Crosswind Learning

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Project Management Professional (PMP)® Exam

# Crosswind Success Series: PMP® Exam Bootcamp Manual

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Version 6.1 aligned with the Project Management Institute, *A Guide to the Project Management Body of Knowledge, (PMBOK® Guide)* - Sixth Edition, Project Management Institute Inc., 2017

### 14.2.7. Risk Attitude and Perspective

Know the characteristics of a risk seeker, a risk-neutral person, a risk tolerant person, and a risk-averse person and how they relate to risk attitude.

The risk attitude of a person or organization can influence the project environment.

There are four types of risk attitude: Risk-Averse, Risk Seeker, Risk Tolerant, and Risk-Neutral.

The risk attitude of the customer/sponsor, project manager, and the organization greatly impacts the project environment.

| Type | Description |
|---|---|
| **Risk-averse** | Those that are risk-averse practice **risk avoidance.** They invariably select the low risk option or the sure thing. |
| **Risk tolerant** | Those that are risk tolerant are comfortable ignoring a risk until it becomes an issue. |
| **Risk seeker** | Those that are risk seekers **do not fear risk** and may embrace it. They are typically early adopters of new products and often take an all or nothing approach to an initiative. |
| **Risk-neutral** | Those that are risk-neutral have a measured attitude toward risk; however, depending on specific circumstance, that attitude can become risk-averse or risk seeking. |

The source for the above text is the Project Management Institute, *A Guide to the Project Management Body of Knowledge*, (*PMBOK® Guide*) – Sixth Edition, Project Management Institute Inc., 2017, Pages 401-408

## 14.3. Identify Risks (Planning Process Group)

Know the Key Inputs, Tools & Techniques, and Outputs for Identify Risks.

During the Identify Risks process, the project manager, team, key stakeholders, and/or subject matter experts identify possible project risks. A predefined list from previous projects may be utilized as a starting point for the identification.

When the Identify Risks process is complete, the identified risks are subject to the Perform Qualitative Risk Analysis process.

