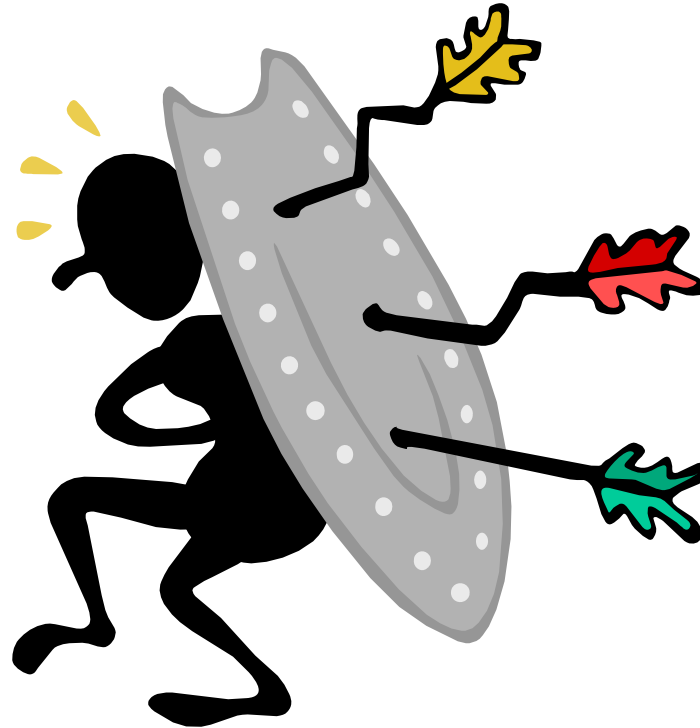# Tell Me Where It Hurts:
A Holistic Assessment of Project Risk
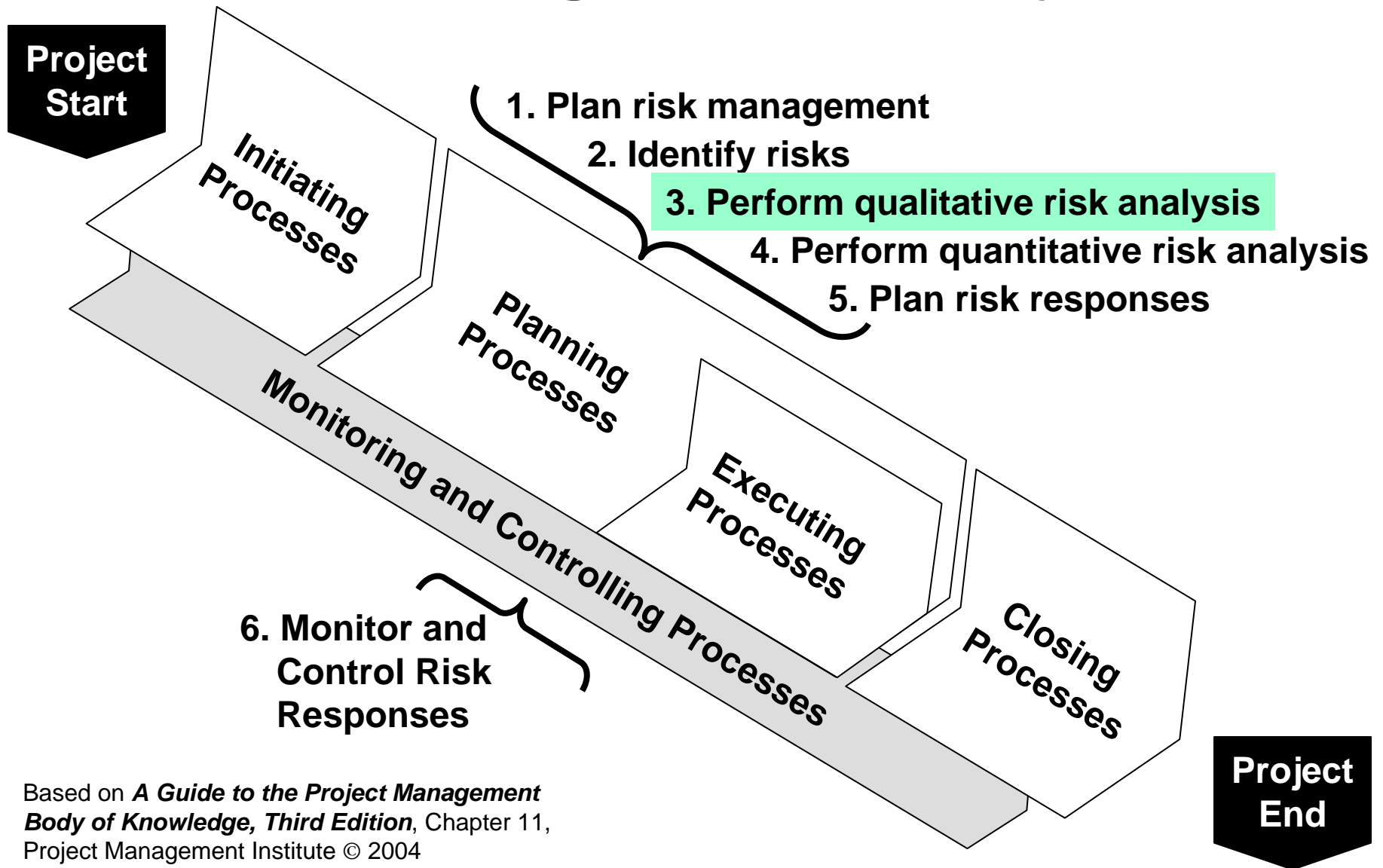
Tom Kendrick, PMP   Director, RiskSIG Region II

