risk Manager, who will work within the following rules:

- Low impact, low probability risks will be accepted. The Project Manager and Sponsor will be informed of all risks that are accepted.
- All risks categorized as red will have Contingency Plans. These plans will be developed in consultation with the Project Manager and Steering Committee.
- A contingency reserve of QAR 50,000 is available to undertake activities in Contingency Plans.

5.3.2 Risk Response

Example:

The Risk Manager will assign risk response activities to appropriate team members and is responsible for monitoring whether or not these activities are being completed and whether or not they are effective in reducing the probability or impact of a risk.

The Risk Manager is also responsible for setting and detecting risk triggers, which indicate when work on a Contingency Plan should begin. The Risk Manager will work with the Project Manager to update the Project Plan, Schedule, and Budget to reflect that work on a Contingency Plan has begun.

5.4 Risk Tracking and Reporting

This section outlines how risks will be tracked and reported. When writing this section, consider the following:

1. What type of Risk Log will be used to track risks?
2. Who is responsible for maintaining the Risk Log?

3. In what format will risks be reported? Options in QNPM templates include the overall project Status Report or a specialized Risk Status Report.
4. Who will receive risk reports?
5. What are the thresholds for reporting risks? For example, the Project Manager needs to be aware of all risks, but the Steering Committee may only be interested in hearing about risks that are red (high priority, high impact).

Example:

The Risk Manager is responsible for tracking risks. He will maintain the Risk Log provided in Appendix E by ensuring that the information is up-to-date. This requires monitoring whether or not risks are changing and whether or not response activities are effective. It also requires detecting when risks have become actual problems and should move to the issue management process. Additionally, the Risk Manager monitors the project to detect when a risk trigger has happened and when it is therefore time to begin activities in a Contingency Plan.

The Risk Manager is responsible for reporting on the status of risks. Red and Yellow risks will be reported in the weekly status report. And each month, the Risk Manager will prepare a more detailed Risk Report for the Project Manager and Sponsor. The thresholds for reporting risks are as follows:

- The Project Manager is made aware of all risks and response activities
- The Sponsor is made aware of all risks that are accepted and all red and yellow risks
- The Steering Committee is made aware of all red risks and approves all Contingency Plans.

6. RISK MANAGEMENT PROCESS

This section outlines the risk management process for the project in detail, including how a risk is identified, analyzed, logged, tracked, and reported. It clearly identifies roles, activities, the sequence of activities, inputs, outputs, and how and where information is stored. Related templates are provided in appendices.

