Risk Responses Tools & Techniques

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Tools and Techniques for Risk Response Planning

Risk, as you have already seen & learned, can come in two categories: negative risks, which poses threats to meeting the project objectives, and positive risks, which offer opportunities. The goal here is to minimize the threats and maximize the opportunities.

In project management, there are three kinds of possible responses to risks:

1. Take an action or
2. Take no action or
3. Take a conditional action.

When you want to take an action, different response strategies for negative and positive risks need to be planned. Accordingly, there are three kinds of strategies available to handle three kinds of scenarios:

• Strategies to respond to negative risks (threats) when action is required

• Strategies to respond to positive risks (opportunities) when action is required

• Strategies that can be used to respond to both negative and positive risks when no action or a conditional action is taken

Response Strategies for Threats

There are only three ways to take an action against a potential problem & this is basically common sense:

1. Get out of harm's way
2. Pass it to someone else
3. Confront it to minimize the damage.

In project management, these three strategies are called avoid, transfer, and mitigate; the ATM approach.

Avoid - You avoid risk by changing your project management plan in such a way that the risk is eliminated. Depending upon the situation, this can be accomplished in various ways, including:

• Obtaining information and clarifying requirements for risks based on misunderstanding or miscommunication. This answers two questions: Do we really have this risk, and, if yes, how can we avoid it?

• Acquiring expertise for risks that exist due to a lack of expertise.

• Isolating the project objectives from the risk whenever possible.

• Relaxing the objective that is under threat, such as extending the project schedule.

Transfer - Risk transfer means you shift the responsibility for responding to the risk (the ownership of the risk), the negative impact of the risk, or both to another party. Note that transferring the risk transfers the responsibility for risk management and does not necessarily eliminate the risk. Risk transfer almost always involves making payment of a risk premium to the party to which the risk has been transferred. Some examples include buying an insurance policy and contracting out the tasks involving risk.

Mitigate - Mitigation in general means taking action to reduce or prevent the impact of a disaster that is expected to occur. Risk mitigation means reducing the probability of risk occurrence, reducing the impact of the risk if it does occur, or both. A good mitigation strategy is to take action early on to first reduce the probability of the risk happening, and then to plan for reducing its impact if it does occur, rather than letting it occur and then trying to reduce the impact or repair the damage. Following are some examples of mitigation:

• Adopting less complex processes

• Conducting more tests on the product or service of the project

• Choosing a more stable supplier for the project supplies

• Designing redundancy into a system so that if one part fails, the redundant part takes over and the system keeps working

Each of these three strategies has a counter-strategy to deal with the opportunities.

Response Strategies for Opportunities

Just like in the case of threats, you have three strategies to deal with opportunities. Not surprisingly, each response strategy to deal with an opportunity is a counterpart of a response strategy to deal with a threat; a one-to-one correspondence:

• Share corresponds to transfer

• Exploit corresponds to avoid

• Enhance corresponds to mitigate

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