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Risk Management in Projects

Project Start

Initiating Processes

Planning Processes

Executing Processes

Closing Processes

Monitoring and Controlling Processes

1. Plan risk management
2. Identify risks
3. Perform qualitative risk analysis
4. Perform quantitative risk analysis
5. Plan risk responses

6. Monitor and Control Risk Responses

Based on *A Guide to the Project Management Body of Knowledge, Third Edition*, Chapter 11, Project Management Institute © 2004
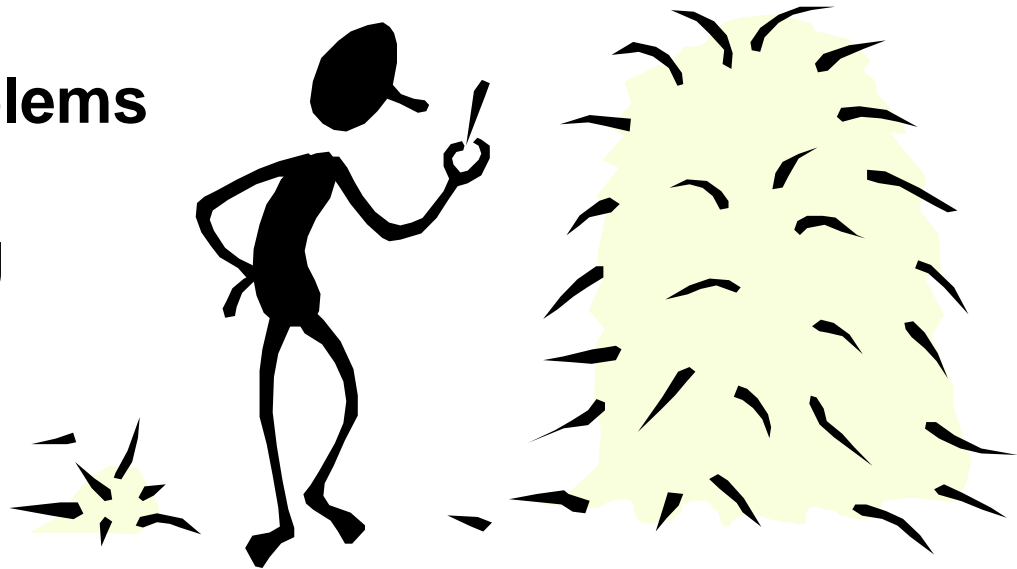
Project End