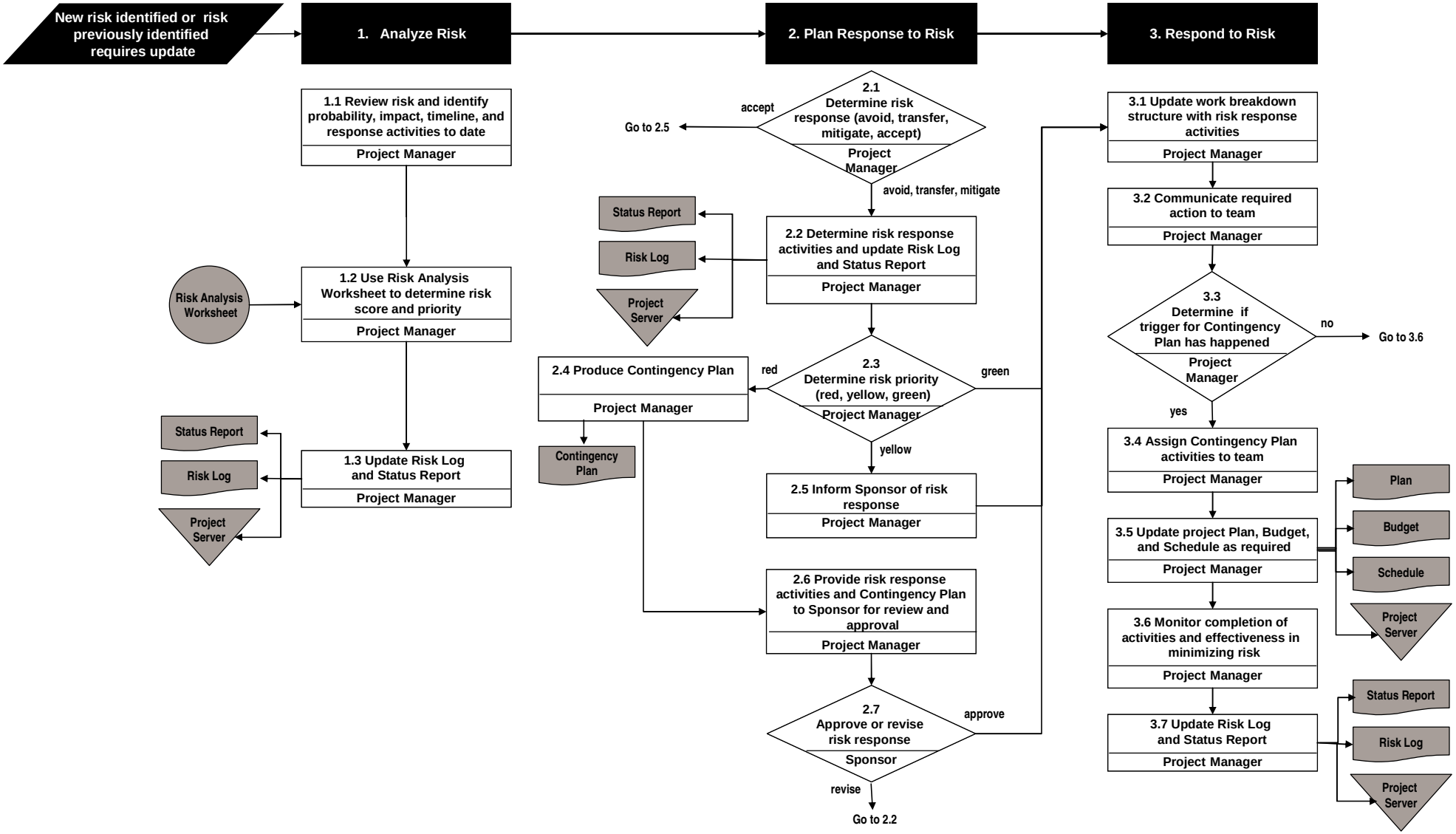
In designing a risk management process, aim to make the process as simple as possible while still achieving the process objectives listed in section two of this document. In designing a risk management process, consider the following:

1. Be sure to be consistent with the risk management activities and outputs described in section four above.
2. Storage. Where should the Risk Log and other outputs be stored? As soft copies, hard copies, or both?
3. Automation. Will any steps of the process be automated? Use of enterprise project management applications can automate some aspects of a risk management process.

On the following pages are two examples of a risk management process. The first is a simple process and is appropriate for relatively small and simple projects. The second is more complex and is appropriate for relatively large and complex projects.

6.1 Simple Risk Management Process Map

The following process map depicts a simple, manual risk management process that primarily involves a Project Manager and Project Sponsor. Documentation is limited to the Risk Log and Status Report, and Contingency Plans are written for all red risks (high priority risks). The Sponsor must be informed of all risks that are accepted, and the Sponsor approves risk response activities and Contingency Plans for red risks.



