

Risk Management

Risk management is the identification, assessment and prioritization of risks followed by coordinated and economical application of resources to minimize, monitor and control the probability and or impact of unfortunate events or to maximize the realization of opportunities.



Principles Of Risk Management:

- Risk Management should create values
- be an integral part of organisational process
- be part of decision making
- be systematic and structured.

Process or steps for Risk Management:

- **1) Establishing the context:**
It involves
1) identification of risk in a selected domain of interest.
2) Planning the remainder of process.
3) mapping out the following-
a) the social scope of risk management
b) the Identity and objective of stakeholders.
- **2) Identification:** After establishing the context, the next step in process of managing risk is to identify potential risks.



Objective based risk identification: Organisation and project team have objectives. **Scenario based identification:** Different scenarios are created. The scenarios maybe the alternative ways to achieve an objective.
Common-Risk checking : In several industries, Lest with know -risks are available.

- **3) Assessment:** Once Risk has been identified, then must then be assessed as to their potential severity of loss and to the probability of occurrence.

- **4) Potential risk Treatments:** Once Risks have been identified assessed, all techniques to manage the risk fall into one or more of these four major categories. **A) Avoidance:** This include not performing an activity that could carry risk

B) Reduction: Reduction of Optimization involve reducing the severity of the loss of the likelihood of the loss from occurring.

C) sharing: It defined as sharing with another party the burden of loss or benefit of

gain, from a risk and the measure to reduce risk .

D) Retention: Involve accepting the loss or benefit of Gain, from a risk when it occurs.

5) Create a risk management plan: Select appropriate control or counter measures to measure each risk. The risk management plan should propose applicable and effective security controls for managing the risk.

Implementation: It follows all the planned methods for mitigating the effect of the risks. Purchase insurance policies for the risks that have been decided to be transferred to an insurer, avoid all risk that can be avoided without sacrificing the entity's goal, reduce other and retain the first.

Risk Management Activities

Risk management consists of three main activities, as shown in fig:



Risk Assessment

The objective of risk assessment is to division the risks in the condition of their loss, causing potential. For risk assessment, first, every risk should be rated in two methods:

- The possibility of a risk coming true (denoted as r).
- The consequence of the issues relates to that risk (denoted as s).

Based on these two methods, the priority of each risk can be estimated:

$$p = r * s$$

Where p is the priority with which the risk must be controlled, r is the probability of the risk becoming true, and s is the severity of loss caused due to the risk becoming true. If all identified risks are set up, then the most likely and damaging risks can be controlled first, and more comprehensive risk abatement methods can be designed for these risks.

1. Risk Identification: The project organizer needs to anticipate the risk in the project as early as possible so that the impact of risk can be reduced by making effective risk management planning.

A project can be of use by a large variety of risk. To identify the significant risk, this might affect a project. It is necessary to categories into the different risk of classes.

There are different types of risks which can affect a software project:

1. **Technology risks:** Risks that assume from the software or hardware technologies that are used to develop the system.
2. **People risks:** Risks that are connected with the person in the development team.
3. **Organizational risks:** Risks that assume from the organizational environment where the software is being developed.
4. **Tools risks:** Risks that assume from the software tools and other support software used to create the system.
5. **Requirement risks:** Risks that assume from the changes to the customer requirement and the process of managing the requirements change.

6. **Estimation risks:** Risks that assume from the management estimates of the resources required to build the system

2. Risk Analysis: During the risk analysis process, you have to consider every identified risk and make a perception of the probability and seriousness of that risk.

There is no simple way to do this. You have to rely on your perception and experience of previous projects and the problems that arise in them.

It is not possible to make an exact, the numerical estimate of the probability and seriousness of each risk. Instead, you should authorize the risk to one of several bands:

1. The probability of the risk might be determined as very low (0-10%), low (10-25%), moderate (25-50%), high (50-75%) or very high (+75%).
2. The effect of the risk might be determined as catastrophic (threaten the survival of the plan), serious (would cause significant delays), tolerable (delays are within allowed contingency), or insignificant.