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Planning and Identifying Project Risks

Planning:
- **Commit to managing risks**
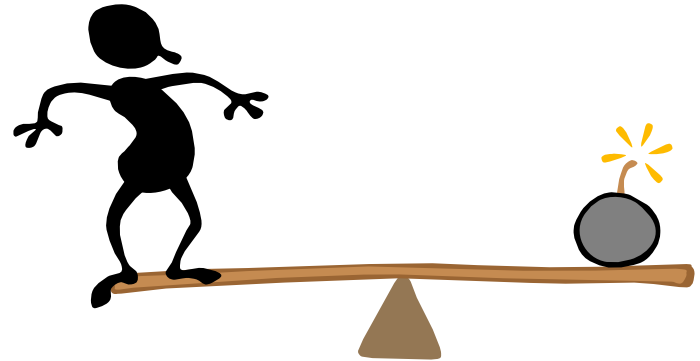- **Allocate time and effort in planning**

Identifying:
- **Document past problems**
- **Uncover risks throughout planning**
- **Brainstorm**
- **List all risks**

Qualitative and Quantitative Risk Analysis

Qualitative:

- **Used to *rank order* risks**
- **Based on ranges of probability and impact**
- **Modest effort required**
- **Consensus is easy**

Quantitative:

- **Used to *measure* risks**
- **Based on estimates of probability and impact**
- **More work required**
- **As with any estimates, may be controversial**

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4
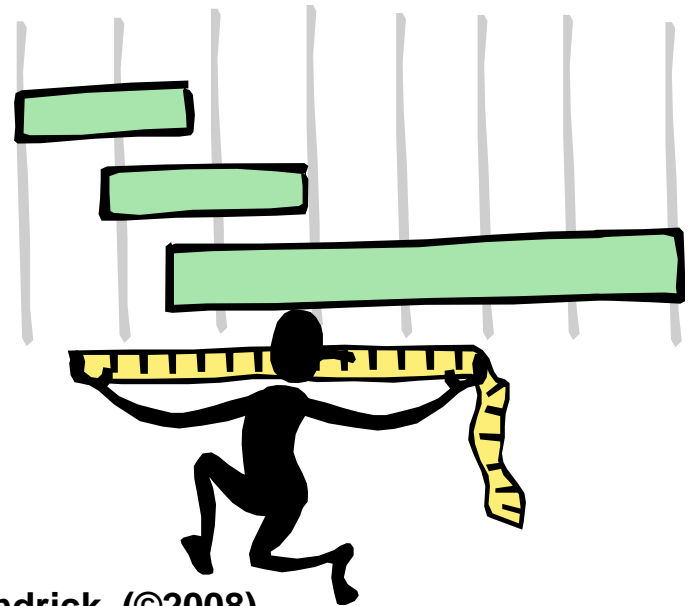
Probability and Impact

