

Risk Management



Minutes
Compact
Knowledge

**How to Successfully Manage Risks
and Opportunities**

ROLAND WANNER



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Disclaimer

This book contains information on the fundamentals, instruments, and processes for risk management in enterprises in industry, commerce, finance, and project management. It describes the identification of risks, the planning of risk responses and their implementation and controlling. It is written for informational and educational purposes. For professional use, the support of a competent professional is recommended.

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“Whatever success I’ve had in life has more to do with my knowing how to deal with my not knowing than anything I know.”

Ray Dalio, billionaire investor and hedge fund manager

Preface

Congratulations on picking up this book. It shows that you take risk seriously and are interested in learning more about risk management to make your future a lot safer.

In just 60 minutes, you will learn in this book, in a concentrated form, the most important things about this highly under-rated topic.

For many people, risk management is something abstract with which they cannot do much. Many people are afraid of risks and therefore try to suppress risks and the topic of risk management. Others see risk management only as something theoretical that has no real benefit. That is why we don't like to deal with it.

Risk management concerns us all, in business and as private individuals. We are exposed to risks every day or expose ourselves to risks, consciously or unconsciously. When you drive a car or go skiing, surf the Internet, or sign contracts with suppliers you don't know well enough. Risks lurk everywhere. Your business or private life will be a lot safer if you know these risks and, if necessary, take action to prevent them from harming you.

Americans, Swiss and Germans are the best insured people in the world, although many of them rarely or never consciously think about risks. Some insurances are compulsory, such as health insurance or car liability insurance, many others are voluntary. A good business for insurers!

There are laws that oblige you to apply risk management in business. When something becomes an obligation, the motivation to do it is often not so great. Risk management must be

done out of conviction, otherwise the benefit is not great, and it is then only a token exercise.

Being aware of the risks in your environment, understanding them and adapting to them can save you from problems or misfortunes, or at least ensure that the risks don't have as big an impact when they do occur.

I promise you, after reading this book, you will walk through the world a little differently and be more aware of your risks. This alone will make your life a little safer. That doesn't mean you have to be constantly afraid of potential dangers.

By the way, if you don't manage to read this book in 60 minutes, you won't be alone. Take your time!

For Whom Was This Book Written?

Many claim that risk management is a complex subject. I do not agree with that. To achieve 90% impact in risk management, you can safely forget the complex part, where you need, for example, statistical know-how or where you apply complex risk models.

In this book, I describe risk management mainly for companies and projects. But also e.g., as a municipality, political party, environmental association or as a private person, you can benefit a lot from it.

I have tried to write this practical book as simply as possible, so that it can be easily understood by students, engineers, and businesspeople from various industries, but also by private individuals—with the aim that you can immediately put this knowledge into practice.

1

Introduction

Every One of us Does Risk Management

Our actions are always associated with risks and opportunities when we carry out projects, but also in our private lives. We are constantly surrounded by uncertainties that can harm us, that can benefit us, or that have no influence on us at all. You often can't predict future events, but you may have a hunch that something specific might happen.

Each of us does risk management, not only once a day, but probably hundreds of times a day—almost always unconsciously, rarely consciously. Here are a few examples:

You are standing in front of the pedestrian crossing on a moderately busy road. Either you walk straight across the road—which you probably don't do—or you look to the left and to the right, as you have learned, to make sure that no vehicle is coming. You do not walk across the road until it is clear. This way, you avoid the risk of an accident.

You try to repair something with superglue. You know that this can, for example, glue your fingers together very quickly if you are not careful. You reduce this risk with increased attention.

You receive a Word document via e-mail from someone you don't know. Do you open it, or do you avoid the risk of infecting your PC with a virus by first having your virus scanner check the document or simply delete it?

You go skiing in beautiful weather. I bet you take sunglasses with you to avoid the risk of getting snow-blind.

In this book, I will show you more examples of risks from business, everyday life, and projects. This will help you understand this important topic even better. We are all exposed to different risks every day. Risk management concerns us all!

Risks Concern Us All

Conditions and behaviors that lie in the future are very often uncertain or not predictable at all. Let's call these risks in a simplified way. What exactly risks are I will explain later in detail. The positive or negative effects of such risks affect our life and living together in the following areas:

- Individuals (you and me)
- Countries, municipalities (governments)
- Companies (incl. projects)
- Environment

These four groups need to be aware of what positive or negative impact *their activities* might have on themselves or others, or what impact *their environment* might have on them. I'll show you here a few simple examples:

Private individuals: You drive a car, so you are a risk to other people. You are cutting the vegetables for vegetable soup and if you are not careful, you could cut your fingers.

Businesses: The newly developed drug could cause long-term damage to patients. The competition could be on the market earlier with the new technology and thus massively reduce our profit.

Countries, Municipalities: A country raises tariffs for another country that is "unsympathetic" to it. But this is likely to have a negative impact on its own industry. Global warming causes sea levels to rise and could probably flood a large part of the country.