Risk Control

It is the process of managing risks to achieve desired outcomes. After all, the identified risks of a plan are determined; the project must be made to include the most harmful and the most likely risks. Different risks need different containment methods. In fact, most risks need ingenuity on the part of the project manager in tackling the risk.

There are three main methods to plan for risk management:

1. **Avoid the risk:** This may take several ways such as discussing with the client to change the requirements to decrease the scope of the work, giving incentives to the engineers to avoid the risk of human resources turnover, etc.
2. **Transfer the risk:** This method involves getting the risky element developed by a third party, buying insurance cover, etc.
3. **Risk reduction:** This means planning method to include the loss due to risk. For instance, if there is a risk that some key personnel might leave, new recruitment can be planned.

Risk Leverage: To choose between the various methods of handling risk, the project plan must consider the amount of controlling the risk and the corresponding reduction of risk. For this, the risk leverage of the various risks can be estimated.

Risk leverage is the variation in risk exposure divided by the amount of reducing the risk.

Risk leverage = (risk exposure before reduction - risk exposure after reduction) / (cost of reduction)

1. Risk planning: The risk planning method considers each of the key risks that have been identified and develop ways to maintain these risks.

For each of the risks, you have to think of the behavior that you may take to minimize the disruption to the plan if the issue identified in the risk occurs.

You also should think about data that you might need to collect while monitoring the plan so that issues can be anticipated.

Again, there is no easy process that can be followed for contingency planning. It rely on the judgment and experience of the project manager.

2. Risk Monitoring: Risk monitoring is the method king that your assumption about the product, process, and business risks has not changed.

7. Project Communication Management: Communication is an essential factor in the success of the project. It is a bridge between client, organization, team members and as well as other stakeholders of the project such as hardware suppliers.

From the planning to closure, communication plays a vital role. In all the phases, communication must be clear and understood. Miscommunication can create a big blunder in the project.

8. Project Configuration Management: Configuration management is about to control the changes in software like requirements, design, and development of the product.

The Primary goal is to increase productivity with fewer errors.

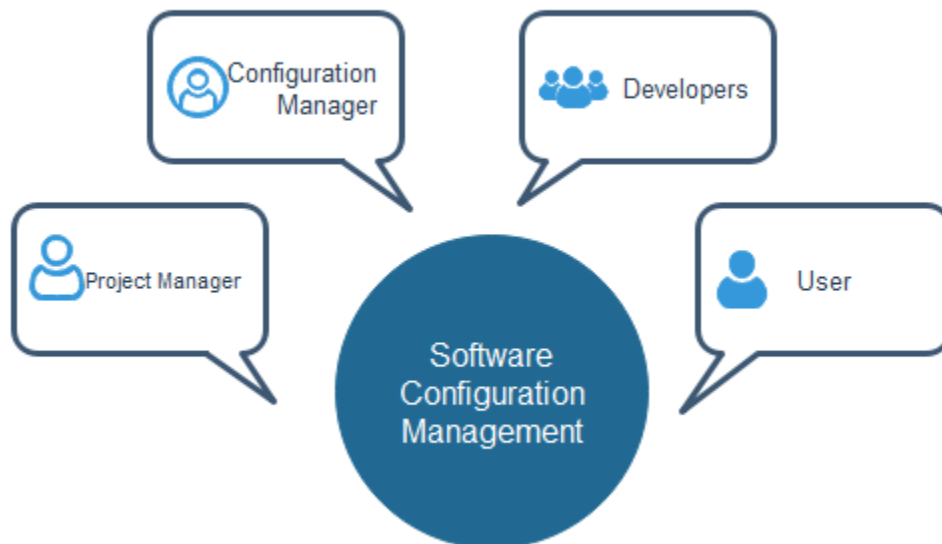
Some reasons show the need for configuration management:

- Several people work on software that is continually update.
- Help to build coordination among suppliers.
- Changes in requirement, budget, schedule need to accommodate.
- Software should run on multiple systems.

