IJRSET APRIL 2018 Volume 5, Issue 4 Pages: 25-28
ISSN 2394-739X
International Journal for Research in Science Engineering and Technology

APPLYING RISK MANAGEMENTAPPROACH FOR PROJECT SUCCESS

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ABSTRACT: In times of increased competition and globalization, project success becomes even more critical to business performance, and yet many projects still suffer delays, overruns, and even failure. Ironically, however, risk management tools and techniques, which have been developed to improve project success, are used too little.This paper is all about to provide an insight on how Risk Management can be applied in projects to improve its success rate or minimize the failures in any kind of function or industry for that matter.

Keyword: [Risk Management, Risk, Project success, Projects, Project Management]

1. INTRODUCTION

In today's scenario, every organization whether it is engaged with manufacturing, service, consulting, research based, non-profit or any of such kind is creating strategies and implementing it in order to achieve its business goals. For every organization, its long-term goals are achieved only through strategic actions. Every strategy is being implemented thro a means of project. That's where the projects are given birth. Hence all organizations require projects to be executed successfully in order to fulfil its strategic goals. Success of projects plays a major role in organization's long-term success. More the successful projects, better its sustenance in the market.There are various aspects which contributes to the project success.

Assessing risk at the project, portfolio, and business levels helps the organization to understand risk, make better decisions, negotiate fair contracts, create risk mitigation scenarios, and improve teamwork. Thispaper shows how risk assessments lead to accurate plans that are less likely to lead to budget overruns or delay of failures.

2. RISK

As per PMBOK, 5th edition, Risk is an unforeseen event or uncertain event or condition that, if it occurs has a positive or negative effect. On projects perspective, if the risk occurs, it can create an impact on success or failure of the project. Risk can impact one or more project objectives such as scope, schedule, cost and quality. A risk may have one or more causes and if it occurs, it may have one or more impacts. A cause may be a given or potential requirement, assumption or constraints that creates the possibility of negative or positive outcomes.

Project risk has its origins in the uncertainty present in all projects. Knows risks are those that have been identified and analysed, making it possible to plan responses for those risks.

Organizations perceive risk as the effect of uncertainty on projects and organizational objectives Organizations and stakeholders are willing to accept varying degrees of risks depending on their risk attitude. To be successful, an organization should be committed to address all of its risks proactively and consistently throughout the project.

3. RISK MANAGEMENT

There is astatement that optimistic planning is the main—or only—reason for project failure. For projects, failure takes the form of budget overruns, wrong contract terms and missed deadlines. Using risk assessment techniques to obtain more-realistic estimates will result in a more attainable plan. Hence project will then be more likely to meet its forecasts and avoid disappointment.

Risk management process fully discloses the sensitivity of the project to its participants to ensure that all threats are fully understood. As a result, targets and contingencies can be set at correct levels, contracts can be negotiated with an accurate understanding of potential challenges, and risk mitigation strategies can also be created in advance. Early Risk assessment improves teamwork by increasing openness, honesty, and understanding within the project team. The benefits of risk management extend beyond a single project. Projects can also be prioritized according to their risk level so risk can be balanced and managed across the portfolio.

Risk management is the process of identifying, assessing and controlling threats to an organization's capital and earnings. These threats, or risks, could stem from a wide variety of sources, including financial uncertainty, legal liabilities, strategic management errors, accidents, Projects and Resource related.

As per PMBOK, 5th edition, Risk Management is the process of conducting risk management planning, identification of risks, analysis of it, response planning and control of it. The objectives of Project risk management are to increase the likelihood and impact of positive events and decrease the likelihood and impact of negative events in the Project. Risk Management is not aonetime process. It is an ongoing process through out the project. Generally, the risk management shall be started soon after the project is initiated.

Effective risk management strategies allow the organization or team to identifyits project's strengths, weaknesses, opportunities and threats. By planning for unexpected events, the organization or the team can be ready to respond if they arise. To ensureproject's success, it is necessary to define how to handle potential risks so that identification, mitigation or avoiding problems can be done when it occurs.

4. THE RISK MANAGEMENT PROCESS

Generally, Risk management process begins as soon as the project is kick started and it needs to be performed regularly by the risk management team identified with in a project team. Risk and uncertainty are greatest at the start of project and decrease over the life of the project. The below are the steps in managing the risk.

