

## Appendix Two

# Glossary of Terms

<b>Acceptance</b>	A risk response strategy where we consciously accept the consequences should it occur. (Doesn't mean abdication, which for example is to give up hope of having a flat stomach.) Acceptable risks should continued to be monitored to ensure that they remain tolerable. Acceptance applies to both threats and opportunities.
<b>Act of God</b>	An accident or event that results from natural causes, without human intervention.
<b>Aggregated risk</b>	The overall level of risk to the project, when the effects of all risks are combined.
<b>Assumptions</b>	Events, actions or information taken to be true for the purposes of estimating and planning, but which could change or be untrue. Assumptions should be documented and periodically confirmed. They are a source of risk.
<b>Assumption testing</b>	Looking at the validity and stability of each assumption and the consequences if the assumption is false.

<b>Avoidance</b>	A risk response strategy to a threat that attempts to avoid or eliminate the risk event. Avoidance usually requires some replanning and possibly de-scoping of the project.
<b>Benchmarking</b>	Comparing against a standard, usually to identify possible improvements.
<b>Brainstorming</b>	A technique by which a group attempts to generate ideas or find a solution for a specific problem by amassing ideas spontaneously and without judgment. Useful for risk identification.
<b>Business case</b>	The information that describes the justification for a project, showing that expected benefits outweigh estimated costs and risks. Its validity needs to be rechecked periodically.
<b>Business risk</b>	Risk to business objectives rather than to project objectives.
<b>Cause-risk-effect format</b>	As a result of X, Y may occur, which would/could/may lead to Z, is one way to describe a risk.
<b>Central limit theorem</b>	The sum of several independent random variables will be normally distributed.
<b>Conditional probability</b>	The probability of an event, given that another event has happened.
<b>Confidence level</b>	Usually given as a percentage, where 50% is the level at which the predicted outcome is equally likely to more or less. To improve confidence we can add contingency.
<b>Constraint</b>	A restriction or limitation that the project is bound by, such as a fixed completion date.

<b>Contingency plan</b>	A risk response strategy to deal with specific risks should they occur.
<b>Contingency reserve</b>	Extra money and/or time kept aside to respond to anticipated risks – the known-unknowns. It is not normally assigned to specific project tasks.
<b>Corrective action</b>	Execution of a response to a problem, whether planned or unplanned.
<b>Decision tree</b>	A diagramming analysis technique used to help select the best course of action in situations in which future outcomes are uncertain.
<b>Delphi technique</b>	An approach used to derive a consensus from a panel of experts, to make predictions about future developments, including risk identification and analysis.
<b>Earned Value Analysis (EVA)</b>	A method to quantitatively measure and monitor overall project performance and projected performance against the project baseline.
<b>Enhance</b>	A risk response to an opportunity where proactive action is taken to improve the probability of the event occurring and the impact of the event should it occur.
<b>Enterprise risk management</b>	Managing the total risk to the enterprise.
<b>Expected Monetary Value (EMV)</b>	The risk score derived from multiplying risk impact value by risk probability value.
<b>Exploit</b>	A risk response to an opportunity by seizing the opportunity to ensure that it will happen and that the positive impact will be realised.

<b>Fallback plans</b>	Plans developed for risks that have a high impact on project objectives, to be implemented if attempts to reduce the risk are not effective. Used when contingency plans are ineffective.
<b>Force majeure</b>	Catastrophic risks outside the scope of risk management planning. Such risks usually require disaster recovery action rather risk management.
<b>Frequency</b>	The likelihood that a risk will occur.
<b>Groupthink</b>	When groups or teams tend to take more risk than the individuals would themselves.
<b>Impact</b>	Consequence of a risk event. Sometimes expressed as cost or time. The total loss or gain should the risk occur.
<b>Inherent risk</b>	The exposure arising from a specific risk before any action has been taken to manage it.
<b>Insurance</b>	Assigns liability for a risk to someone else.
<b>Issue</b>	An unplanned event (actual problem) that requires management action. An existing problem.
<b>Lessons learned</b>	What went right, wrong or could have been done differently from past projects.
<b>Management reserve</b>	An amount of time and/or cost added to the project to deal with unknown-unknowns (unidentified risks).
<b>Mitigation</b>	A proactive risk response strategy that reduces risk probability and/or impact to an acceptable level.
<b>Monte Carlo analysis</b>	A computer-assisted statistical technique that uses simulation to calculate a distribution of probable results, such as project duration and cost.

<b>Nominal Group Technique (NGT)</b>	A process for collecting and ranking risks.
<b>Opportunity</b>	The potential for a positive impact on the project's objectives.
<b>Probability</b>	The likelihood that a risk event will occur. May be expressed as a percentage.
<b>Probability/impact matrix</b>	A matrix or chart that lists the relative probability of a risk occurring on one side of a matrix or axis on a chart and the relative impact of the risk occurring on the other side.
<b>Programme</b>	Related projects.
<b>Programme risk management</b>	Managing the total risk to a programme.
<b>Project constraints</b>	Anything that limits the project team's options, such as scope, time, cost, quality, risk, resources, customer satisfaction, and business as usual.
<b>Proximity (of risk)</b>	The time when the risk may occur, which might affect risk severity (priority).
<b>Pure risk</b>	Risk that possesses the possibility of loss, but no chance of gain. It is usually insurable.
<b>Qualitative risk analysis</b>	A process to assign generic probabilities to each risk and estimate their potential impact on project parameters. Uses non-numerical measures.
<b>Quantitative risk analysis</b>	Measuring the probability and consequences of higher priority risks and estimating their effects on project objectives. Numbers are used.