Environment: The approaching hurricane could destroy whole regions and cities. Man-made global warming could cause all glaciers to disappear.



Figure 1: Risks affect us and we are a risk to others

In Figure 1, you see storm clouds representing risks that threaten the four areas. However, each of the four areas also generates

risks that threaten all the other areas. We live in a complex environment where many things can have positive or negative effects on us, but we could also have effects on the other areas that are not only positive.

“Risks threaten us from our environment. But we can also be a risk for our environment but also for ourselves.”

Even Your Children Do Risk Management

Risk management is nothing new to us. Can you still remember your childhood? Young children don't know about risks yet. We very often have to rescue them from imminent dangers and repeatedly make them aware of what could happen if

After a certain age, however, each of us practices risk management - consciously or unconsciously. We learn about potential risks at a very early age as a child and, over time, unconsciously pay attention to them. When we cross a street, we first look left and right and only cross when the street is clear. Who of us would take the risk of crossing a street with our eyes closed? The probability is not small that just when we are crossing the street, a car will drive by.

Another example of conscious risk management is vacation planning. When you go on vacation by car, you probably do some detailed planning. You ask yourself what could happen during your vacation. Then you take appropriate measures so that these risks do not occur, or if they occur, do not cause great financial or physical damage. That's why you have a spare can of gasoline in the trunk for long trips, have taken out a travel insurance policy, and have the car serviced before the trip.

“When planning vacations, everyone does risk management.”

Identify Risks

For example, "lack of resources or budget" is not a risk, nor is "too little time to complete the project". If it is known that the time available to complete the project is too short, then this is no longer an uncertainty, but a fact, or a problem for you. You have to deal with such facts and take them into account in the project planning. But there is something you have to consider: Although these statements do not represent risks, they might be causes for risks.

"It's crucial to know the difference between a risk and a problem."

Is a risk with 80% probability of occurrence still a risk? The 80% means that it is fairly certain to occur. Therefore, this is actually no longer an uncertainty, but almost a certainty, that is, a fact or an actual problem. Such risks should be directly assigned to the problem management. The following figure shows again impressively the difference between problem and risk from another perspective.

	Problem	Risk
Impact	has occurred	may occur
Measure	corrective	preventive
Strategy	tactic	strategic
Time Horizon	short-term	rather longer-term

Past **Now** **Future** →

Figure 5: The difference between risk and problem

Appendix

11

Internet Sources

Roland Wanner, Risk Management Homepage

<https://rolandwanner.com/project-risk-management/>

The Risk Doctor, David Hillson – <http://www.risk-doctor.com/>

RiskNet – The Risk Management Network <http://www.risk-net.de/en/>

All internet links used in this book were current when this book was published in March 2022. However, it cannot be ruled out that some have changed in the meantime.

Recommended Literature

Project Risk Management Literature

Risk Management – Tricks of the Trade, Rita Mulcahy PMP, RMC Publications 2003

Identifying and Managing Project Risk, Tom Kendrick, AMA-CON 2015

Practical Project Risk Management – The ATOM Methodology,
David Hillson and Peter Simon 2020

About The Author

Roland Wanner has been in the project business for over 30 years and has been involved in many projects - successful and failed. After his training as a mechanical engineer and industrial engineer, he first worked for 5 years as a project manager and then for several years as a project controller and project portfolio manager in mechanical and plant engineering. For more than 10 years he has been working as a project management specialist, project portfolio manager and project office manager in the banking and insurance.

Internet site: <https://www.rolandwanner.com>

Blog von Roland Wanner: <https://www.rolandwanner.com/blog>

Here you will find articles on the topics of project control, earned value management, and risk management in projects.

Your Opinion Is Important to Me!

Thank you very much for buying this book. I have done my best with the content and the layout. I have put a lot of effort into making this book as complete and correct as possible. However, it cannot be entirely ruled out that I have made a mishap at one point or another in the book, whether in content or in spelling. Perhaps you also miss certain information or are of the opinion that certain topics should be dealt with in greater depth or disagree with us on certain subjects. I depend on your opinion!

For your ideas, thoughts and suggestions for corrections we thank you very much. Please send them to:

info@rolandwanner.com

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Two or three lines would be great. Reviews are not only a compliment you can give an author; they also help other readers make more informed decisions when buying a book. **Many thanks!**

More Books by Roland Wanner

I have been involved in project management for more than 30 years as a project manager, project portfolio manager and project controller and for a few years also in agile project management. In the last 20 years, I have therefore written several books on the following topics:

- Project Control
- Earned Value Management
- Project Risk Management
- Scrum and Agile Project Management
- Project Management with SharePoint

If you are interested in these topics and are looking for a professional, easy to understand book about them, you will find all my books on my website:

<https://www.rolandwanner.com/books>

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