



Risk management without the risk™

The difficulty in establishing criteria for risk assessments

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We have introduced the concept of qualitative risk assessment in prior slides

- **Risk assessments require a substantial amount of pre-work**
- **Part of the pre-work is building a core, cross-functional team of subject matter experts**
- **The team will need to develop the “language” for accessing the risks**



A difficult part of risk assessment is developing the assessment criteria

- **The criterion are the definitions that are used to determine the level of a risk attribute**
 - The attributes may be **likelihood and impact**
 - Levels may be **high, medium, low**
- **The way in which criteria is stated sways the outcome of the risk assessment**
- **The definitions for the criteria must be clear and well defined**



What are your thoughts about the following definitions of Severe Impact?

- **The sprinklers go off in the computer room**
- **The project sponsor resigns from the company**
- **The company goes out of business**
- **An entire batch of product must be discarded**



The facilitator must work with the core team to develop the scoring criteria

- **This can take a long time**
- **Expect a substantial amount of discussion**
- **A good method of collecting data is to have the participants write their definitions on sticky notes**
 - **Collect the definitions**
 - **Share the definitions with the team**
 - **Reach a consensus on the definitions**
- ***The definitions must be clear***
- **Examples can be used to clarify meaning**



A generic criteria definition may be placed into the risk management plan

Criteria	Definition	Example
Almost certain	The risk event is expected to occur in most circumstances	
Likely	The risk event will probably occur in most circumstances	
Medium	The risk event will occasionally occur under normal conditions	
Unlikely	The risk event may rarely occur under normal conditions	
Remote	The risk event may only occur in exceptional circumstances	



A specific criteria definition list may be created as pre-work for a risk assessment

Criteria	Definition	Example
Almost certain	The risk event is expected to occur each time	Your day is made longer due to excess e-mail
Likely	The risk event will occur at least once every 10 times	Your drive to work is delayed due to a freeway accident
Medium	The risk event will occur at least once every 100 times	Your teleconference is delayed due to technical failures
Unlikely	The risk event may occur at least once every 1000 times	The materials are delayed by more than one week
Remote	The risk event may only occur in exceptional circumstances	Your meeting was delayed because an earthquake ocured



Exercise – Create the scoring criteria for impact using a case study

You are the project manager for construction of a new office building. In order to conduct risk assessments you realize that impact can be interpreted in several ways including

- Impact to schedule
- Impact to cost
- Impact to requirements (scope)

Your objective is to create a generic scoring criteria definition for the project. This definition matrix will then be used to create specific matrices for each of the types of impact to the project.

In this exercise each of your team members will assume the following roles. Each has specific interests in the project and their own definition of levels of impact

1. Project manager for the construction company who will facilitate the meeting
2. City planner
3. Environmental commissioner
4. Chief officer for the client



Exercise – Continued

1. Project manager for the construction company who will facilitate the meeting
The project manager wants to ensure that all stakeholders will provide sufficient staff, material resources and requirements so that the project will be successful
2. City planner
The city planner wants to ensure that all city codes are met, there is minimal disturbance to traffic flow, utilities, general commerce and fits the requirements for the beautification plan
3. Environmental commissioner
The environmental commissioner wants to ensure that the building complies with the environmental regulations, does not harm the rare weed that grows on the property, meets all internal environmental codes and does not interfere with water run off
4. Chief officer for the client
The chief officer for the company wants to ensure that the building is constructed in a timely manner so that the new headquarters can open on schedule, the project stays within budget, and the new technology features are in place when the building opens



Exercise – Continued

- Assign the roles in your group
- Work together to complete the definitions for Severe and Major in the Impact table
- Each person writes the definition and example on a sticky-note
- Place the sticky notes in a “definition” group and an “example” group
- Discuss the different definitions and see whether you can reach a consensus for a definition for the level
- Once you have reached a consensus revisit the examples
- You can have several examples for each definition.
- Continue with this for as many rounds as is necessary to reach a definition that works for each team member



Exercise – Continued

Impact level	Definition	Example
Severe		
Major		
Moderate		
Minor		
Insignificant		



Exercise – Continued

Impact level	Definition	Example
Severe	The building can not be completed	<ol style="list-style-type: none"> 1. The location and architecture adversely affect air flow in the streets and around other buildings. 2. The cost of materials rises beyond feasible budget 3. The city refuses to issue zoning permits
Major	The building will require extensive changes	<ol style="list-style-type: none"> 1. Extensive traffic flow modifications are required 2. Cost of materials rises requiring reduction of features to hold budget 3. The city requires architectural design changes to meet neighbor complaints
Moderate		
Minor		
Insignificant		

