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Wednesday, November 19, 2014

PMGT 613 Case Study

Mid-term

Stratton Oakmont Corp. Consolidation Project

Risk Management Plan

Version Number: 1.0

Version Date: April 28, 2014

VERSION HISTORY

Version Number	Implemented By	Revision Date	Approved By	Approval Date	Description of Change
1.0	Juan C. Navas	4/19/2014			Initial presentation
2.0	Michael Flores	4/28/2014			Quantitative Analysis

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1.0 Introduction

LDMJ Consulting's approach to risk management starts with a plan. This plan defines the scope and process for the identification, assessment, and management of risks which could impact the implementation of the project. Our organization believes that early and aggressive detection of risk is important because it is typically easier, less costly, and less disruptive to make changes and correct work efforts during the earlier, rather than the later, phases of the project.

1.1 Purpose of Risk Management Plan

The purpose of the Risk Management Plan is to establish an approach to monitoring, evaluating, and managing risks throughout the life of the ***Stratton Oakmont Corp. Consolidation Project***. The objective of the Risk Management Plan is to identify important project risk factors, define the strategy to manage these project-related risks, and propose mitigating techniques and processes that would reduce risk to an acceptable level, limiting its impact on cost and schedule, as well as operational performance.

A risk is an uncertain event or condition that, if it occurs, has a negative or positive effect on the project's objectives. Risk management is a continuous, forward-looking process that is an important part of business and technical management processes. Risk management should address issues that could endanger achievement of critical objectives. A continuous risk management approach is applied to effectively anticipate and mitigate the risks that have critical impact on the project.

This Risk Management Plan defines how risks associated with the ***Stratton Oakmont Corp. Consolidation Project*** will be identified, analyzed, and managed. It outlines how risk management activities will be performed, recorded, and monitored throughout the lifecycle of the project and provides templates and practices for recording and prioritizing risks.

The Risk Management Plan is created by the project team of ***LDMJ Consulting Group***, in collaboration with ***Stratton Oakmont Corp.*** officials, and will be monitored and updated throughout the project.

2.0 Risk Management Procedure

2.1 Process

A "**risk**" is any event that could prevent the project from progressing as planned, or from successful completion. Risks can be identified from a number of different sources. Some may be quite obvious and will be identified prior to project kickoff.

Others will be identified during the project lifecycle, and a risk can be identified by anyone associated with the project. Some risk will be inherent to the project itself, while others will be the result of external influences that are completely outside the control of the project team.

Juan C. Navas, Project Manager has overall responsibility for managing project risk. Project team members may be assigned specific areas of responsibility for reporting to the project manager. Throughout all phases of the project, a specific topic of discussion will be risk identification. The intent is to instruct the project team in the need for risk awareness, identification, documentation and communication.

Risk awareness requires that every project team member be aware of what constitutes a risk to the project, and being sensitive to specific events or factors that could potentially impact the project in a positive or negative way. Risk identification consists of determining which risks are likely to affect the project and documenting the characteristics of each. Risk communication involves bringing risk factors or events to the attention of the project manager and project team.

Juan C. Navas, Project Manager will identify and document known risk factors during creation of the Risk Register. It is the project manager's responsibility to assist the project team and other stakeholders with risk identification, and to document the known and potential risks in the Risk Register. Updates to the risk register will occur as risk factors change. Risk management will be a topic of discussion during the regularly scheduled project meetings.

The project team will discuss any new risk factors or events, and these will be reviewed with the Project Manager. The project manager will determine if any of the newly identified risk factors or events warrants further evaluation. Those that do will undergo risk quantification and risk response development, as appropriate, and the action item will be closed.

At any time during the project, any risk factors or events should be brought to the attention of the ***Juan C. Navas,*** using Email or some form of written communication to document the item. The project manager is responsible for logging the risk to the Risk Register.

Notification of a new risk should include the following Risk Register elements:

- **Description of the risk factor or event-** For example conflicting project or operational initiatives that place demands on project resources, unexpected study outcomes, delays, etc.
- **Probability that the event will occur-** For example, a 50% chance that the company will meet its budget.
- **Schedule Impact-** The number of hours, days, week, or months that a risk factor could impact the schedule. As an example, during the holiday season there could be a reduction of hours due to people taking vacation.