6.2 Simple Risk Management Process Narrative

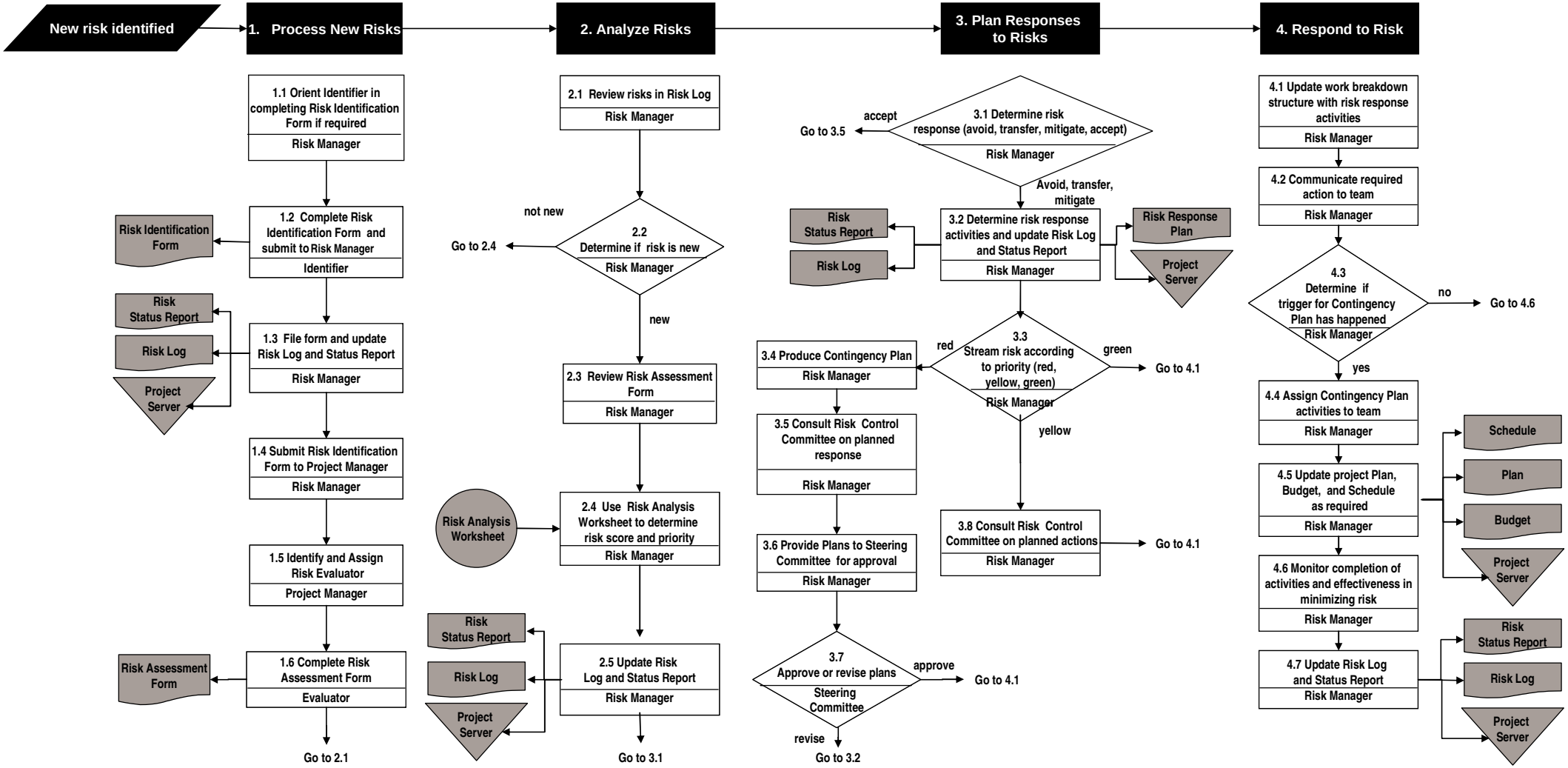
The following table describes the steps in the risk management process. Note that an activity assigned to the Project Manager can be completed by the Project Manager or a designate.

Step Number	Responsible	Action
1. Analyze Risk		
1.1	Project Manager	The Project Manager reviews risk and identifies its probability, impact, timeline, and response activities to date.
1.2	Project Manager	The Project Manager determines the risk score and priority using the Risk Analysis Worksheet.
1.3	Project Manager	The Project Manager updates the risk log and that period's Status Report. These documents are stored on the project server.
2. Plan Response to Risk		
2.1	Project Manager	The Project Manager determines the appropriate response for the risk: avoid, transfer, mitigate or accept. If the decision is to accept the risk, the Sponsor must be informed (step 2.5). If the decision is to avoid, transfer or mitigate the risk, the next step is to determine specific activities for the response (2.2).
2.2	Project Manager	The Project Manager outlines what activities must be done to avoid, transfer, or mitigate a risk and then updates the Risk Log and Status Report. These documents are stored on the project server.
2.3	Project Manager	The Project Manager streams the risk according to risk priority (red, yellow, green) for further action and communication.
2.4	Project Manager	The Project Manager produces a Contingency Plan for all red risks.
2.5	Project Manager	The Project Manager informs the Sponsor of the risk response for all yellow risks.
2.6	Project Sponsor	The Sponsor approves or revises the risk response.
3. Respond to Risk		
3.1	Project Manager	The Project Manager updates the project work breakdown structure with risk response activities.
3.2	Project Manager	The Project Manager communicates the required action to the team.
3.3	Project Manager	The Project Manger determines if the trigger for the Contingency Plan has happened. If it has, the next step is 3.4. If it has not, the next step is 3.6.
3.4	Project Manager	Once it is determined that the trigger for Contingency Plan has happened, the Project Manager assigns Contingency Plan activities to team.
3.5	Project Manager	The Project Manager updates the project plan, budget and schedule as required with the Contingency Plan. These documents are stored on the project server.
3.6	Project Manager	The Project Manager monitors completion of activities and their effectiveness in minimizing risk.
3.7	Project Manager	The Project Manager updates the Risk Log and Status Report. These documents are stored on the project server.