Probability:
- **Risk likelihood**
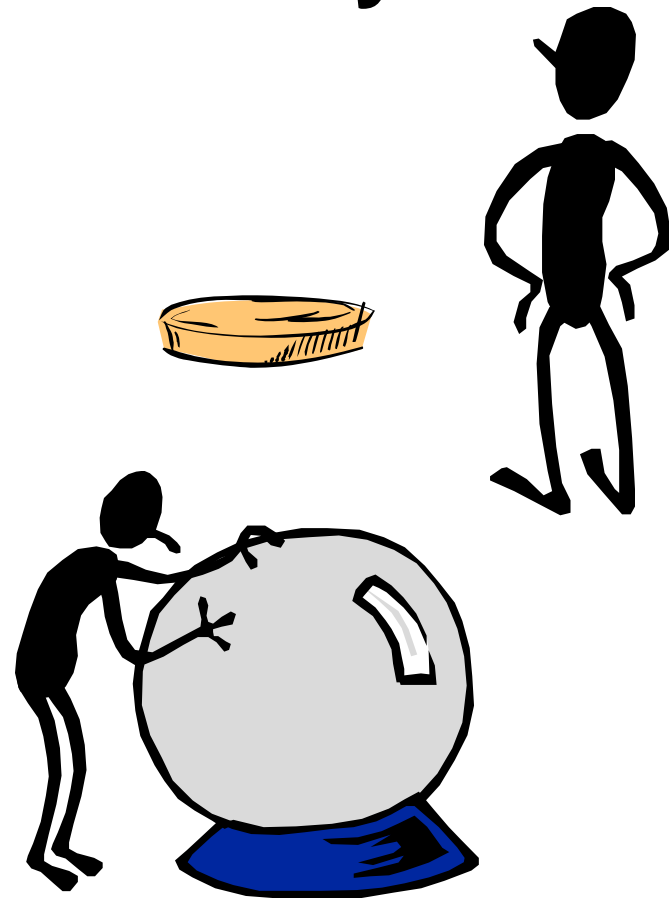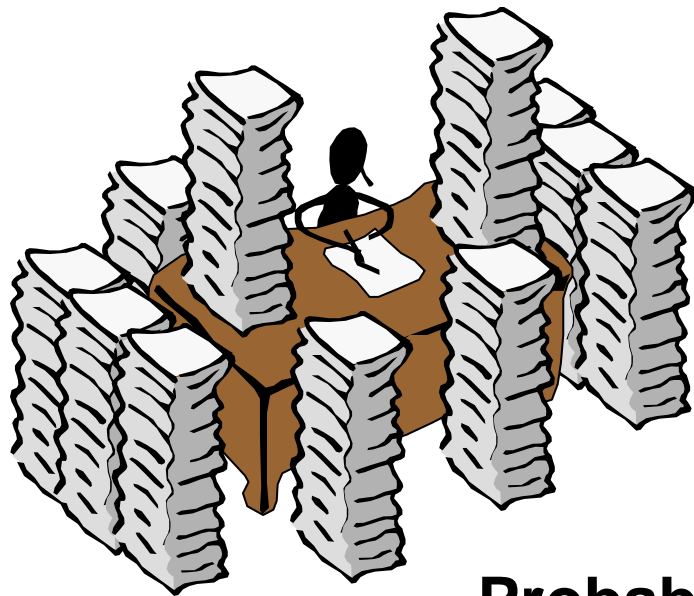- **Assessed as percentages or percentage ranges**

Impact:
- **Risk consequences**
- **Assessed as estimates of time lost, money spent, extra effort, or other impact (or of ranges or categories for these factors)**

Assessing Probability

Three methods:
- **Mathematical model**
- **Empirical analysis**
- **Guesses**

Probability ranges (such as H/M/L) are generally easiest and least inaccurate.

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Assessing Impact

Qualitative assessment is generally based on range information on time, cost, scope, effort, or other potential consequences.

Examples:

- **High: Threatening the project objective**

- **Medium: Requiring significant replanning**

- **Low: A nuisance**
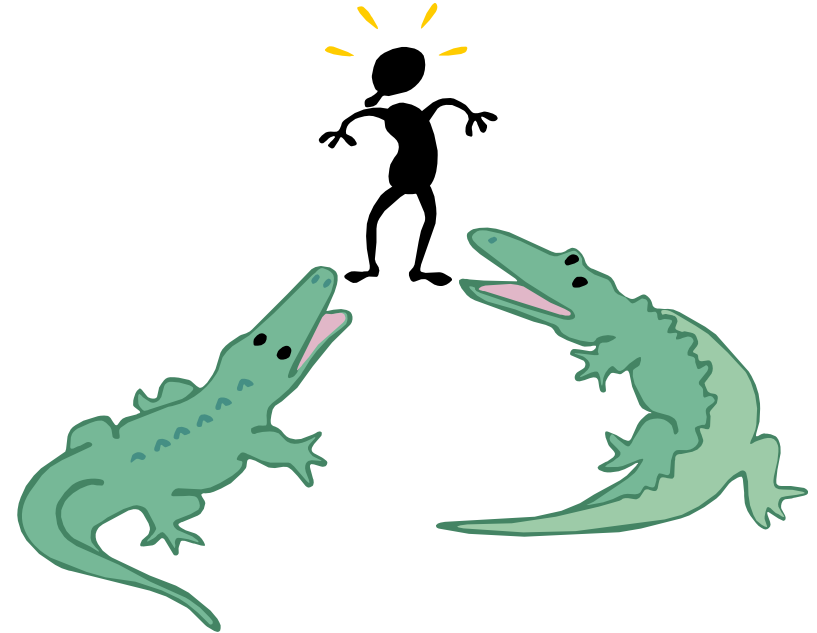
The focus is usually on measurable consequences, <u>even for qualitative assessment</u>