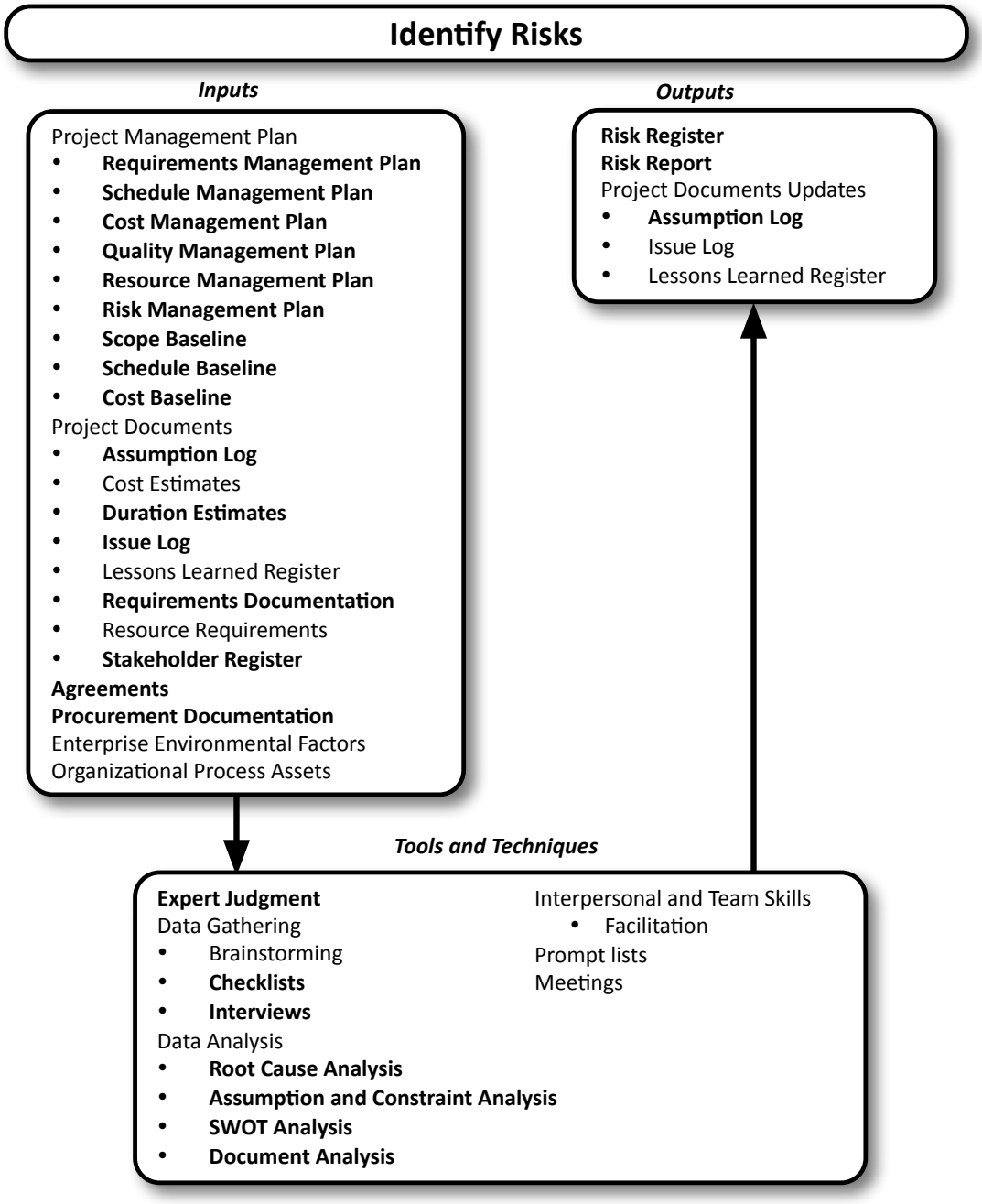


**Figure 14-5: Identify Risks Data Flow Diagram**

The source for the above figure is the Project Management Institute, *A Guide to the Project Management Body of Knowledge*, (*PMBOK® Guide*) – Sixth Edition, Project Management Institute Inc., 2017, Figure 11-6, Page 409

| Identify Risks (Planning) | | |
|---|---|---|
| **Key Inputs** | Requirements Management Plan | The requirements management plan is a component of the project management plan that details the evaluation, documentation, and administration of project requirements. It includes the methods for designing, monitoring, and reporting requirement activities and configuration activities; prioritizing requirements; determining requirement metrics; and capturing attributes for the requirements traceability matrix. The plan may indicate project goals that are especially at risk. |
| | Schedule Management Plan | The schedule management plan is a component of the project management plan that details the delineation, evolution, monitoring, and control of the schedule. The plan may indicate areas of concern, such as those that are uncertain/unclear or those relying on assumptions that could foster risk. |
| | Cost Management Plan | The cost management plan is a component of the project management plan that details the manner in which project costs are planned, configured, and controlled. The plan may indicate areas of concern, such as those that are uncertain/unclear or those relying on assumptions that could foster risk. |
| | Quality Management Plan | The quality management plan is a component of the project management plan that details the manner in which the policies, methods, and criteria of the organization are executed. It details activities and necessary resources to accomplish quality goals. The plan may indicate areas of concern, such as those that are uncertain/unclear or those relying on assumptions that could foster risk. |
| | Resource Management Plan | The resource management plan is a component of the project management plan that documents the manner in which the team and physical resources are determined, quantified, and acquired. The plan may indicate areas of concern, such as those that are uncertain/unclear or those relying on assumptions that could foster risk. |
| | Risk Management Plan | The risk management plan is a component of the project management plan that details the manner in which risk management activities are configured and implemented. It may also include a determination of the manner in which risk thresholds are established and risks are tracked, reported, scored, and interpreted. |