Tasks perform in Configuration management:

- Identification
- Baseline
- Change Control
- Configuration Status Accounting
- Configuration Audits and Reviews

People involved in Configuration Management:



Requirement Engineering

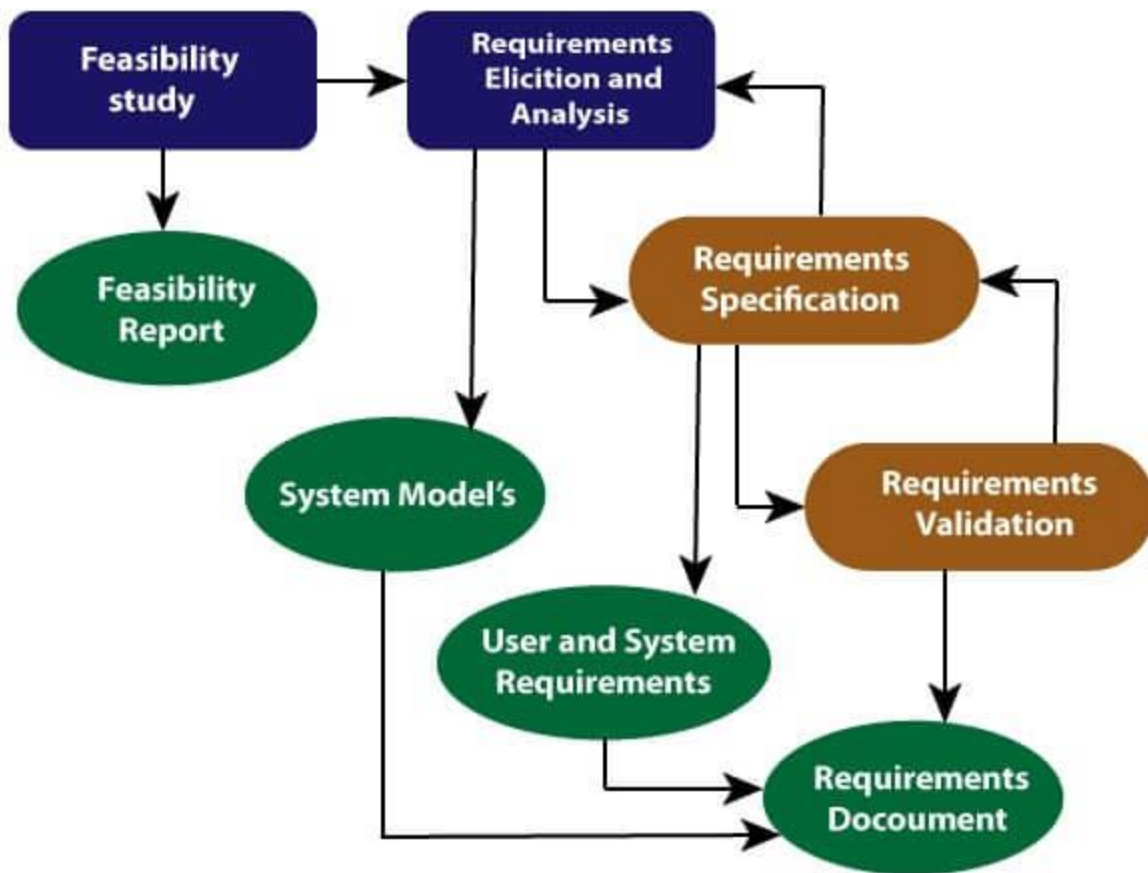
Requirements engineering (RE) refers to the process of defining, documenting, and maintaining requirements in the engineering design process. Requirement engineering provides the appropriate mechanism to understand what the customer desires, analyzing the need, and assessing feasibility, negotiating a reasonable solution,

specifying the solution clearly, validating the specifications and managing the requirements as they are transformed into a working system. Thus, requirement engineering is the disciplined application of proven principles, methods, tools, and notation to describe a proposed system's intended behavior and its associated constraints.