6.3 More Complex Risk Management Process Example

The following process map depicts a more complex manual risk management process with a Risk Manager, Project Manager, Risk Control Committee, and Steering Committee. Required documentation includes a Risk Log, Status Report, Risk Identification Form, Risk Assessment Form, and Contingency Plan. Risks are reported in a Risk Status Report separately from the project's overall Status Report.

The project has a fulltime Risk Manager who manages the risk management process. A Risk Control Committee is involved in developing risk responses for all yellow and red risks. All red risks require Contingency Plans, which are approved by the Steering Committee, and the Risk Control Committee and Steering Committee must be informed of all accepted risks.


New risk identified
1. Process New Risks
2. Analyze Risks
3. Plan Responses to Risks
4. Respond to Risk
1.1 Orient Identifier in completing Risk Identification Form if required
Risk Manager
1.2 Complete Risk Identification Form and submit to Risk Manager
Identifier
Risk Identification Form
1.3 File form and update Risk Log and Status Report
Risk Manager
Risk Status Report
Risk Log
Project Server
1.4 Submit Risk Identification Form to Project Manager
Risk Manager
1.5 Identify and Assign Risk Evaluator
Project Manager
1.6 Complete Risk Assessment Form
Evaluator
Risk Assessment Form
Go to 2.1
2.1 Review risks in Risk Log
Risk Manager
2.2 Determine if risk is new
Risk Manager
not new
Go to 2.4
new
2.3 Review Risk Assessment Form
Risk Manager
Risk Analysis Worksheet
2.4 Use Risk Analysis Worksheet to determine risk score and priority
Risk Manager
Risk Status Report
Risk Log
Project Server
2.5 Update Risk Log and Status Report
Risk Manager
Go to 3.1
3.1 Determine risk response (avoid, transfer, mitigate, accept)
Risk Manager
accept
Go to 3.5
Avoid, transfer, mitigate
Risk Status Report
Risk Log
3.2 Determine risk response activities and update Risk Log and Status Report
Risk Manager
Risk Response Plan
Project Server
3.3 Stream risk according to priority (red, yellow, green)
Risk Manager
red
green
Go to 4.1
yellow
3.4 Produce Contingency Plan
Risk Manager
3.5 Consult Risk Control Committee on planned response
Risk Manager
3.6 Provide Plans to Steering Committee for approval
Risk Manager
3.8 Consult Risk Control Committee on planned actions
Risk Manager
Go to 4.1
3.7 Approve or revise plans
Steering Committee
approve
Go to 4.1
revise
Go to 3.2
4.1 Update work breakdown structure with risk response activities
Risk Manager
4.2 Communicate required action to team
Risk Manager
4.3 Determine if trigger for Contingency Plan has happened
Risk Manager
no
Go to 4.6
yes
4.4 Assign Contingency Plan activities to team
Risk Manager
4.5 Update project Plan, Budget, and Schedule as required
Risk Manager
Schedule
Plan
Budget
Project Server
4.6 Monitor completion of activities and effectiveness in minimizing risk
Risk Manager
4.7 Update Risk Log and Status Report
Risk Manager
Risk Status Report
Risk Log
Project Server

6.4 More Complex Risk Management Narrative

The following table describes the steps in the risk management process above. Note that an activity assigned to the Project Manager can be completed by the Project Manager or a designate.

