

Prof. Lence Petreska, PhD
Prof. Pavlina Stojanova, PhD
International Slavic University
Republic of North Macedonia

RISK MANAGEMENT STRATEGIES IN AN INTERNATIONAL PROJECT

ABSTRACT: Risk management is a critical component of international project management, particularly for projects with high complexity, multiple stakeholders, and significant uncertainties. This paper explores the risk management strategies applied during the expansion of myWorld International into the Albanian market. It highlights the various types of project risks, including technical-operative, organizational, financial, contractual, and political risks, and discusses methods of risk identification, analysis, and mitigation. The study details the implementation of a risk register template to systematically document and address project risks. Through proactive management strategies such as hiring local experts, conducting market research, and implementing structured risk control processes, the project team successfully mitigated key risks associated with the expansion. The findings emphasize the importance of a structured risk management approach in achieving project success while minimizing uncertainties.

KEYWORDS: Risk Management, International Project Management, Risk Identification, Risk Mitigation, Risk Analysis, Project Risk Management (PRM).

INTRODUCTION

The project's particular traits, such as novelty, uniqueness, many stakeholders, and temporality, suggest that risk management helps achieve the project's goals (PMI, 2017). As a process in which methods, knowledge, tools, and techniques are applied to a project, integrating the many phases of a project's lifecycle to achieve its purpose, project risk management (PRM) is a crucial component of project management (ISO 21500, 2012; PMI, 2017). The Project Management Book of Knowledge (PMBok) states that all projects have associated risks, which on the plus side, make it easier to achieve some advantages (PMI, 2017). A few general qualitative definitions of risk include the likelihood of an adverse event, the effects of the action and any accompanying uncertainty, and the departure from a reference value (Aven, 2016). A typical definition of risk in project management is an uncertain event or circumstance that, if it occurs, could have both positive and negative repercussions on the project's goals (PMI, 2017; ISO 31000, 2018; Pritchard and PMP, 2014). Therefore, companies must balance the risk taken, and the gain anticipated through PRM.

TYPES OF RISK

According to Nguyen et al. (2017), risk management is one of the topics that project managers should receive the greatest training in because even the project's stakeholders require it. The way risk is perceived and presented has a significant impact on how risk is considered, and as a result, it may have negative consequences for RM and decision-making (Aven, 2016). Additionally, it is crucial to think of risk as systemic

since it enables research into how risks interact with one another and promotes the management of causation in links between them, necessitating a more comprehensive understanding of project risks (Ackermann et al., 2007). The main project risk types are (Dey, 2012; Qazi et al., 2016):

1. Technical-operative risks: technology selection, risks related to materials and equipment, risks related to change requests and their implementation, design risks;
2. Organizational risks related to human factors (organizational, individual, project team): risks derived from regulations, policies, behavior (lack of coordination/ integration, human mistakes related to lack of knowledge);
3. Contract risks: risks of the contract related to the project;
4. Financial/economic risks: inflation, interest rates fluctuation, exchange rate fluctuation;
5. Political risk: environmental authorizations, governmental authorizations.

RISK MANAGEMENT PROCESS

The phases of the risk management process as described in ISO 31000:2018 are: initiate (context analysis), identify (risk identification), analyze (qualification and quantification), treat (plan and implement), and risk monitor and control (monitoring and re-evaluation). The procedure must be ongoing throughout the project's lifespan to increase the likelihood that the project will be successful. (Raz and Michael, 2001).

Only Portman (2009) analyzes communication within these processes, which gains significant relevance within risk management and is a critical component in its effectiveness. The foundation of the PRM strategy is communication, which enables the entire project team (including the key stakeholders) to comprehend the context of the project. As risks emerge, a support system must be established to address them. Hence, this structure must also be monitored by regularly transmitting the status of defined indicators. The proactive management of difficulties and the maximization of rewards if possibilities materialize is made possible by risk management, which contributes to the effective achievement of project objectives (Elkington and Smallman, 2002). Teams are more productive because they operate with more assurance and less stress. However, it is evident that many project managers continue to assume that risk management requires a lot of effort that they do not have time for, and this is particularly prevalent in projects handled by companies (Marcelino-Sadaba et al., 2014). The lack of systematic risk identification approaches that give characteristic taxonomies for particular project types based on lessons gained from comparable projects is one of the main problems with performing RM (Pellerin and Perrier, 2019).

INTERNATIONAL PROJECT FOR OPENING MYWORLD SUBSIDIARY IN ALBANIA

MyWorld's organization branches out nationally in Europe and expands in numerous countries internationally. Based in London, myWorld International is the operator of the Cashback World Shopping Community and the online marketplace myWorld.com. It is responsible for all 49 international offices, which are, in turn, accountable for providing a service to all Cashback World Partner Merchants and shoppers in that country.

In 2020, as an international company, myWorld had a project for opening a subsidiary in a new market that would expand its operations to provide new traders

(merchants) and customers in the Cashback world network. The project intends expending into the Albanian market. Therefore, the main benefit was the opening and start-up of a subsidiary in Tirana. In that time, by opening a subsidiary, the company wanted to benefit the most by making higher profits due to increased workload.