Other Impact to the Project

Not always easily measured, such as:

- **Personal consequences**
- **Career penalties**
- **Loss of team productivity**
- **Team discord**
- **Organizational impact**
- **Business and financial consequences**

Personal Consequences

- Inconveniences and aggravations
- Fatigue and exhaustion
- Unpaid overtime
- Cancelled vacations
- Missed family activities
- Deteriorating health
- Marital problems, divorce, personal relationship troubles
- Loss of face, embarrassment, lowered prestige, bruised egos, reduced self esteem
- Required apologies and "groveling"
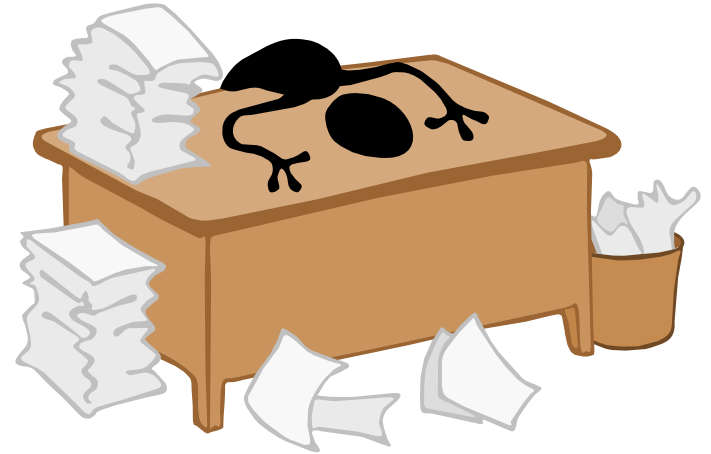
Career Penalties

- **Damaged reputations**
- **Job loss**
- **Lowered job security**
- **A bad performance appraisal**
- **Demotion**
- **No prospect for promotion**
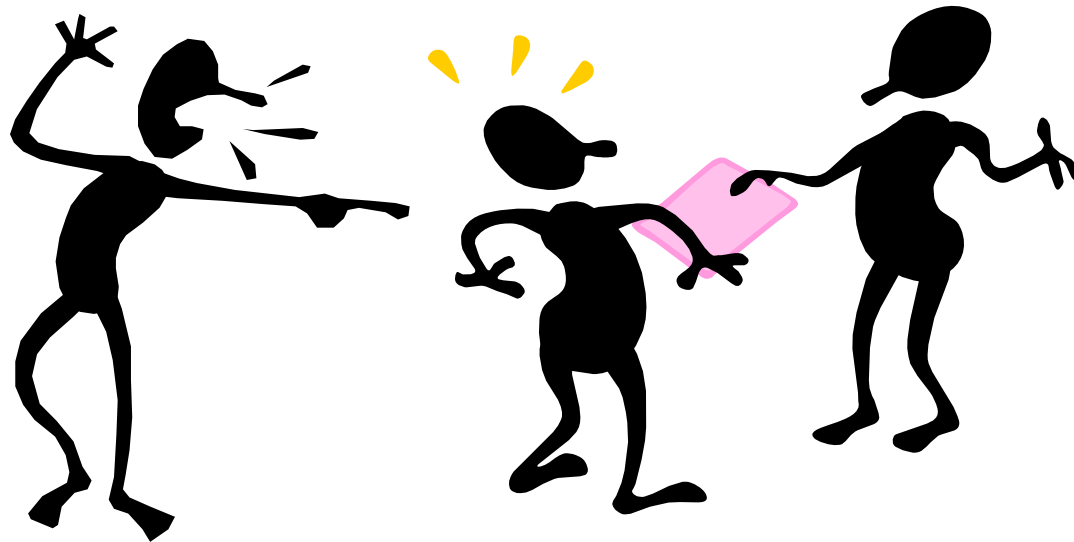
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Loss of Team Productivity