- **Scope Impact-** The impact the risk will have on the envisioned accomplishments of the project. For example, the reduction of hours due to holiday vacation can lead to an irregular increase of hours in order to catch up with the projects.
- **Quality Impact**- A risk event may result in a reduction in the quality of work or products that are developed. As an example, lack of funding caused by cost overruns may result in the reduction of the projects being met and can cause loss of employment.
- **Cost Impact**- The impact the risk event, if it occurs is likely to have on the project budget.

2.2 Roles and Responsibilities

Roles	Responsibility
Business Subject Matter Expert	The **BSME** will help the Risk Project Management Team with all the necessary Corporate information that is needed to determine the situation, consequence, impact, timing, and the priority of the risk.
Risk/Project Manager	The **RPM** will direct the Project Team which will determine if the "Risk" is exclusive, identifying the risk mutual dependencies, confirming whether a risk is internal or external to the project, assigns the risk classification and tracking number. The **RPM** will continually supervise the projects for probable risks.
Project Team Members	The **Project Team Members** will identify the risks among the project, the situation and its consequences. The project team will determine the impact, timing, and priority of the risks involved in the consolidation of the new operating model which will be followed by each department. The project team will formulate the risk statements for the project.
Risk Mitigation Analyst	The **RMA** will determine which risks require improvement, contingency plans, and how to mitigate them. The **RMA** will perform a cost benefit analysis of the proposed strategies based of the information provided. The **RMA** will monitor, control, and update the status of the risk throughout the project's lifecycle.
Expert External Consultant	The **Expert External Consultant** will be contracted to provide professional advice involving the project.
Other Key Stakeholders	The **Other Key Stakeholders** assist in identifying and determining the situation, consequence, impact, and priority of the risks involved in the consolidation of the departments.

2.3 Risk Identification

Risk identification is used to help avoid risks when it is possible. It also helps control risks if that is necessary. Sometimes determining risks is not easy but starting with known and predictable risks can point you in the right direction.

Risk identification will involve the project team, appropriate stakeholders, and will include an evaluation of environmental factors; organizational culture and the project management plan including the project scope, schedule, cost, or quality. Careful attention will be given to the project deliverables, assumptions, constraints, RBS (risk breakdown structure), cost/effort estimates, resource plan, and other key project documents.

2.3.1 Methods for Risk Identification

Risk identification is an imperative process that is conducted throughout the entire project life cycle. Any person associated with the project should be encouraged to continually identify potential project risks.

In addition to ***LDMJ Consulting Group***, all project stakeholders are responsible for identifying new risks. New risks identified during project related meetings will be captured and added to the Risk Register within two working days of the meeting. It will be the responsibility of the ***LDMJ Consulting Group*** Project Manager, ***Juan C. Navas,*** to make sure this is accomplished.
LDMJ Consulting Group will rely on proven methods of risk identification identified in the Project Management Institute's Body of Knowledge. A comprehensive look at all aspects of ***Stratton Oakmont Corp.*** current business and departmental organizational structure will be conducted in order to gain a better understanding of the organization's business processes and goals.

Working closely with ***Stratton Oakmont Corp.*** employees, departmental managers, and organizational leadership, the following methods will be used to assist in the identification of risks:

- Brainstorming
- Interviewing
- Subject Matter Experts
- SWOT (Strengths, Weaknesses, Opportunities, and Threats) Analysis
- Diagramming
- Delphi Technique

LDMJ Consulting Group sees risk management as a continual process that should occur over the life of a project. With this mind, our firm with continually monitor new risk threats as we progress through the entire organizational consolidation process. A Risk Management Log will be generated and updated as needed and will be stored electronically in the project library.