Requirement Engineering Process

It is a four-step process, which includes -

1. Feasibility Study
2. Requirement Elicitation and Analysis
3. Software Requirement Specification
4. Software Requirement Validation
5. Software Requirement Management



Requirement Engineering Process

1. Feasibility Study:

The objective behind the feasibility study is to create the reasons for developing the software that is acceptable to users, flexible to change and conformable to established standards.

Types of Feasibility:

1. **Technical Feasibility** - Technical feasibility evaluates the current technologies, which are needed to accomplish customer requirements within the time and budget.
2. **Operational Feasibility** - Operational feasibility assesses the range in which the required software performs a series of levels to solve business problems and customer requirements.
3. **Economic Feasibility** - Economic feasibility decides whether the necessary software can generate financial profits for an organization.

2. Requirement Elicitation and Analysis:

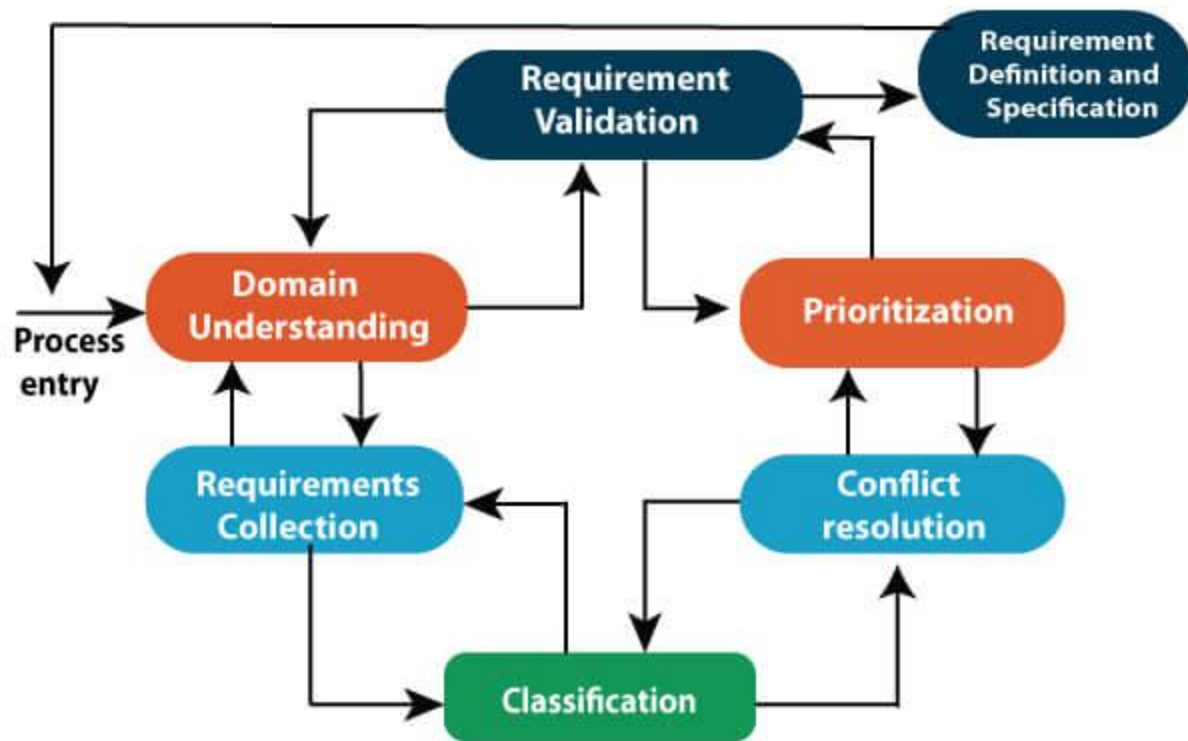
This is also known as the **gathering of requirements**. Here, requirements are identified with the help of customers and existing systems processes, if available.

