Activity4 – "Risks"

Part 1 – Risk awareness

Imagine your role is a food manufacturing operations lead and you are asked to implement a new piece of equipment into the main factory. This equipment will revolutionise the way that finished goods are packed, sealed, labelled and stored. It will combine together two processes currently performed by teams on different sites. It is new technology which has been tested in Japan but never used in Europe before. The supplier is a specialist company previously unknown to your organisation.

Without knowing anything more about the context, jot down 5 potential things that could hinder successful implementation.

Ref	Risk Description	Rationale?
1		
2		
3		
4		
5		

1b. Now consider how you could possibly monitor the situation. What possible routes could you have of finding out whether the risks you mentioned above are any more or less likely to come to pass? Note these in the table below.

Ref	Possible Risk Monitoring Action
1	
2	
3	

Ref	Possible risk monitoring actions ctd…
4	
5	

2. Response Strategies

The options for risk response are –

Accept (ie – do nothing);

Mitigate (ie, take action to reduce the likelihood of the risk occurring and/or the impact it would have on your plan);

Transfer (ie. Push the financial ownership of the risk onto another party, such as limiting cost of breakdowns via an insurance policy)

Eliminate (ie take every action possible to remove the risk from your project, even if this means changing scope or specifications).

For the risks you identified above, consider and specify which response you'd take.

Ref	Risk Response…	Rationale…
1.		
2.		
3.		
4.		
5.		

2b. Response Strategies

The new equipment installation has been ordered by the Overall Factory Manager. He is good friends with a local MP who had provided the connections with trade ministers to enable the deal to be done with the specialist company in Japan and is desperate to capitalise on the deal as he sees it as a great example of international trade co-operation. Your organisation hired a Japanese speaking lawyer to take on the contract negotiations. The local finance manager had authorised the spend but you have heard that the CFO is particularly nervous about the scale of the investment and is keen to ensure the project is

a success. You have an assurance manager onsite who will be responsible for confirming that the equipment meets the appropriate quality standards. One of the Union reps within the team has been asking lots of questions to HR about the impact this new machine will have on jobs. The local distribution team manager is also keen to know when things will change for his area and the marketing agency have been told that product packaging sizes may have to change. Another local factory recently shut down production in one of its sites and replaced local suppliers with cheaper imported parts from Asia.

List who you think should be CONSULTED, INFORMED or is N/A in the following scenarios:

A) The supplier has advised that due to some inclement weather in Japan there has been some delays in delivery of some parts for the machine. It could impact their delivery schedule by 4days. You had built in 3 weeks contingency between the current equipment delivery date and the installation date. You have assessed the risk as **very likely** to happen but with **low impact** to the overall project as you expect to be able to absorb the delay.

B) The assurance manager has reviewed the technical specifications for the new machines and has a long list of queries for the supplier's technical team. He is concerned that some specifications may not be compliant with EU regulations. The supplier has advised it will be at least 2 weeks before these concerns are reviewed and at least a further week before any issues are fully investigated. Depending on the outcome of the review, there could be further time needed to resolve any problems with parts. You have estimated a **moderately high likelihood** of **high impact** for the timeline for delivery of 6 weeks and cost of 8%.

C) The Union rep has a list of staff concerns about the combining of the teams/processes across sites. The consolidation exercise has not yet started. Rumours are circling about one site being closed down. You have evaluated a risk to staff morale leading to loss of good workers due to lack of security of employment, and negative reputation in local press as a risk with **high likelihood** with **moderate impact**.

Once you have decided your assumptions on this and noted them in the table below, ask a friend or colleague for 10 minutes of their time. Read them the introductory paragraph and ask them to take the place of one of the stakeholders that you have chosen as N/A for communication about the risk. Now tell them the scenario. Ask their opinion on what they would expect to happen in the scenario. How and when would they expect to find out about the problem? Would they want to be involved in determining the approach to the risk? Or solving the issue. Now tell them your rationale for original response. How do they feel?

Remember risk management is subjective. Having a clear process for managing risk, and communicating this in advance helps ensure you set stakeholder's expectations and avoid a mutiny from the people around you, just when you most need the team to pull together and support you through a problem!