2.3.2 Risk Register

Risk Ranking Number	Risk Area	Risk Description	Date Identified	Owner
1	**Project Management**	There are several disconnects between Managers, Team leads, staff regarding communication and project scope. This off hands approach can cause delays in deliverables and an unnecessary strain on the budget and misappropriation of resources	4/8/2014	Infrastructure and Product +Workstation Teams
2	**Culture**	Department leadership is not willing to make business process changes. Individual departments are focused on their groups only. Teams must adapt. Teams must work together.	4/8/2014	Consultant
3	**Leadership**	Workstation team lacks leadership. They need a leader to delegate the process. The program manager is a hands off manager and leaves the tactical work to the project managers underneath her.	4/8/2014	Infrastructure and Product +Workstation Teams
4	**Consolidation**	The teams must be consolidated. When the teams are consolidated managers will be lost and leadership duties transferred. A single IT Lead and one single Manager.	4/9/2014	Project Manager
5	**Technology**	Incompatible systems across all groups. Incompatible systems may complicate communications across groups causing a delay in deliverable pushing back project schedule.	4/9/2014	Workstation Team
6	**Culture**	There is an unwillingness to share resources and make changes for	4/9/2014	Workstation

		the good of the project. This can lead to misallocation of resources. Resistance to change can be detrimental to project development.		
7	**Unity**	Workstation team lacks unity. All the departments need to unite for one common goal. The project managers are aligned to a product and do not have a cross functional view of the work the other project managers are doing.	4/10/2014	Project Manager
8	**Communication**	The IT lead and development staff are in another state and do not share their detailed project plan with the program manager or project managers.	4/10/2014	Infrastructure and Product +Workstation Teams
9	**Project Management**	There is no status of deliverable outside the group. This will cause management incapable of making proper and informed decisions about the entire project.	4/10/2014	Finance
10	**Project management**	There is no engagement with stakeholders. Without proper interaction with stakeholders real and informed decisions about product development cannot be made resulting in poor design.	4/10/2014	Project Manager

High Risk Category Description

Risk Category Name	Risk Category Description
Leadership	Project Management identifies chronic failure to meet deliverable quality or schedule not due to planning failure. Hands-on Management.
Culture/Staff	Without strong interpersonal support fostered by a healthy staff mentality with regard to organizational goal will end in a failed project. The team, users, and executives must support the organizations goals. Adherence to

	Risk Management Plan, Review by all staff, key risk assessment included in project plans/schedules.
Business Practices/Team Unity	Inadequate funds, procedures, and a poor management approach will cause budgetary concerns and failure to the project. Diversity in team, Staffing plan prepared based on scope and high- level task planning. Budget built around critical path items with significant discretionary cushion.

2.4 Risk Analysis

LDMJ Consulting Group will use a qualitative approach to Risk Analysis. This methodology uses a risk level matrix based on probability and impact. This allows for an independent assessment of probability and consequence of risk.
Each risk shall be evaluated to determine impact, probability of occurrence, and timeframe. Each risk shall be examined to determine its relationship to other risks identified. Initially, the identifier of the risk shall provide an estimate of these attributes. The Project Manager shall be responsible for further analysis and prioritization of the risks.

2.4.1 Qualitative Risk Analysis

Risk shall be analyzed qualitatively using impact, likelihood and timeframe classifications defined in this section. Impact is based on project success, resources, cost, and schedule. Likelihood is used to provide an order of magnitude based on quantitative data and qualitative experience.
The project risks for the ***Stratton Oakmont Corp. Consolidation Project*** is analyzed considering the following

- Probability: Based on a scale 1-5, likelihood of an occurrence
- Impact: A potential risk's likely affect on the project (1-5).

Risks that fall within the RED and YELLOW zones will have risk response plan which may include both a risk response strategy and a risk contingency plan.

Stratton Oakmont Corp. Consolidation Project Risks

Project Risks	Probability (1-5)	Impact (1-5)
1) Project Management	4	5
2) Organizational Culture	3	4
3) Leadership	3	4
4) Consolidation	4	2
5) Technology	3	3
6)Culture	3	4
7)Unity	3	2
8)Communication	2	4
9) Project Management	4	3
10) Project Management	4	3

Risk Assessment Matrix

Impact / **Probability**	Lower →				
	← Higher				
	5A	5B	5C	5D	5E
	4A **(1)**	4B **(2) (3)**	4C **(9) (10)**	4D **(4)**	4E
More ↑ / ↓ Less	3A	3B **(6)**	3C **(5)**	3D **(7)**	3E
	2A	2B **(8)**	2C	2D	2E
	1A	1B	1C	1D	1E