- Create Risk management plan
- Identify the Risks
- Carry out Risk analysis by qualitatively
- Carry out Risk analysis by quantitatively
- Perform risk responses
- Control risks

Create Risk management plan: This is the process of creating a detailed plan to define how the risk management will be done through out the project, what are the criteria's used to define or access the risks, what are the risk categories, what frequency the risk reviews will be done and how frequently the risk identification will be done. While it is being done, organizational policies and guidelines are considered as an input.

Identify the Risks: It is the process where the team need to look in to the details of the project and define what could go wrong, what could happen from all perspective such as schedule, cost, quality, scope, resources, procurements, strategic alignment etc. Team need to think about potential failure modes. PFMEA (potential failure mode and effects analysis approach can also be used), RBS (Risk breakdown structure) could be used to look at many sources from where project risks can arise. This is a team exercise. Past lessons learnt, and success stories can also be used to perform this identify risk step effectively. SWOT analysis could be one of the tool/technique for this process.

Carry out Risk analysis by qualitatively: As soon as risks are identified and documented in risk register, the next step is to find out what risks needs to be attacked first or which is having higher severity on project success. This can be done by using probability and impact matrix analysis. Through this process, assign a probability score of each risk based on its likely occurrence rate in a project and then assign what level of impact that could create if it occurs. The scale of probability and impact shall be defined during risk management plan stage or as per organization's standard guidelines. Based on the probability and impact sum score, the higher the number risk, earlier to be attacked.

Carry out Risk analysis by quantitatively: It is the same process of earlier one, but it differs by quantitative evaluation of risk. Unlike qualitative risk analysis, this process step evaluates each risk by its real value, numbers that it could impact if it occurs. For example, one of the risk could be if the project delays by 3 months, this could create a revenue loss of 500Mn USD for the particular financial year. This type of Risk analysis will provide clear indication of what need to be looked in to first out of all the risks that is identified.

Risk responses: Once the risks are identified and short listed, then it is the process of developing options and actions to enhance opportunities and to reduce threats to project objectives. Every risk that is identified can be responded with the following strategies. Each of the below strategy is having its own pros and cons. Depending upon the situation and type of risk and its impact, either of the following is chosen. Organization's policy also plays a vital role in selecting any of the below strategies for each risk.

Negative Risk Strategies	Positive Risk strategies
Avoid	Exploit
Transfer	Enhance
Mitigate	Share
Accept	Accept

Control risks: It is the process of Monitoring and controlling of risks and implementing the actions that is identified in the risk responses process, evaluating the risk process effectiveness throughout the project. This will act as a feedback mechanism to do course correction of the entire risk management process cycle and support continuous improvement. Risk audits and Risk re assessment are the tools and techniques that can be used in this process.

5. BENEFITS OF RISK MANAGEMENT PROCESS

If the risk management is performed effectively, this will result in the following benefits

- Reduce or eliminate the potential for scope creep
- Reduce or eliminate the potential for schedule over run
- Reduce or eliminate the potential for cost over run
- Reduce or eliminate the potential for quality issues
- Reduce or eliminate the potential for resource related constraints, issues
- Reduce or eliminate the potential for stake holder's dissatisfaction
- Reduce or eliminate the potential for procurement related issues & legal issues
- Reduce or eliminate the potential for project failures in total

6. RISK MANAGEMENT AS A PROFESSION

Project Management institute (PMI) Inc, which is a non-profit organization formed in 1969 in USA which delivers value for more than 2.9 million professionals working in nearly every country in the world through global advocacy, collaboration, education and research. This PMI advance careers, improve organizational success and further mature the profession of project management through globally recognized standards, certifications, resources, tools, academic research, publications, professional development courses and networking opportunities. It has created various credentials out of which one of the credential is PMI Risk Management Professional (PMI-RMP) which is exclusively meant for performing risk management in the organizations. That is the level importance Risk management is gaining in the market and its need is felt very positively and awareness on this among various organizations are increasing.

CONCLUSION

In itself, the process of applying a risk management can enablethe project to a greater chance of success. Assessments lead to the expression of outcomes as ranges, the development of risk mitigation plans, and the ability to set contingency. Risk assessment increases profitability by way of proactive measures. Contracts can be selected and priced at the right level of risk, and the business can be managed with risk fully understood. Specific risks can be negotiated, it can be made clear who bears them, and they can be built in to contracts. Budgeting can be done considering the risk levels which will prevent cost over runs and in turn prevent project delays or failures. Project schedules can be adjusted if the risk management is done properly which will prevent schedule over run and in turn prevent project delays and stake holder dissatisfaction. Risk management is going to grow in the coming years as this domain is perceived as a significant valueaddition to the Project implementation and management.

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