| Identify Risks (Continued) | | |
|---|---|---|
| **Key Inputs (Cont.)** | Scope Baseline | The scope baseline is the authorized version of the project scope statement, WBS (to the level of work package with individual identification codes) and WBS dictionary. It includes deliverables and their acceptance criteria that could foster risk. Note that the WBS can be used as the basis for constructing risk identification techniques. |
| | Schedule Baseline | The schedule baseline is the authorized version of the schedule model. It contains baseline start and baseline finish dates, is subject to change control, and is used as the basis of comparison to actual results. It can be used to determine milestones and deliverable due dates. The baseline may lead to risk discovery if the milestones and deliverable due dates are uncertain/unclear or reliant on assumptions that could foster risk. |
| | Cost Baseline | The cost baseline is the authorized version of the time-phased budget for the project, excluding management reserves, and subject to change control. It is evolved from a summation of approved budgets for specific schedule activities. It can be used to determine costs or funding requirements, which may be of concern if they are uncertain/unclear or those relying on assumptions that could foster risk. Note that the budget consists of the cost baseline plus the management reserves. |
| | Assumption Log | The assumption log is a document that lists the assumptions and constraints identified during the creation of the project charter. An assumption is an idea or statement taken to be true. An example of an assumption is the statement "there will be a robust market for the product created as a result of this project once it is available to the public." Examples of constraints are the project completion deadline, the budget threshold, or the limit on the number of employees that can be dedicated to the project. It's important to identify assumptions and constraints as early as possible and to update them as the project evolves. Due to the risks inherent in assumptions and constraints, they may impact the overall project risk level. |

| Identify Risks (Continued) | | |
|---|---|---|
| **Key Inputs (Cont.)** | Duration Estimates | Duration estimates provide quantitative assessments of activity durations in which lags are not considered. They are often expressed as a range of time with the extent of the range indicating the measure of risk. Further analysis is typically undertaken to ensure that allocated time is sufficient to complete project activities. Inadequate time denotes a risk to the project. |
| | Issue Log | The issue log is used to record and track any project challenges that cannot be immediately resolved. An issue may foster a project risk and impact the overall project risk level. |
| | Requirements Documentation | Requirements documentation lists the requirements and delineates how requirements fulfill the business needs of the project. The requirements are evaluated by the project team to determine those that are at risk. |
| | Stakeholder Register | The stakeholder register contains information related to identified stakeholders. It includes identification information (name, position, location, project role, and contact information), assessment information (key requirements, potential impact on project results, phase in which stakeholder wields the greatest influence, and expectations), and stakeholder classification (internal/external, impact/influence/ power/interest, or other classification model). It is used to determine which stakeholders could best identify risks and/or have the availability to act as risk owners. |
| | Agreements | Agreements define project intentions and can be written (such as **letters of agreements**, **contracts**, **memorandums of understanding**, **service level agreements**, and **email**) or verbal. For work to be performed by an external source, a contract between buyer and seller is typically used. The contract is identified by type and contains information such as milestone dates, acceptance criteria, awards, and penalties that can present risks (threats or opportunities). |
| | Procurement Documentation | For work or materials from an external source, related project documentation should be reviewed to ascertain possible project risks (threats or opportunities). |

| Identify Risks (Continued) | | |
|---|---|---|
| **Key Tools & Techniques** | Expert Judgment | Expert judgment is judgment based on expertise acquired in a specific area. It is often more significant and accurate than the best modeling tools available and can be provided by stakeholders, company personnel external to the project, professional organizations or groups, and consultants. It is important to consider expertise related to similar projects or business areas. Those possessing this expertise should be invited to provide carefully considered feedback regarding individual project risks as well as overall project risk. |
| | Checklists | The risk checklist itemizes the risks that are likely to occur on the project. It is important that the project team conducts robust risk identification to develop the risk checklist, even if the team references a risk checklist, evolved from historic information and knowledge from comparable projects, provided by the organization or a generic risk checklist available through the industry. It is also important that the team reviews the checklist from time to time to add new information and delete outdated information. |
| | Interviews | Interviews are direct elicitations of information and can be formal or informal. Typically, the interviewer asks questions of the interviewee and records the responses. Specific project risks and the origins of overall project risk can be determined through interviews with knowledgeable project stakeholders, participants, and subject matter experts. |
| | Root Cause Analysis | Root cause analysis (RCA) is used to ascertain the underlying cause of a variance, defect, or risk. It is an analytical technique that may also be used to ascertain risk by starting with a problem or benefit statement and investigating the threats or opportunities that might result in the occurrence of the risk. |

