The Role of Risk Management

Team A

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Peggy Sinness

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Risk management is a quintessential part of any project. Regardless of the projects size, complexity, or visibility, there is always a level of risk that is associated with projects. Typically speaking, the risk is usually in direct correlation with the reward. Both low and high risk projects are completed every day successfully and profitably. The key to this is effective risk management.

To comprehend the role that risk management plays in project management, it is important to first fully understand what risk management is. Risk management is a way to forecast and evaluate risks while mitigating those same risks and attempting to control them. Although sometimes it is possible to eliminate the risks completely, more often than not the risks must be managed as opposed to eliminated. Risk management is the solution to this. By identifying project risks, and then determining the impact that they could have on the success of the project, solutions to mitigate the risk can be created.

In project management, risk management is an ongoing process that begins during the planning stage of the project and continues through the completion. Project Managers, often times will employ team members to help identify and manage risks, and will sometimes even contract risk management experts or consultants to focus solely on mitigating the project risks. While risk management does increase the resource expenditures of the project, it also allows the Project Manager to be prepared and have plans and contingencies in place to manage the risks. Managing risks will ultimately increase the likelihood of the projects success and profitability.

The triple constraint of Project Management is cost, schedule, and quality. This means that it takes resources and time to produce results. Although this is accurate, it is not a complete picture of project constraints. Risk should be added as a constraint that needs to be considered for every project. Effective risk analysis and risk management is critical to project success. If risk management is overlooked, or, if adequate resources are not allotted for risk management, additional risks are added to the project.