<b>Reserves</b>	A provision in the project plan to mitigate cost and/or schedule risk. The term might be further described as management reserve, contingency reserve, schedule reserve, or budget reserve.
<b>Residual risk</b>	Risk that remains after implementing a risk response strategy.
<b>Risk</b>	An event that poses a threat or an opportunity to the project.
<b>Risk appetite</b>	An organisation's tolerance to risk. A limit or threshold to risk exposure.
<b>Risk audit</b>	A method of examining the effectiveness of the risk management plan and risk processes.
<b>Risk averse</b>	Having a low tolerance for risk.
<b>Risk breakdown structure</b>	A hierarchy of risk categories for a project. Helps with risk identification.
<b>Risk categories</b>	Common areas or sources of risk on similar projects.
<b>Risk champion</b>	Senior person who leads the risk management process.
<b>Risk description</b>	A written description of a risk, often in three parts – cause (source of risk), event (threat or opportunity), consequences (impact on project objectives).
<b>Risk enhancement</b>	Changing the size of an opportunity by identifying and maximising key drivers of positive risk.

<b>Risk escalation</b>	Formal process by which risks are transferred to the next management level because they cannot be managed or have wider impact.
<b>Risk event</b>	Description of a risk. The more specific the description the better.
<b>Risk exploitation</b>	Doing whatever we can to make sure that positive risk happens.
<b>Risk exposure</b>	Product of risk probability and risk impact.
<b>Risk factors</b>	Probability, impact, expected timing, frequency of the risk event.
<b>Risk governance</b>	Oversight of the entire risk management process.
<b>Risk identification</b>	A process that identifies project risks and documents them.
<b>Risk log</b>	Another term for risk register.
<b>Risk management</b>	Formal process by which risks are identified, analysed, responded to, and controlled.
<b>Risk management plan</b>	Details how the risk management processes will be implemented, monitored and controlled during the life of the project.
<b>Risk management planning</b>	Deciding how to approach and plan the risk management activities for a project by reviewing the project charter, WBS, roles and responsibilities, stakeholder risk tolerances, and the organisation's risk management policies and plan templates.
<b>Risk map</b>	A graphic depiction of risks on a two-dimensional grid.

<b>Risk mitigation</b>	Taking action to reduce risk impact and/or probability.
<b>Risk monitoring and control</b>	The process of implementing risk response plans, tracking identified risks, monitoring residual risks, identifying new risk, and evaluating the risk process.
<b>Risk neutral</b>	A balance in attitude between risk averse and risk seeking.
<b>Risk owner</b>	The team member responsible for managing an identified risk. Watches for triggers and manages the risk response. May delegate response to an Action Owner.
<b>Risk proximity</b>	The timing of a risk. The impact of a risk may vary depending on when it occurs.
<b>Risk rating</b>	Product of risk impact and probability, typically expressed as high, medium or low.
<b>Risk register</b>	A record that contains all the information about risks, often displayed in a table or spreadsheet format. It is used for the management and reporting of project risk. Also referred to as a risk log.
<b>Risk response plan</b>	The risk response plan identifies risk response strategies and how they will be implemented.
<b>Risk score or severity</b>	The product of risk probability and impact.
<b>Risk seeking</b>	Having a high tolerance for risk.
<b>Risk sharing</b>	Sharing ownership of the risk with another party.
<b>Risk status</b>	Categorising the risk as new, ongoing, or closed.



<b>Risk symptoms</b>	Sometimes called triggers, are indirect manifestations of actual risk events. For example, poor project team morale may be an early warning signal of an impending schedule delay or cost overrun.
<b>Risk tolerance</b>	The risk threshold than an organisation or individual is prepared to accept, which if exceeded, will trigger a response. Also referred to as risk appetite, risk utility and risk threshold. It is not constant and is influenced by a variety of factors.
<b>Risk transfer</b>	When risk is reduced by passing it to a third party.
<b>Risk utility</b>	The amount of satisfaction or pleasure received from a potential payoff.
<b>Secondary risks</b>	Risks that are generated by a response to another risk.
<b>Sensitivity analysis</b>	A technique used to show the effects of changing one or more variables on an outcome.
<b>Threats</b>	Possible events that may negatively impact the project's objectives.
<b>Three-point estimate</b>	Describes uncertainty by identifying optimistic, most likely, and pessimistic values, shown as a triangular distribution. An input for quantitative risk analysis.
<b>Tranche funding</b>	The process of releasing the project budget to the project manager in tranches (portions) linked to the achievement of pre-set milestones.
<b>Transference</b>	A risk response strategy that transfers the consequences of a risk to a third party, such as through insurance or contracting.

<b>Triggers</b>	Risk symptoms, warning signs or indicators for actual risk events. A triggering event identifies when a contingency plan must be invoked.
<b>Uncertainty</b>	Doubtfulness that arises from incomplete, inaccurate, undependable or contradictory information.
<b>Watch list</b>	A list of risks that are low priority, but are still identified as potential problems. Their priorities might change as the project proceeds.
<b>Workaround</b>	An unplanned risk response to an unknown, unidentified or previously accepted risk that occurs. It is a response to a problem that has not been planned for.