Stakeholder	Scenario A	Scenario B	Scenario C
Factory Manager			
MP			
Trade Minister			
Lawyer			
Local Finance Manager			
CFO			
Assurance Manager			
Supplier Representative			
Distribution Manager			
Union Rep			
HR Manager			
Staff			
Marketing Manager			

Case Study – Example of Completed Activity 4 – "Risks"

Part 1 – Risk awareness. *Below are some sample answers. Use this as a guide – it is not a definitive list.*

Ref	Risk Description	Rationale?
1	*Equipment gets installed but project completion is delayed if it does not operate onsite as expected.*	*Has not been used in Europe before… fittings may be different sizes etc.*
2	*Cost of purchase increases in real terms due to changes in currency exchange rate.*	*Doing business internationally carries these risks.*
3	*Staff concerned about being replaced by a machine involve union and local press and tarnish company reputation as an employer.*	*Two teams combining likely to mean fewer roles.*
4	*Machine gets installed but issue akes a long time to get fixed as no one local knows how to fix it.*	*New technology.*
5	*Transport costs are higher than expected.*	*Being brought from abroad organisation is not used to that.*

1b. Possible answers for risk monitoring actions are noted in the table below...

Ref	Possible Risk Monitoring Action(s)
1	*Get local engineers to review the specifications/ Request evidence of testing*
2	*Review exchange rates/Speak with Finance teams*
3	*Regular catchups with union reps*
4	*Ask for evidence of engineer response times/ regular details of local engineers who have been trained on the system.*
5	*Obtain monthly update on spend. Ask for confirmed quote.*

2. Response Strategies. Possible responses may be as follows...

ef	Risk Response(s)…	Rationale…
1.	*Transfer*	*Get it built into contract that delivery is only paid on successful installation with compensation to be paid by supplier if there is more down time that expected.*
2.	*Transfer*	*Arrange fixed price currency bond with bank.*
3.	*Mitigate*	*Reassure colleagues via communications where possible.*
4.	*Transfer/ Mitigate*	*Build into contract reimbursement by supplier for downtime. Get third party expert to test and confirm system works.*
5.	*Accept*	*You may have no influence over shipping costs. Allow some contingency in budget for overspend.*

2b. Response Strategies

The following answers are intended as indicative of who a PM might think is considered suitable to be informed/consulted about a risk. If you did not have a colleague or friend to help. Try to put yourself into someone else's shoes to consider how they would react/ what assumptions they might make if you had not agreed with them/ told them when to expect contact with the project.

Stakeholder	**Scenario A**	**Scenario B**	**Scenario C**
Factory Manager	*Informed*	*Consulted*	*Consulted*
MP	*N/A*	*N/A*	*N/A*
Minister	*N/A*	*N/A*	*N/A*
Lawyer	*N/A*	*N/A*	*N/A*
Local Finance Manager	*Informed*	*Informed*	*Informed*
CFO	*N/A*	*Informed*	*Informed*
Assurance Manager	*N/A*	*Consulted*	*N/A*
Supplier Representative	*N/A*	*Consulted*	*N/A*
Distribution Manager	*N/A*	*Informed*	*Consulted*
Union Rep	*N/A*	*N/A*	*N/A*
HR Manager	*N/A*	*N/A*	*Consulted*
Staff	*N/A*	*N/A*	*N/A*
Marketing Manager	*N/A*	*N/A*	*N/A*

Colleague: *If I was the MP who set up the contact, I have been telling people what a great success story this is for international trade. If I then found out later about scenario B from someone else – you know, that there had been serious queries and potential for long delays. I might be quite embarrassed. It could be really frustrating too because perhaps between myself and the trade ambassador we could have helped sort things out more quickly, finding contacts who knew both sets of regulations etc. I don't expect any day to day involvement in their business, but I just thought they might have let me know that there was such a big potential problem. Now I just feel that I have been kept out of the loop completely as though my contribution isn't valued. It would stop me wanting to talk about it to anyone else in case I am giving misleading information. I would probably call my friend, the factory manager to find out more.*