

Identifying, Understanding & Managing Contractual Risks

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Time
(Schedule)

Costs (Budget)

Performance
(Scope/Quality/
Guarantees)



Achieving Project Deliverables & Company Objectives

Some Basics & differentiators.....

Understand the difference between Hazard, Risk & Issue

Hazard – It may be identified as anything that can relate to tangible goods or personnel that can be harmful e.g. hazardous chemical, asbestos findings, attitude of a personnel in work environment

Issue – this is a problem that has already occurred and company needs to deal with it after the fact

Risk – It's a possibility of occurrence that will negatively impact the project and can have a potential loss on a project.

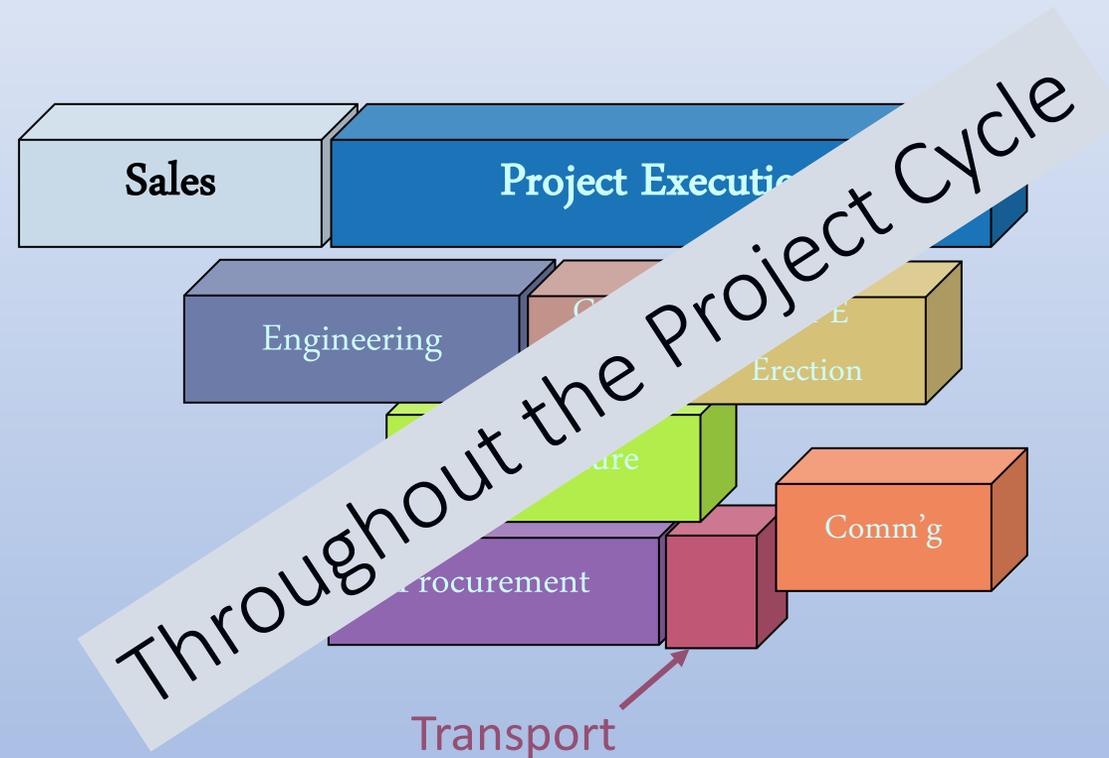
Essentially, risk is the 'rating' of probable event with undesired outcome expressed in terms of 'probability of occurrence' and 'extent of adversities'.

Consider Risk as Perceived Event Vs. Real Risk e.g. Subcontractor scope that needs to be performed by third party.

Risk - A future event that can negatively impact project margin, completion time or customer experience of a project.

Where are the Risks Hidden & purpose of identifying risks?

- In the Sales Phase
- Consortium Partners (if any)
- Customers
- Engineering
- Procurement
- Manufacture
- Transport
- Civil Works
- M&E Erection
- Commissioning
- Warranty



Risk Management

Risk Management Planning entails:

- Risk Identification
- Risk Analysis (Probability & Impact)
- Risk Response Planning
- Risk Monitoring & Control



Risk management is about taking calculated risks and making informed decision

Risk Identification & Assessment



Examples of Risks Identification & Mitigation

1. Civil work scope performed by third party
2. Liquidated damages
3. Financial Bonds
4. Guarantees (Performance, Duration, Emissions, etc.)

Risk Mitigation

Risk Mitigation will support in:

- Outlining root causes of identified risks and quantifying them proactively
- Evaluate and develop mitigation strategies, methods for major risks
- Assess and prioritize risks and develop alternate plans to mitigate risks e.g. Risk transfer or buffering
- Outline resources and support required for specific risk mitigation alternatives
- Support in communicating risks and mitigation plan to relevant stakeholders



Risk Response Planning

Risk Response Planning typically includes

- Developing Risk Register
- Prioritizing Risks based on Probability & Impact
- Account for Risk Provisioning
- Outlining Actions and responsibilities
- Identifying stakeholders and deadlines

Risk Register												
Risk Id	Risks	Current Risk			Status	Owner	Raised	Mitigation Strategies	Residual Risk			
		Likelihood	Impact	Severity					Likelihood	Impact	Severity	
Category 1: Project selection and Project finance												
RP-01	Financial attraction of project to investors	4	4	16	Open		01-march	<ul style="list-style-type: none"> Data collection Information of financial capability of investor Giving them assurance of tremendous future return. 	4	3	12	
RP-02	Availability of finance	3	4	12	Open		03-march	<ul style="list-style-type: none"> Own resources Commitment with financial institution Exclusive management of investor. 	3	3	9	
RP-03	Level of demand for project	3	3	9	Open		06-march	<ul style="list-style-type: none"> Making possibility and identification of low cost and best quality material. Eradication of extra expenses from petty balance. 	2	3	6	
RP-04	Land acquisition (site availability)	3	3	9	Open		13-march	<ul style="list-style-type: none"> Making feasibilities Analysis and interpretation of feasibilities. Possession and legal obligation of land. 	2	2	4	
RP-05	_ High finance costs	2	2	4	Open		15-march	<ul style="list-style-type: none"> Lowering operational expenses and transportation expenses Proper management of current expenses. 	1	2	2	

Take Aways.....

- Risk Management should be an integral part of an organization to avoid negative impact on projects and business objectives
- It should be transparent and have a collaborative and focused approach by all stakeholders
- Will help in avoiding or minimizing ambiguities & assumptions
- Uncover potential loss or negative events which can either be provisioned or mitigated where possible
- Should be flexible and evolve continuously
- Beyond project deliverables it supports in capturing best practices & lessons learnt to avoid cost impact and exposure in future projects

Proactive & Systematic Approach

Thank You....