

Risk Management & Analysis: Prevention not Lots of Paperwork



By Dick Billows, PMP, GCA

Summary: A few minutes of risk management on even the smallest project produces a good return for the effort. We just need to use risk management techniques that are scaled for a smaller project.

Project managers who skip the risk management process spend lots of time firefighting on problems that could have been avoided. On even a small project we can undertake a simple 3-step risk management process, investing as little as one hour and possibly saving days of lost time. We start by identifying 2 to 4 risks, then do a "quick and dirty" assessment of the risk's potential impact. Then we plan our risk response to mitigate or eliminate the risk.

Risk Analysis Template

Below is a template for risk analysis on small projects. We assemble a few stakeholders and the sponsor for a short meeting or go to lunch and complete the whole process.

1. Identify the risks that threaten delivering the scope on time
2. Qualitatively assess the probability of the risk occurring
3. Qualitatively assess the magnitude of the impact
4. Plan how to avoid them or minimize the damage.

We might use the template below to record the results.

Project Certification

Business Projects

0-1 Year- Associate PM

1-3 Years- Certified PM

4 + Years- Sr. PM

IT/Systems Projects

0-1 Year- Associate PM

1-3 Years- Certified PM

4 + Years- Senior PM

Construction Projects

0-1 Year- Associate PM

1-3 Years- Certified PM

4 + Years- Senior PM

Healthcare Projects

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1-3 Years- Certified PM

4 + Years- Senior PM

PMP Certification

CAPM Certification

Program Manager Cert.

Risk Template

1. Risk event	2. Likelihood			3. Impact			4. Risk Response
Name	Medium	High	Low	Medium	High	Low	Type of Action
Turnover among engineers is over 20%	2	5	1	1	6	1	Mitigant Accept-contingency

In risk identification, we are simply looking to harvest 2-4 risks without making judgments about their significance. When we have the list of risks, we're ready to begin qualitative risk analysis where we focus on assessing the significance of each risk using relatively quick and inexpensive techniques. Specifically, we are assessing the likelihood a risk will occur and the impact (cost and time) if it does occur. We use these assessments to prioritize our risks in terms of their significance.

Tier # 1 In-department Risk Management Plan

Let's look in on how the process would work. The PM, sponsor and two team members take a short lunch and talk about the risk events that could cause them to fail to deliver the project. Then they discuss the events that would affect finishing on time. They identify 7 risks to consider. Six are negative risk events and the last is a positive risk event. It would let them finish a week early.

The PM smiles at them and says, "We're a third done. Now let's analyze the risks we identified. Here's a form we'll use to get everyone's assessment of the risks we face on the project. We want to describe each risk in terms of two separate dimensions; the probability or likelihood of the risk event occurring and the impact it will have on the project if it occurs. We'll use a simple scale with three choices for probability and for impact; low - meaning very unlikely to occur or a small impact; high - meaning very likely to occur or a large impact and medium - is between those two extremes."

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Figure 1 Probability/ Impact Estimating Form

Following the risk assessment process, the project manager assembled the results from the risk template each of them had used and displayed the simple grid for the group.

Figure 2 P/I Results

Probability			
High			Engineer turnover
Medium			Don't use new procedure
Low		Trouble Reports increase	
Magnitude >>>	Low	Medium	High

Then the PM says, "We all seem to agree that while we have several risks, only one risk has both a high probability and a high magnitude and that's the turnover risk."

The sponsor says, "I thought this risk stuff was going to be a waste of time, but I'm already thinking of things we can do to educate the customers about the new procedures. That is one problem I would not want to hear about at the end of the project."

Now our manager is ready to move on to risk response planning. Having engaged the sponsor and team on the risks, they can next accomplish the aim of risk management which is to take action before risks occur. That doesn't require fancy or sophisticated risk management, just an effective process.

Summary

We can apply risk management at various level of intensity, scaling it so the effort is appropriate for the project at hand. You can learn these techniques in our online [individual project management training classes](#) or in [in-person seminars for companies](#).

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