8. HANDLING RISK

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8.2 Risk assessment

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Risk management

Risk management is the art and science of identifying, analysing and responding to risk factors throughout the life of a project. *Jeffrey Pinto*

Identify risks
Identify and categorise risks

Assess probability and impact
Consider how likely risk is to occur
Consider what the impact would be if it does

Devise risk mitigation plans
Take action to reduce chance of risk occurring
Find ways to reduce impact or recover if it does

Apply control and documentation
Have an owner for each risk
Have mechanisms to monitor and deal with risks

Risk assessment

Risk planning

Risk administration

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Identifying potential risks

Expert opinion – Specialists in areas of risk

Past history – Lessons from previous projects; risks and ways to deal with them

Team based assessments – Multi-disciplinary team assesses risks together

Idea generation techniques – Ways to reveal important but less obvious risks

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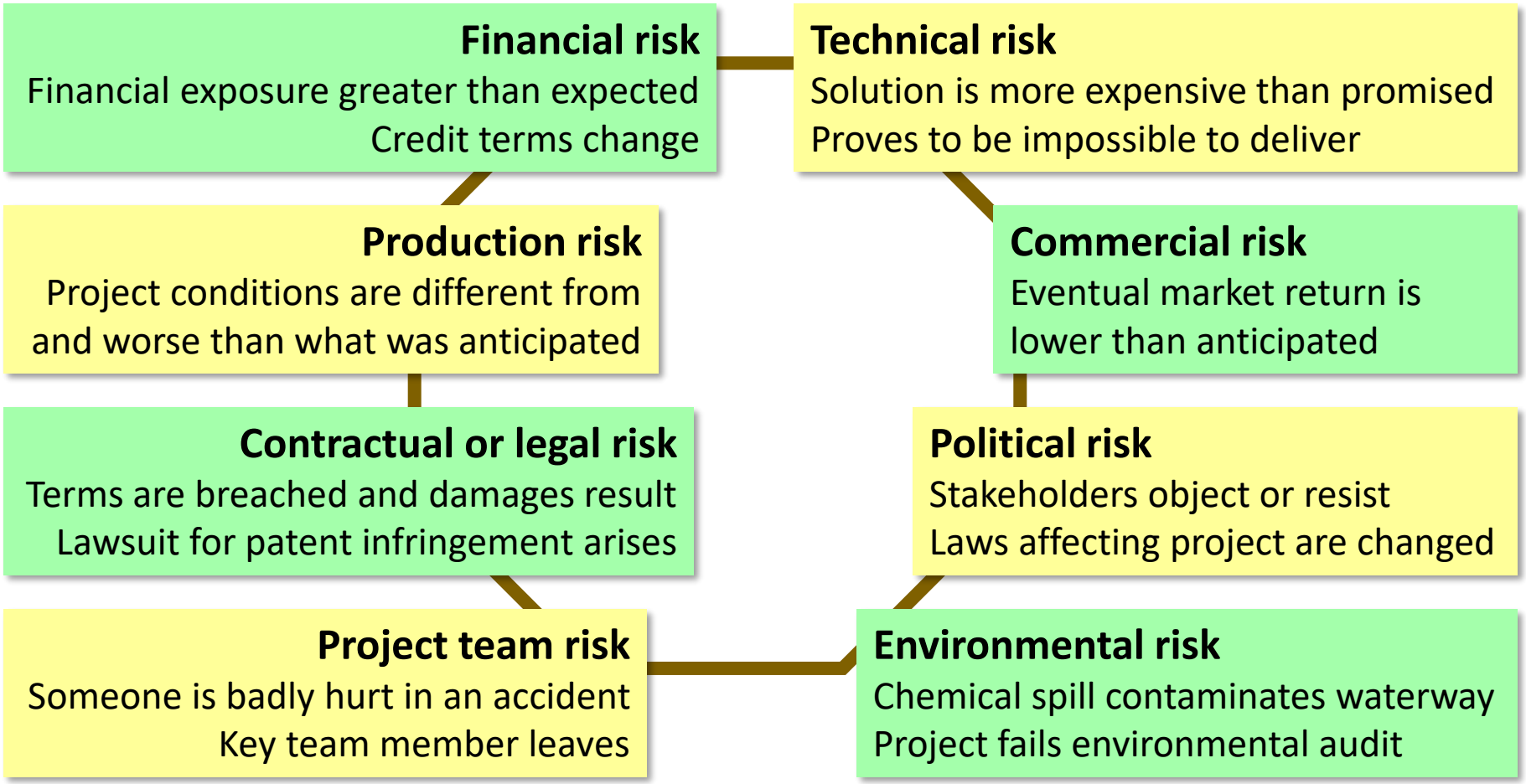
Classifying risks



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The probability and likely impact of a risk

- Assess the **probability (P)** of the risk
  - Could be based on statistical records or prediction
  - More likely to be given a subjective score of 1 to 10, 1 to 5, etc.
    - (1 = low, 10 = high)
- Assess the **impact (I)** of the risk
  - Allocate a subjective impact score of 1 to 10, 1 to 5, etc.
    - (1 = low impact, 10 = high)
- Risk Rating
  - Probability x Impact **(P times I)**

Have rules to say at what threshold level of Risk Rating or Impact specific action must be taken

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Qualitative risk ratings

Score	Probability	Impact
0	Impossible	None at all
1	Almost certain not to happen	Minor inconvenience to some or all users
2	Very unlikely	Moderate inconvenience to some users
3	Moderately unlikely	Moderate inconvenience to all users
4	Fairly unlikely	Serious inconvenience to some users
5	An even chance of happening	Serious inconvenience to all users
6	Fairly likely	Key parts of output unavailable for some users
7	Moderately likely	Key parts of output unavailable for all users
8	Very likely	Significant gaps in whole output
9	Almost certain to happen	Project failure, significant commercial loss
10	Certain to happen	Corporate failure, fatalities

Impact can be separately assessed on **Cost**, **Schedule**, **Reliability**, **Performance**.

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The risk of groupthink

Same background, same education, same experience, same attitudes

=

Desire to conform with the group

=

Narrow view of potential risks

=

Big chance of missing very significant risks

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Characteristics of groupthink

People tend to ignore information that contradicts their opinion.

Their reasoning may be heavily influenced by their existing biases.

A momentum around agreement blocks out rational thinking.

An overbearing lead figure enforces their point of view.

They may deliberately seek only evidence which supports their opinion.

Dissent is viewed as disloyalty.

Not going along with the group may carry personal costs.

The price of making an individual mistake is high; people feel safety in numbers.

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