Potential Risk Factors

Name

[Institutional Affiliation(s)]

Author Note

Potential Risk Factors

Risk management plays the key role in the successful completion of any project. Every project has to face many risks from different sources. Each project has its own risks according to the nature and characteristics of that specific project. But there are several risks that can arise in almost every type of project. Identification of these risks is very important for the successful completion of the project. Some common risk factors are as follows:

* Financial risks: Finance is involved in almost every type of project and these risks are about the wrong and misleading calculations of cost or revenue.
* Estimating time: Each project has to face some time constraints and there always exist a risk of wrong estimation of the required time for the project.
* Legal Risks: Legal risks are also faced by every type of project. These risks are about the regulatory obligations and contracts between different organizations.
* Market risks: The purchase of goods and services is an essential part of every project. This risk is about the uncertainty that exists in the market.
* Performance risks: This risk is about the overall outcome of the project. It measures, comparatively, the actual outcome with respect to the expected outcome of that project.

These are some common risks that are involved in almost every type of project. After the identification of risks, the next step of a strategic plan is the measurement of potential risks. There exist number of methods that can be used for risk measurement. Among all of these methods, the Probability-Impact method is of great importance and it is used most commonly (Tchankova, 2002; Ward, 1999). In this method, we organize all the potential risks with respect to their expected probability of occurrence and their expected impact on the outcome of the project. The risks with a higher probability of occurrence and higher impact need to be handled first (Chapman & Ward, 1996). Risk management is crucial for the successful completion of a project.

References

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