



JOHN GLENN  
SCHOOL OF PUBLIC AFFAIRS

# Managing Stimulus Risk

A Presentation to  
the OACAA Annual Conference  
June 2009

Dave Wirick, PMP, CMA  
Visiting Scholar  
John Glenn School of Public Affairs  
[Wirick.2@osu.edu](mailto:Wirick.2@osu.edu)

# Objectives of the Workshop

- Describe the role of risk in our projects
- Deploy strategies for:
  - Risk identification
  - Risk analysis
  - Risk response planning
- Build a risk management plan for your CAA for the stimulus projects

Part 1

# THE BASICS OF PROJECT RISK

# Risk

- Is related to uncertain events
- If those events occur, they will impact the project in a positive or negative way
- Risks are related to assumptions
  - One person's risk might be another's assumption
  - Both deal with uncertainty
- Risk tolerances vary among projects, people, and organizations

# CAA Risks

- What is your risk tolerance? Do you have lower tolerance for certain kinds of risks?
- What risks do CAAs deal with on a daily basis?
  - How do you deal with those risks?
- What new risks are being created by the stimulus funds?
  - Our goal in the remainder of the workshop is to build a structured approach to dealing with those risks!

Part 2

# **THE STRUCTURED APPROACH TO MANAGING RISK IN PROJECTS**



# The Steps in Our Process

- Risk identification
- Risk analysis
- Risk response planning
- Risk monitoring

# Risk Identification

- Can be accomplished through brainstorming or more rigorous methods
- Need to create risk categories to avoid tunnel vision
- Biggest risk in projects is often “requirements risk,” the risk that the product of the project will not meet the needs of which the project was initiated
- Listed on a risk register

# Risk Register

#	Risk	Prob.	Impact	Risk Scale	Risk Response	Risk Trigger	Secondary Risk

# Exercise

- For a stimulus project:
  - Create a set of risk categories
  - Identify risks in each of those categories
  - Fill in the first column of the risk register

# Risk Analysis

- Not all risks have the same potential for impacting the project
- Can weight relative risk by creating a risk factor (RF) which is the product of:
  - A probability indicator, usually expressed in percentage terms
  - An indicator of impact, usually a 1-10 scale
- The risks can be re-ordered based on RF to determine which risks to address and with what urgency
- Also captured on the risk register

# Risk Register with RFs

Risk	Probability	Impact	Product
Inability to find a good bass guitarist	40%	7	.28
Inability to find equipment within our budget	50%	5	.25
Complaints from police about noise of rehearsals	10%	3	.03
Inability to get jobs because of competition from existing bands	60%	5	.30
Departure of band members and inability to find new ones	70%	5	.35
Cancellation of gigs after they're scheduled	50%	7	.35

# Exercise

- Add the risk probability and impact assessments to the risk register
- Multiply them to create a risk scale
- Were there any surprises?

# Risk-Response Strategies

- Negative risk-response strategies
  - Acceptance
  - Mitigation
  - Transference
  - Avoidance
- Risk-response strategies must be cost-effective (based on the probability weighted impact)
- We will accept many risks because their risk factor is too small or because there is no good strategy for them
- Secondary risks are risks that arise as a result of risk-response strategies
- Risk triggers are indications that the risk is about to occur or has occurred

# Exercise

- Add the risk response strategies to the risk register.
- Identify risk triggers and secondary risks

# Risk Monitoring

- The risk register should be evaluated at every project meeting
- Some risks will fall off, others will be added, and others will change in probability or impact
- Someone should be assigned to manage each risk response

# Dealing with Unplanned Risk

- Workaround is a response to an unplanned risk
- Orderly decision-making process for dealing with change and unplanned risk
  - Creating a list of options. Usually, the option that occurs to us first is wrong. We usually conclude quickly that there is only one thing we can do. There are lots of things to do in every situation. Take time to think through every option that you have.
  - Evaluating the list to see which option or set of options is best.
  - Picking an option and putting it in motion.
  - Assessing how successful it was and changing course if necessary.

# Vocabulary for Risk Management

- Acceptance
- Avoidance
- Mitigation
- Risk
- Risk categories
- Risk register
- Risk scale
- Risk tolerance
- Risk triggers
- Secondary risks
- Transference
- Workaround

Part 3

# **WRAP-UP AND QUESTIONS ABOUT YOUR RISK MANAGEMENT PLAN**

