SNS COLLEGE OF ENGINEERING

Kurumbapalayam(Po), Coimbatore – 641 107

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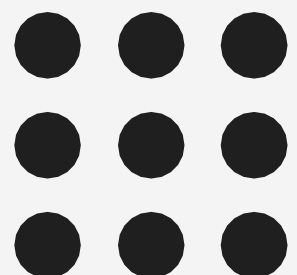
Department of Information Technology

Course Name – IT8075 Software Project Management

IV Year / VII Semester

Unit 1 – Project Evaluation and Project Planning

Topic 8 - Risk Evaluation

Identify the popular Dialogue from the images

Identify the term from the below images

Risk Evaluation

Risk Types

Project Risks
- Project failure

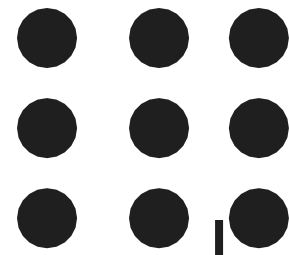Business Risk
- Products not profitable

Risk Evaluation

Business Risk
- Delivered products are not profitable.

Risk Evaluation
- Risk Identification and ranking
- Risk and net present value
- Cost-benefit analysis
- Risk profile analysis
- Use of decision trees

Risk Evaluation

Risk Identification and Ranking

- Identify risk and quantify effects

- Project risk matrix

- List possible risks and classify risks based on importance and likelihood.

Risk	Importance	Likelihood
Client rejects proposed look and feel of site	H	—
Competitors undercut prices	H	M
Warehouse unable to deal with increased demand	M	L
Online payment has security problems	M	M
Maintenance costs higher than estimated	L	L
Response times deter purchasers	M	M

TABLE 2.5 A fragment of a basic project/business risk matrix for an e-commerce application

Risk Evaluation

Risk and Net Present Value

- Risky – Higher discount rate to calculate net present value.

- Categorize projects as High, Medium, Low risk

- Use scoring method

- Risk premiums designated for each category.

Risk Evaluation

Cost Benefit Analysis

Method

- Consider each possible outcome and

- estimate the probability of its occurring and

- corresponding value of the outcome.

- Set of cash flow forecast rather than single

TABLE 2.6 BuyRight's income forecasts

Sales	Annual sales income (£)	Probability	Expected value (£)
	i	p	$i \times p$
High	800,000	0.1	80,000
Medium	650,000	0.6	390,000
Low	100,000	0.3	30,000
Expected Income			500,000

Value of project

- Summing up cost or benefit for each possible outcome weighted by its corresponding probability.

- Suitable for large projects

- Appropriate for projects where profits is the primary

Risk Evaluation

Risk Profile Analysis

- Construct risk profiles

- Use sensitivity analysis

- Change parameters that affect projects cost or benefit

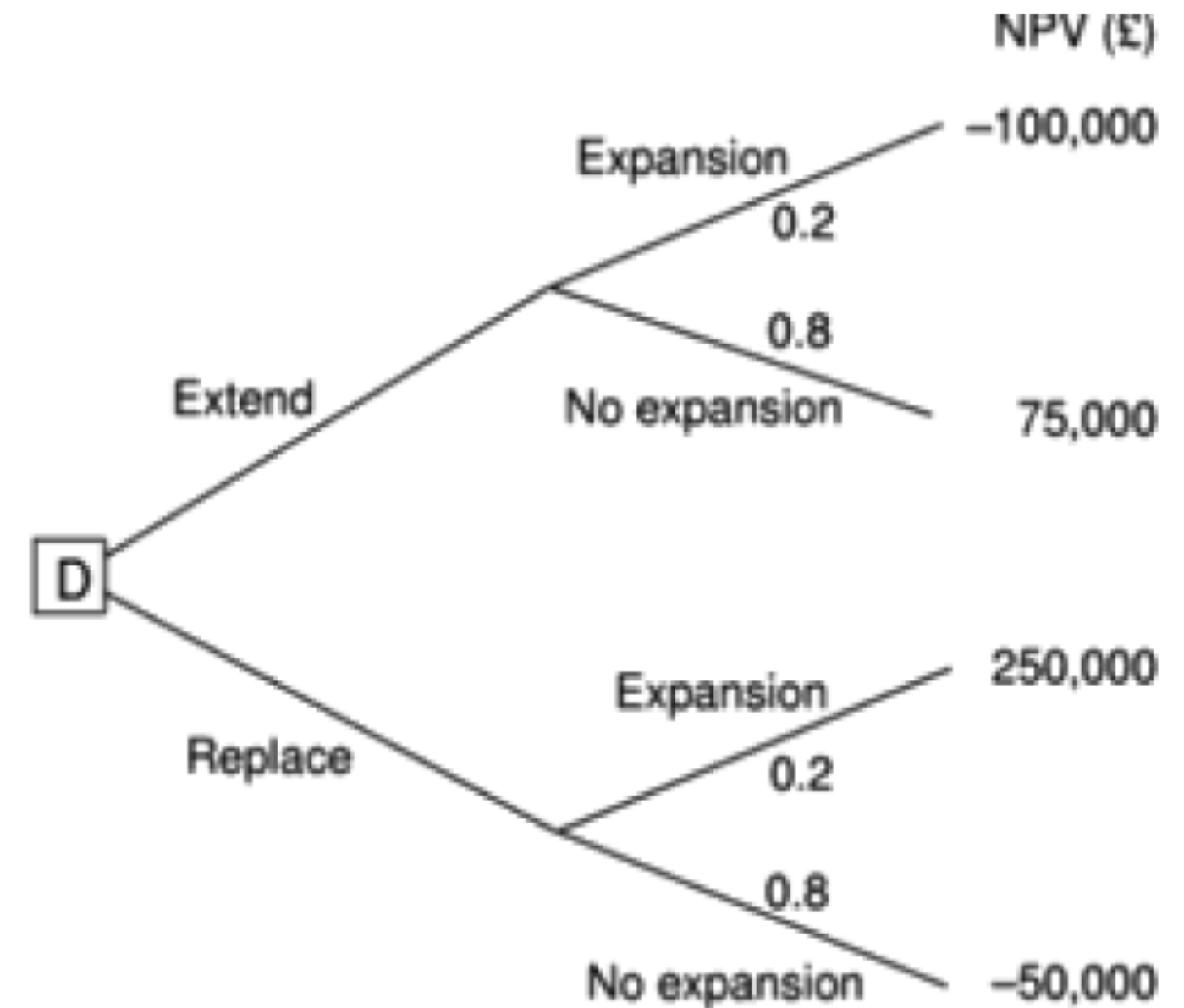- Can identify factors most important to success

Risk Evaluation

Using Decision Trees

- Evaluate expected benefit (D)

- Expected Value = Sum of the value of each possible outcome * Probability of occurrence.

Example
- Expected value of Extending the system
    75000*0.8 – 100000*0.2 = 40,000

- Expected Value of replacing the system
    250000*0.2 – 50000*0.8 = 10,000

- So extending the existing system will be optimal solution

THANK YOU