2.4.2 Quantitative Risk Analysis

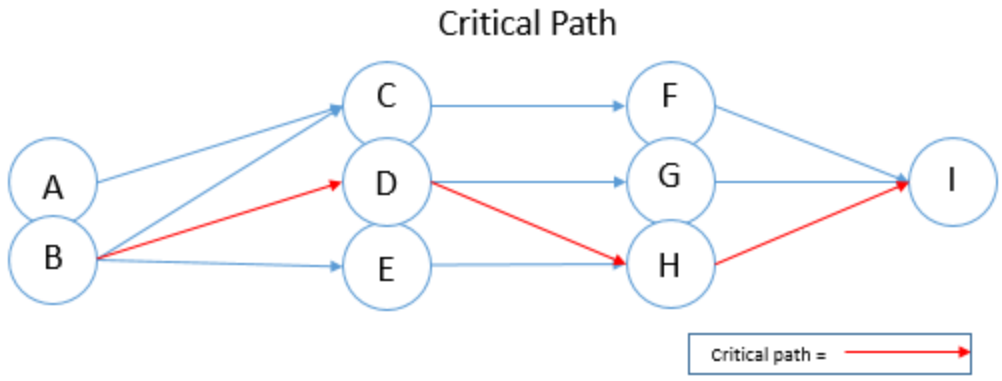
Per the request of the Project Management Office, the Critical path for major milestones and earliest-latest starting and finishing times have been calculated for the following activities:

Activity	Time	Pred 1	Pred 2	Pred 3
A	4			
B	6			
C	7	A	B	
D	8	B		
E	5	B		
F	5	C		
G	7	D		
H	8	D	E	
I	4	F	G	H

With the milestones and dependencies identified in the chart above, the two charts below where created.

Earliest-Lasted Finishing Times

Activity	Early Start	Early Finish	Late Start	Late Finish	Slack
A	0	4	6	10	6
B	0	6	0	6	**0**
C	6	13	10	17	4
D	6	14	6	14	**0**
E	6	11	9	14	3
F	13	18	17	22	4
G	14	21	15	22	1
H	14	22	14	22	**0**
I	22	26	22	26	**0**
	Project	**26**			



After careful consideration LDMJ Consulting Group has decided to bring the project from its current 26 week schedule to a 14 week schedule. After calculating the crash costs per week for each milestone the total cost to meet the 14 week schedule is $25,966.67. The charts below identity the crash cost for each milestone and total cost of the schedule.

Milestone	Crash time(weeks)	Normal Cost	Crash cost per week
A	1	$8,000	$1,500
B	2	$12,000	$1,500
C	3	$14,000	$2,000
D	4	$19,000	$3,000
E	2	$13,000	$1,000
F	3	$9,000	$500
G	2	$16,500	$2,000
H	4	$22,000	$3,000
I	2	$5,500	$500

			Results									
Data			Normal time	26		Minimum crash cost to meet project goal			$ 25,966.67			
Project goal	14		Minimum time	12					Project time		14	
					Immediate Predecessors (1 per column)						Intermediate Computatio	
Activity	Normal Time (weeks)	Crash Time (weeks)	Normal Cost	Total Cost with Crashing	Immediate Predecessor(s)	Pred 2	Pred 3	Pred 4	Crash days	Crash cost/day	Crash limit	
A	4	1	$8,000	$9,500					2	500	3	
B	6	2	$12,000	$15,000					4	750	4	
C	7	3	$14,000	$20,000	A	B			0	1500	4	
D	8	4	$19,000	$31,000	B				4	3000	4	
E	5	2	$13,000	$15,000	B				1	666.6667	3	
F	5	3	$9,000	$10,500	C				2	750	2	
G	7	2	$16,500	$20,500	D				1	800	5	
H	8	4	$ 22,000	$ 34,000	D	E			2	3000	4	
I	4	2	$ 5,500	$ 6,500	F	G	H		2	500	2	