- **Poor efficiency**
- **More meetings**
- **Burnout**
- **Increased communication overhead, especially if across multiple time zones**
- **Added stress, tension, pressure**
- **More errors, inaccuracies**
- **Rework**
- **Additional reporting, reviews, interruptions**
- **Individuals taking over work assigned to others**
- **Exhaustion of project reserves, contingency**
- **Chaos, confusion**
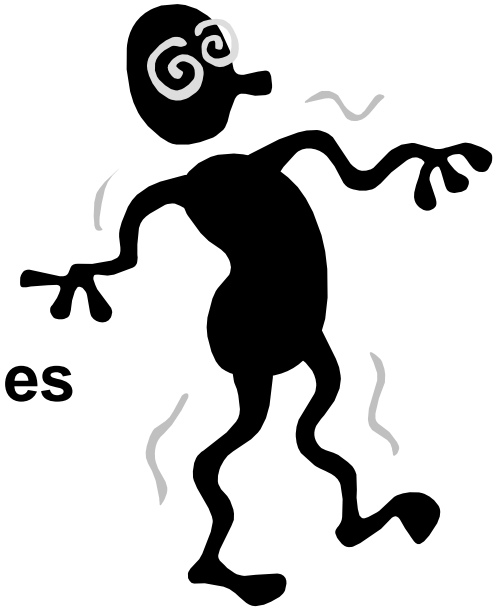
Team Discord

- **Reduced teamwork**
- **Conflict, hostility, resentment, short tempers**
- **Lack of cooperation, strained relationships**
- **Low morale**
- **Frustration, disappointment, discouragement**
- **Demoralization, disgruntlement**

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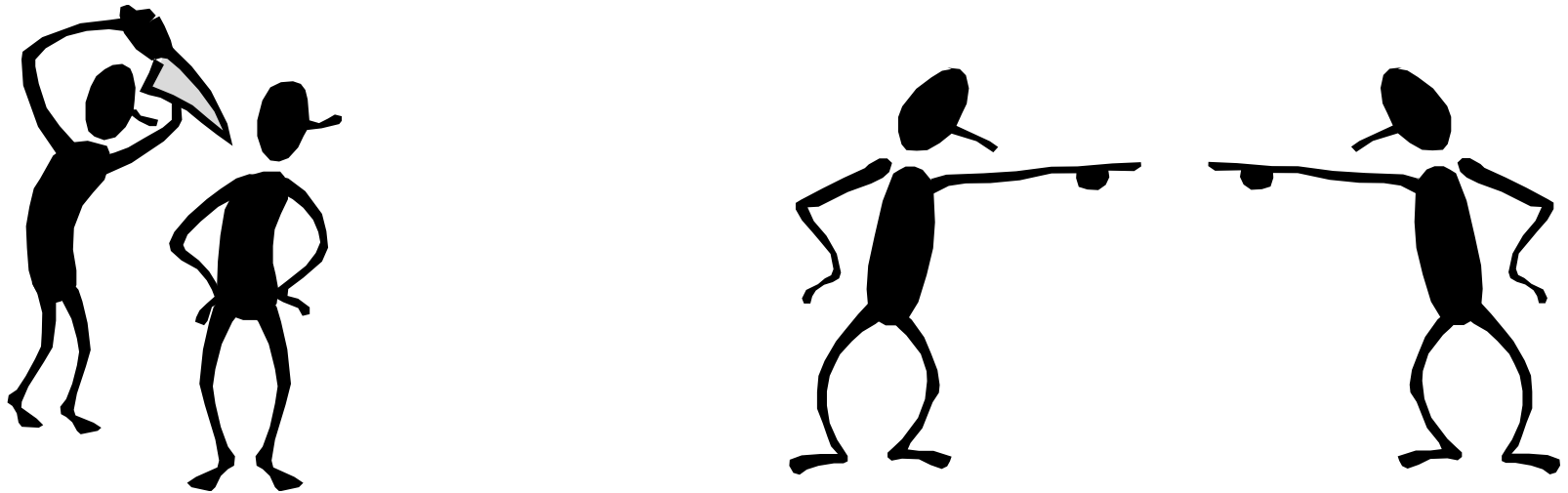
Organizational Impact