The company's intention to expand in the Albanian market I imposed certain risks and uncertainty in the company's operation, which are a result of market ignorance. Ignorance of the market caused a problem, which made it difficult to open a subsidiary in Albania by the beginning of 2021. Therefore, the company had to manage these project risks and create appropriate solutions to overcome the identified risks in order to open the branch as soon as possible and to start operating. It was an international project, and I was appointed the project manager as the regional director. The project team I chose was composed partly of people employed in the Macedonian subsidiary and partly of newly hired people from Albania.

RISK IDENTIFICATION

The team should make sure that specific risks impacting the success of the project are recognized because the identification of risk is essential to the risk planning exercise. As a result, project staff members use the risk identification process to record risks' properties and potential effects on project outcomes (Kloppenborg, 2014). But this procedure is preceded by a productive brainstorming session, which is often led by the project manager (Grisham, 2009). Recognizing a risk allows one to comprehend and provides insight into managing it. It affects project stakeholders' decision-making to develop a sustainable project (Crispin, 2020). To accurately identify the risks for our project, several brainstorming meetings with the project team and some of the corporate management were organized. In order to have later records of the concepts and suggestions upon which the risks were determined, and the risk register template was filled, the brainstorming sessions were audio and video recorded. The decision tree analysis was suggested and carried out to enhance the method of determining risks and their effects. This tool makes it easier to consider risk-related decisions and their effects, and it eventually aids in the discovery of some potential secondary risks. The following we had been considered when identifying risks in a project (Crispin, 2020):

- » We had been broadened our information sources in order to capture sufficient risks that might endanger the project
- » We had been knowledgeable in identifying risks;
- » We had explored all the readily available risk identification tools at our disposal and even seek for more tools and techniques that we deemed necessary for the process
- » We had ensured that the risk identification process is effective and efficient
- » We documented all identified risks.

During the planning and implementation of the project, the following risks were identified:

1. Finding a suitable office space in a strategic place in Tirana that will meet the needs of the newly opened subsidiary - technical
2. Preparation of a basic construction project for the performance of the space
3. Procurement of inventory and equipment

4. Untrained staff
5. Lack of information
6. Incomplete information about market needs
7. Employee salary negotiations
8. Distrust of merchants who will have to be included in the network in the functioning of the cashback program
9. Existence of a language barrier, due to lack of knowledge in language when communicating with officials and responsible persons in institutions in Albania
10. Ignorance of the legal system and legislation, slow bureaucratic procedure when registering companies in Albania
11. Ignorance of the labor market in Albania
12. Preparation of documents and obtaining permits for the operation of the subsidiary

THE RISK REGISTER TEMPLATE

In order to properly address risks, it's expedient for the project team to quickly identify and categorize each risk. The risk register becomes the deliverable of the planning process. It is a tool used by the project team to document risk and provide suitable addressing methods to reduce its impact if it occurs. The risk register includes categories of risk, risk identified, risk causes, and risk responses; thus, creating a comprehensive understanding of how to deal with risk in project management (Crispin, 2020).

RISK ANALYSIS

Risk analysis forms the backbone of an effective risk management plan. It informs the project team as to what intervention should be employed in tackling both major and minor risks. Minor risks are relatively easy to handle and most do not actually require contingency plans; rather informal intervention such as careful observation can suffice. However, with major risks; the project team would have to probe further in its assessment. Risk analysis involves both qualitative and quantitative analysis (Crispin, 2020). For our project, the risk analysis was done and presented accordingly in Table 1.

Table 1.
Risk register template

Risk ID	Description of the risk	Risk Trigger How will you know the risk is becoming an issue or has reached a point that requires action?	Risk Category Type of risk (technology, financial, legal, staffing, etc.)	Probability (1-3) How likely is this to occur (3 is the highest and 1 is the lowest)	Impact (1-3) How significant is the impact of this risk on the overall success of the project? (3 is the highest and 1 is the lowest)	PI Score Probability multiplied by Impact	Expected Result, No Action What will happen if the risk becomes an issue and no action is taken	Risk Response Decision made by project group on how to respond to this risk (see above in blue)	Response Trigger How do you know it is time to put the response into play	Risk Owner Who is responsible for initiating the response	Response Description What is the response	Expected Impact of Response What do you expect will result from the response	Status (Open or Closed)
1	There is a chance of existence of a language barrier, due to a lack of knowledge in language when communicating with officials and responsible persons in institutions in Albania	Since we will undoubtedly face a language barrier, we will need to seek to hire a translator who is necessary to facilitate and speed up the process of registering the subsidiary.	Organizational	2	3	6	The work may be extended due to the time required to hire a translator	Managing within the project team	In every address to the institutions in Albania, the answers and the documentation that was returned to us were exclusively in the Albanian language.	Radovan Vitošević	Hiring an interpreter who will be available for translation of documentation as well as simultaneous translations in direct communication with competent institutions	The communication with the competent institutions in Albania continued to take place smoothly after the hiring of the translator.	Closed