| Identify Risks (Continued) | | |
|---|---|---|
| **Key Tools & Techniques (Cont.)** | Assumption and Constraint Analysis | An assumption and constraint analysis involves validating the assumptions and constraints upon which the project is based. An assumption is an idea or statement taken to be true. An example of an assumption is the statement "there will be a robust market for the product created as a result of this project once it is available to the public." Examples of constraints are the project completion deadline, the budget threshold, or the limit on the number of employees that can be dedicated to the project. Assumptions that are fragmentary, inexact, unsound, or inconsistent are considered threats to the project. Constraints that can be eased or withdrawn are considered opportunities. |
| | SWOT Analysis | SWOT analysis identifies the **strengths**, **weaknesses**, **opportunities**, and **threats** related to the organization, business, and project. During risk identification, the SWOT analysis can be used to identify the threats that can arise from the identified weaknesses and the opportunities that can arise from the identified strengths. It can also be used to determine if the weaknesses can negatively impact the strengths. |
| | Document Analysis | Document analysis is the review of project documents to identify risks that may arise from discrepancies within a document or between documents. |
| **Key Outputs** | Risk Register | Each identified risk is recorded in the risk register. It typically includes the potential owner of and potential response(s) to each identified risk and may include a title, category, status, cause(s), trigger(s), impacted activity(ies), date of identification, date range for probable occurrence, and response deadline. |
| | Risk Report | The risk report details the origins of overall project risk and recaps key data about unique project risks (typically the number of threats and opportunities and other summary metrics). |
| | Assumption Log | The assumption log is a document that lists the assumptions and constraints identified during the creation of the project charter. The assumption log is updated with the addition, modification, or removal of any assumptions and constraints determined during risk identification. |

**Situational Question and Real World Application**

Failure to perform Identify Risks effectively can result in a reactive risk environment and failure to establish a reasonable list of risks. If any of the missing risks occur, there are no predetermined responses.

### 14.3.1. Risk Register

Know what the risk register contains and its purpose.

The risk register is a project document created during the risk planning processes. It evolves as the risk management processes and the project evolve, and it contains the following:

- Risks
- Triggers
- Probability (Likelihood) and Impact ($) from risk analysis
- Planned responses
- Risk owners

Figure 14-6: Risk Register illustrates that something as basic as a spreadsheet can be used to track risk related information for a project or program.

| Risk # | Risk Name | Trigger(s) | Probability | ($) Impact | Response(s) | Risk Owner | Reserve Amount |
|---|---|---|---|---|---|---|---|
| | | | | | | | |
| | | | | | | | |
| | | | | | | | |

**Figure 14-6: Risk Register**

### 14.3.2. Diagramming Techniques

Diagramming techniques may be used to help decompose or categorize risk. This activity could involve a number of techniques such as cause-and-effect (Ishikawa) diagrams, system or process flow charts, and influence diagrams. Influence diagrams show graphical relationships associated with process timing and interactions.

### 14.3.3. Risk Triggers

Risk triggers are risk event indicators that are typically identified in conjunction with identification of the risk. The occurrence of a risk trigger is an indication that a risk event **could occur in the near future**.

Know risk triggers and risk reviews.

### 14.3.4. Risk Reviews

During risk reviews, **the state of each identified risk is assessed and any new risks are identified.** Identified risks are assessed for occurrence and any change to ranking, characteristics, probabilities, and impact.

The source for the above text is the Project Management Institute, *A Guide to the Project Management Body of Knowledge*, (*PMBOK® Guide*) – Sixth Edition, Project Management Institute Inc., 2017, Pages 409-418