- **Loss of sponsor (and stakeholder) confidence, trust, goodwill**
- **Questioning of methods and processes**
- **Micromanagement, mistrust by supervisors**
- **Required escalations, expediting of work**
- **Delayed concurrent projects**
- **Late starts for following projects**
- **Resignations and staff turnover**
- **Ruined team reputation**
- **The need to get lawyers involved**

Business and Financial Consequences

- **Customer dissatisfaction, unhappy clients**
- **Loss of business to competitors, competitive disadvantage**
- **Bad press, poor public relations, loss of organizational reputation**
- **Loss of future business, sales**
- **Lowered revenues**
- **Reduced margins, profits**
- **Loss of customer or client trust, confidence**
- **Failure to meet legal, regulatory, industry standards, or other compliance requirements**

Business and Financial Consequences
## continued . . .

- Damaged partner relationships
- Reduced performance of the project deliverable
- Compromised quality, reliability
- Continued cost of obsolete systems or facilities
- Service outages, missed service-level agreements
- Inefficient, unpleasant manual workarounds
- Significant opportunity costs
- Rushed, inadequate testing
- Missed windows of opportunity
- When the project is big enough, bankruptcy and business failure

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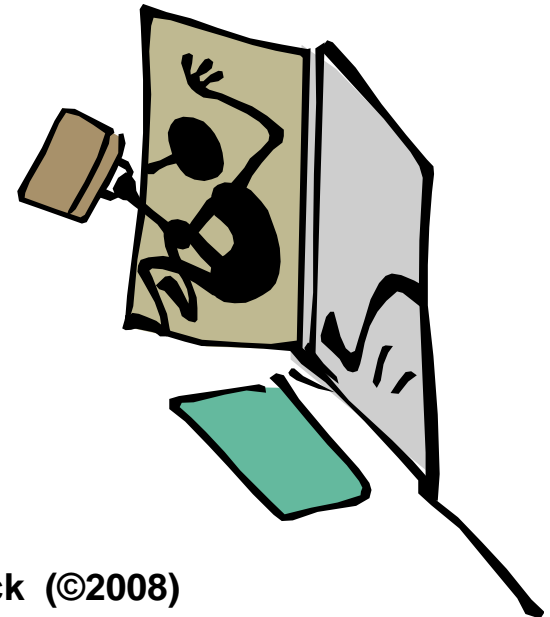
Analysis of Measurable Risks

A five-tier qualitative assessment based on defined changes in project parameters:

Impact	Criteria (for schedule)
Very Low	No change to any critical activities
Low	One week or less impact on project deadline
Moderate	Up to two weeks of impact on project deadline
High	Up to one month of impact on project deadline
Very High	More than one month of impact on project deadline, or probable project cancellation.
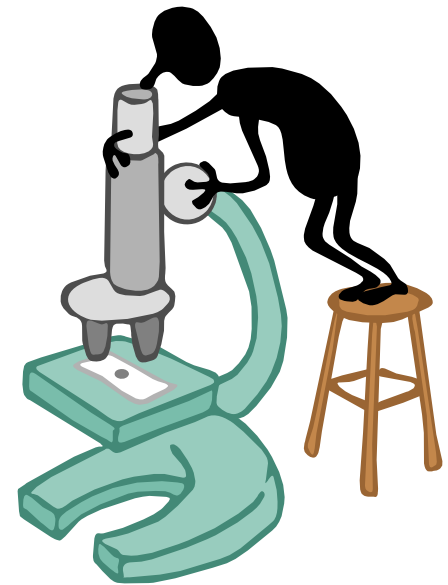
**(Similar tables/criteria are used for cost or other factors.)**