2	There is a chance of ignorance of the legal system and legislation, slow bureaucratic procedure when registering companies in Albania	have ignorance of the legal system in Albania we will need to hire a legal advisor is necessary to speed up the registration procedure and avoid certain penalties and fees for ignorance of the law and other legislation and risk of exceeding the time planned for completion of the project	Political	2	3	6	The work may be extended due to the time required to hire a legal advisor	Managing within the project team	Any legal activity that we have to do regarding the opening of the subsidiary is subject to legislation that is different from the domestic one.	Radovan Vitošević	Hiring a legal advisor to assist us with the registration process	The legal advisor undertook all the obligations related to the registration of the subsidiary and obtaining a work permit, thus overcoming the risk of exceeding the time planned for the completion of the project	Closed
3	There is a chance of untrained staff	Because the staff who will work in the subsidiary are mostly people who have no previous experience in network marketing, their additional training is needed	Organizational/Financial	1	2	2	Despite the paid training, part of the staff will be unsuitable for working in the subsidiary	Monitor	It turned out that the labor force that was available in Albania did not have much knowledge of network marketing and cashback loyalty programs	Multiple	Paid training for all hired staff (accommodation and expenses) at the company's headquarters in London	Preparation of staff that will fully respond to the needs for the work of the subsidiary in Albania	Closed
4	There is a chance of distrust of merchants who will have to be included in the network in the functioning of the cashback program	Due to the lack of loyalty programs in the country, many merchants who were contacted to agree to join the network reacted incredulously regarding their benefits.	Organizational	2	3	6	The network would not be satisfied with the number of participating merchants in the loyalty program	Escalate to the senior manager	Distrust in the loyalty program has led to many merchants asking for more time to consider and changes to the network inclusion agreements.	Multiple	Direct meetings with top management to determine disputed items in contracts in order to meet merchant requirements.	By overcoming the disputed issues, the confidence of the merchants increased.	Closed
5	There is a chance for need a preparation of a basic construction project for the performance of the space	Since most of the spaces that were available for rent did not meet the company's criteria, specific adaptations had to be made in the selected space.	Technical-Operative/Financial	2	2	4	The work may be extended due to the time required to the preparation of the space	Multiple	The business space for the subsidiary must meet all standards, both for security and ambience and the business environment. All this can overload the budget provided for the project.	Multiple	Hiring a construction company. Presentation of the need for an arrangement of the business space and the determination of the performance costs.	Arranged space with all standards that will be suitable for the work of the subsidiary.	Closed
6	There is a chance for incomplete information about market needs	Because the company has not yet worked in this market, certain important information about the market may be missed.	Organizational	2	2	4	The implementation phase of the project may be prolonged due to certain uncertainties that may appear in the market.	Managing within the project team	The market is underdeveloped, but there is no serious competition that would threaten the opening of the subsidiary.	Albanian part of the project team	Need for preparation of complete market analysis in Albania to determine all possible problems faced during the subsidiary's operations.	A detailed market analysis which will show the possibilities for developing network marketing and introducing a loyalty cashback program.	Closed

RISK CONTROLLING AND MONITORING

Risk control is known as the active influence of the risks identified in the context of the risk analysis. Cause-related and effect-related risk management tools can be used in different situations (Schieg, 2006). Effect-related measures aim to lessen or protect against the projected amount of damage or loss in the case of the damage- or loss-entailing event, whereas cause-related actions are intended to avoid or reduce risks. Strategies for controlling risk are accordingly the following (Schieg, 2006):

- » Avoidance
- » Reduction
- » Passing on the risk
- » Bearing the risk by oneself.

The ongoing operational control of the effectiveness of the risk control measures is known as risk monitoring. Not totally removing risks from a project is not the aim of risk management. The risk monitoring ensures that the project's risk position is consistent with the desired risk scenario. Analyses of variations provide instrumental support for this task. The monitoring of the risk includes the internal control system.

The continuous monitoring of the early indicators and the repeated risk verification is carried out by the persons responsible in each case, no later than the respective milestone deadlines. A precondition for this is that a reporting and meeting structure in the organization and for the project is stipulated. Besides the pursuit of the risk status and the progress of the measures, new additional risks must be included. Risks that have occurred must be documented with the relevant amount of damage or loss; critical situations of the managerial staff must be reported (Schieg, 2006).

CONCLUSION

All project-related activities, processes, and areas must be integrated effectively with risk management. Therefore, negotiating risks, evaluating them, or even making them commercial, and emphatically reducing them must be the objective. The interaction of all the elements described in this is ultimately what determines whether it succeeds or fails. The effect of a risk and control culture shared and experienced by all project participants is like a connecting bracket that can protect the effectiveness of the structural and organizational risk management measures. The parties involved in risk management are crucial in this. Effective risk management requires commitment as well as the risk-conscious behavior of each individual. In the end, the project's success and the quality of the work produced by the people involved are determined by their interactions and motivation. The opportunity to clearly comprehend the objectives, responsibilities, and contents of the service as well as the project's viability is provided by risk management when it is successfully implemented in the project.

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