

Czech University of Life Sciences Prague

Faculty of Economics and Management

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Bachelor Thesis

Importance of risk management in small projects

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Summary

The presented bachelor thesis deals with project risk management. It explains the importance of the risk management in small project and studies the process of risks management within the company. The first part of the thesis describes and explains basic understanding of risk management process of the project. Possible techniques and tools are also included in this part. Practical part of my research is focused on the issue of the selected company and its' risk management process. The collected research data were analyzed through qualitative and quantitative analysis. Obtained results of the analysis indicate how identified risks could be evaluated and to which risks the project team should focus their attention in order to implement the project successfully. It also considers the importance to determine where and when the project team should make effective efforts to keep up the project on schedule.

Key words:

Risk, risk analysis, project, project risk management, risk management process

Introduction

The limited resources and financial possibilities create huge problems to overcome new projects for small and middle enterprises. In many cases companies occasionally use risk management in their project due to lack of knowledge in this field, financial requirements and it is often overlooked by the managers. Potential risks of the project could lead to negative consequences to its implementation and would likely drive it to failure. Also these risks could significantly influence to company's financial position and eventually may cause crucial affects to everyday operations. Therefore it is really important to consider management of risks to prevent potential risks of new projects, reduce the damage that could harm the company.

The research in this bachelor thesis is focused on project risk management process of small companies based on a case study of "Mongol Ibex Cashmere" LLC. The project of "Mongol Ibex Cashmere" LLC was chosen in order to investigate the company's awareness of risks and how they deal with it within the project. After studying the related literature, practical work and obtained results, researcher tried to provide relevant recommendations for the company.

Aim and objectives

The main aim of the thesis is to understand basic principles of project risk management and based on the theoretical framework analyze how the risk management process conducted by “Mongol Ibex Cashmere” LLC in their project, by making analysis based on collected data, researcher tried to evaluate case company’s risk management and provide possible recommendations for the company to improve the current managing system of risks.

In order to achieve the aim following research questions were made:

- What methods and tools used for project risk management?
- How do the risks assessed and managed in a case project?
- How important is risk management to the project success?

Methodology

A combination of qualitative and quantitative method was chosen to support the research work and to achieve its objectives. Qualitative method is used for the purpose of the thesis by interview. Quantitative method is used for numerical data. Secondary data are used for the analysis throughout the research.

Interview - main method that has chosen for this research is an interview. The interview method is used for collection of data for qualitative analysis in this research, which will help to determine the risk management process of a case company.

SWOT analysis - is made to identify the market position of the selected company. It is a technique that examines through each of these viewpoints (SWOT) the project itself, project management processes, resources and the organization. It also helps broaden the perspective of where to look for risks.

PERT analysis - basic principle of this analysis is to identify critical activities, the time required to complete the project and also to determine the probability of meeting deadlines of specific activities in the project.

Questionnaire method was selected in order to support and provide related data to main analysis.

Limitations

This research mainly focuses on how project risk management process carried out within the organization and based on the theories and its tools described in the literature. There could possibly occur in the research several shortcomings and limitations due to lack of the researchers knowledge and practice in this particular field. Also by the request of the company, researcher was not able to get information about the project's cost and financial operations.

Discussion and conclusion

The aim of this research was to understand basic principles of project risk management process, how this process is implemented in the case company and to provide possible recommendations based on the analysis by using obtained data.

To answer for the first question researcher provided literature studies of several guidelines, books, scientific articles of different authors, researchers and institutions were reviewed in order to get overview in the theoretical point of view and basic understanding in this field.

The second question was about the case company and how they evaluate risk and manage in their project. Based on the interview respondents were aware with the terms of uncertainty and risk, they were able to identify potential risks of the project. Mainly based on their past experience, meeting and discussion of the members of project team during the planning stage. In the practice the company obviously missing the process of evaluating and analyzing risk that have identified. As the results of the analysis previously made in the research shows rankings, categories and probability of the duration of the project. By applying simple method probability impact matrix will allow the company to combine both probability and impact of the risks in same scale and make different strategies to deal with big and small sized risks. According to questionnaire survey, market situation was one of the biggest threats to project process, therefore in is in best interest to the company provide alternative options to minimize the effect of it. Also critical path method will give the opportunity to improve control over the duration by identifying critical activities. PERT analysis could provide a guidance of meeting the deadline without making wrong decisions to reduce the duration of some activities. Successful communication and teamwork between project members could be very effective for unexpected turn of any situations and respond faster to risks. Finally, project team should also control and monitor the whole process closely and be prepared as the status of the risk may also change and require new plans

and responses. To meet the last question of the research and indicate the importance of the project risk management researcher provided above suggested recommendations.

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