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Incorporating Analysis of Qualitative Impact

Impact	Criteria
Very Low	Any impact that can be handled within a single status cycle, and would likely not be visible outside the project team
Low	Any impact that can be dealt with within the project team and having no anticipated long-term effects
Moderate	Any impact that would result in significant project replanning, or that could lead to a noticeable and inconvenient effect for the organization
High	Any impact that would threaten the project's objective (failure to meet one or more of the project's triple constraint parameters), or that might lead to significant, measurable longer-term business impact for the organization
Very High	A project "showstopper" that would result in cancellation, or a risk that has potential for overall long-term business impact that could exceed the project's budget.

Summary

- **Find and list project risks.**
- **Use probability ranges to assess likelihood**
- **Consider total impact in assessing consequences, not just impact that can be easily measured**
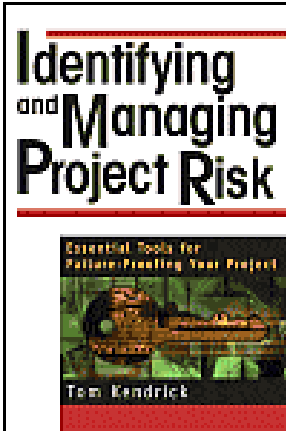
Respond to risks based on <u>all</u> potential impact.
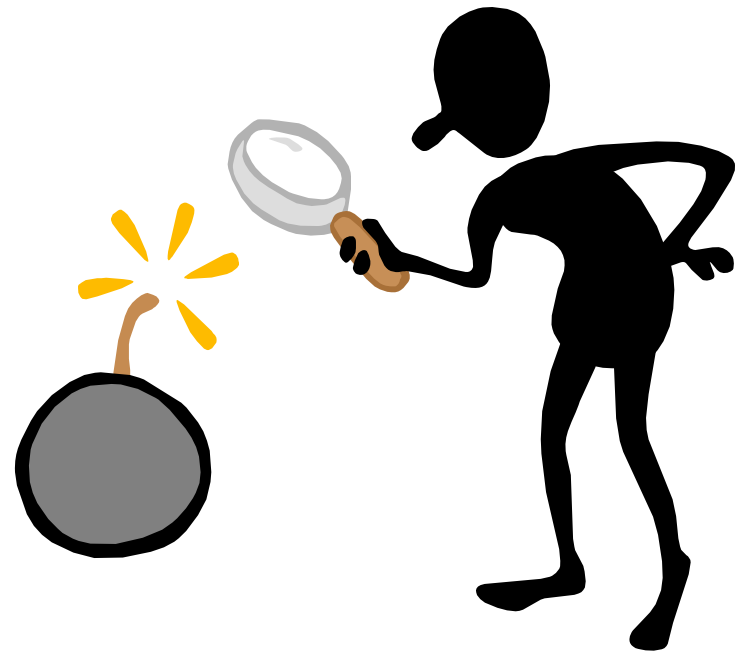
Questions?

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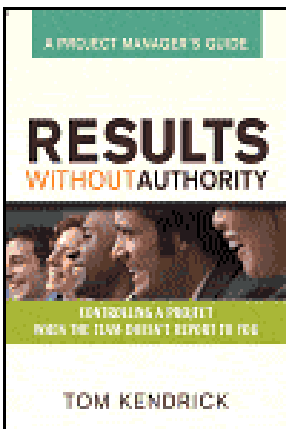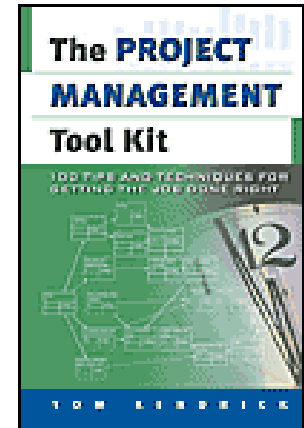
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