Analysis of requirements starts with requirement elicitation. The requirements are analyzed to identify inconsistencies, defects, omission, etc. We describe requirements in terms of relationships and also resolve conflicts if any.

Problems of Elicitation and Analysis

- Getting all, and only, the right people involved.
- Stakeholders often don't know what they want
- Stakeholders express requirements in their terms.
- Stakeholders may have conflicting requirements.
- Requirement change during the analysis process.
- Organizational and political factors may influence system requirements.

Elicitation and Analysis Process



3. Software Requirement Specification:

Software requirement specification is a kind of document which is created by a software analyst after the requirements collected from the various sources - the requirement received by the customer written in ordinary language. It is the job of the analyst to write the requirement in technical language so that they can be understood and beneficial by the development team.

The models used at this stage include ER diagrams, data flow diagrams (DFDs), function decomposition diagrams (FDDs), data dictionaries, etc.

- **Data Flow Diagrams:** Data Flow Diagrams (DFDs) are used widely for modeling the requirements. DFD shows the flow of data through a system. The system may be a company, an organization, a set of procedures, a computer hardware system, a software

system, or any combination of the preceding. The DFD is also known as a data flow graph or bubble chart.

- **Data Dictionaries:** Data Dictionaries are simply repositories to store information about all data items defined in DFDs. At the requirements stage, the data dictionary should at least define customer data items, to ensure that the customer and developers use the same definition and terminologies.
- **Entity-Relationship Diagrams:** Another tool for requirement specification is the entity-relationship diagram, often called an "**E-R diagram**." It is a detailed logical representation of the data for the organization and uses three main constructs i.e. data entities, relationships, and their associated attributes.

4. Software Requirement Validation:

After requirement specifications developed, the requirements discussed in this document are validated. The user might demand illegal, impossible solution or experts may misinterpret the needs. Requirements can be the check against the following conditions -

- If they can practically implement
- If they are correct and as per the functionality and specially of software
- If there are any ambiguities
- If they are full
- If they can describe

Requirements Validation Techniques

- **Requirements reviews/inspections:** systematic manual analysis of the requirements.
- **Prototyping:** Using an executable model of the system to check requirements.
- **Test-case generation:** Developing tests for requirements to check testability.
- **Automated consistency analysis:** checking for the consistency of structured requirements descriptions.

Software Requirement Management:

Requirement management is the process of managing changing requirements during the requirements engineering process and system development.

New requirements emerge during the process as business needs a change, and a better understanding of the system is developed.

The priority of requirements from different viewpoints changes during development process.

The business and technical environment of the system changes during the development.

Prerequisite of Software requirements

Collection of software requirements is the basis of the entire software development project. Hence they should be clear, correct, and well-defined.

A complete Software Requirement Specifications should be:

- Clear
- Correct
- Consistent
- Coherent
- Comprehensible
- Modifiable
- Verifiable
- Prioritized
- Unambiguous
- Traceable
- Credible source

Software Requirements: Largely software requirements must be categorized into two categories:

1. **Functional Requirements:** Functional requirements define a function that a system or system element must be qualified to perform and must be documented in different forms. The functional requirements are describing the behavior of the system as it correlates to the system's functionality.

2. **Non-functional Requirements:** This can be the necessities that specify the criteria that can be used to decide the operation instead of specific behaviors of the system.

Non-functional requirements are divided into two main categories:

- **Execution qualities** like security and usability, which are observable at run time.
- **Evolution qualities** like testability, maintainability, extensibility, and scalability that embodied in the static structure of the software system.