Step Number	Responsible	Action
1. Process New Risks		
1.1	Risk Manager	When a new risk is identified, the risk Manager orients the identifier on how to complete a Risk Identification Form if required.
1.2	Identifier	The Identifier completes Risk Identification Form and submits it to Project Manager.
1.3	Risk Manager	The Risk Manager files the Risk Identification Form and updates the Risk Log and Status Report. These documents are stored on the project server.
1.4	Risk Manager	Risk Manager submits the Risk Identification Form to Project Manager.
1.5	Project Manager	The Project Manager identifies and assigns a risk Evaluator by determining who can best understand the nature and impact of the risk.
1.6	Evaluator	The Evaluator completes Risk Assessment Form and submits it to Risk Manager.
2. Analyze Risks		
2.1	Risk Manager	The Risk Manager reviews the risks in the Risk Log.
2.2	Risk Manager	The Risk Manager determines if the risk is new. If it is not new, the next step is 2.4.
2.3	Risk Manager	The Risk Manager reviews the Risk Assessment Form.
2.4	Risk Manager	The Risk Manager uses Risk Analysis Worksheet to determine the risk score and priority.
2.5	Risk Manager	The Risk Manager updates Risk Log and Status Report. These documents are stored on the project server.
3. Plan Response to Risks		
3.1	Risk Manager	The Risk Manager determines the appropriate response for the risk: avoid, transfer, mitigate or accept. If the decision is to accept the risk, the Risk Control Committee must be consulted. If the decision is to avoid, transfer or mitigate the risk, the next step is to determine specific activities for the response.
3.2	Risk Manager	The Risk Manager outlines what activities must be done to avoid, transfer, or mitigate a risk and then updates the Risk Log and Risk Status Report. These documents are stored on the project server.
3.3	Risk Manager	The Risk Manger streams the risk according to risk priority (red, yellow, green) for further action and communication.
3.4	Risk Manager	This Risk Manager produces a Contingency Plan for all red risks.
3.5	Risk Manager	The Risk Manager consults the Risk Control Committee on planned response for red risks.
3.6	Risk Manager	The Risk Manager provides the planned response to all red risks to the Steering Committee for approval.
3.7	Steering Committee	The Steering Committee approves or revises the risk response plan.
3.8	Risk Manager	The Risk Manager consults the Risk Control Committee on planned actions for all yellow risks.
4. Respond to Risks		
4.1	Risk Manager	The Risk Manager updates the project work breakdown structure with risk response activities.
4.2	Risk Manager	The Risk Manager communicates the required action to the team.
4.3	Risk Manager	The Risk Manger determines if the trigger for Contingency Plan has happened. If it has, the next step is 4.4. If it has not, the next step is 4.6.
4.4	Risk Manager	Once it is determined that the trigger for Contingency Plan has happened, the Risk Manager assigns Contingency Plan activities to team.
4.5	Risk Manager	The Risk Manager updates the project plan, budget and schedule as required with the Contingency Plan. These documents are stored on the project server.
4.6	Risk Manager	The Risk Manager monitors completion of activities and their effectiveness in minimizing risk.
4.7	Risk Manager	The Risk Manager updates the Risk Log and Status Report. These documents are stored on the project server.

7. ROLES AND RESPONSIBILITIES

This section outlines roles and responsibilities for those involved in risk management.

Note:
This section should only include risk management-related responsibilities. It should also provide more detail on risk management responsibilities than provided in the Project Plan.

Example:
The table below describes roles and responsibilities related to the risk management process.

Role	Responsibilities

APPENDIX A: RISK IDENTIFICATION FORM

Insert here the Risk Identification Form template if one is required in the risk management process documented in this Plan. A sample template is available at www.qnpm.gov.qa.

APPENDIX B: RISK ANALYSIS FORM

Insert here the Risk Analysis Form template if one is required in the risk management process documented in this Plan. A sample template is available at www.qnpm.gov.qa

APPENDIX C: RISK STATUS REPORT

Insert here the Risk Status Report Template if one is required in the risk management process documented in this Plan. A sample template is available at www.qnpm.gov.qa

APPENDIX D: RISK LOG

Insert here the Risk Log to be used in the risk management process documented in this Plan. A sample template is available at www.qnpm.gov.qa