Tell Me Where It Hurts: A Holistic Assessment of Project Risk

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Risk Management in Projects

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

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
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.
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, even for qualitative assessment.
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
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
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
### Analysis of Measurable Risks

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

<table>
<thead>
<tr>
<th>Impact</th>
<th>Criteria (for schedule)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Very Low</td>
<td>No change to any critical activities</td>
</tr>
<tr>
<td>Low</td>
<td>One week or less impact on project deadline</td>
</tr>
<tr>
<td>Moderate</td>
<td>Up to two weeks of impact on project deadline</td>
</tr>
<tr>
<td>High</td>
<td>Up to one month of impact on project deadline</td>
</tr>
<tr>
<td>Very High</td>
<td>More than one month of impact on project deadline, or probable project cancellation.</td>
</tr>
</tbody>
</table>

(Similar tables/criteria are used for cost or other factors.)
## Incorporating Analysis of Qualitative Impact

<table>
<thead>
<tr>
<th>Impact</th>
<th>Criteria</th>
</tr>
</thead>
<tbody>
<tr>
<td>Very Low</td>
<td>Any impact that can be handled within a single status cycle, and would likely not be visible outside the project team</td>
</tr>
<tr>
<td>Low</td>
<td>Any impact that can be dealt with within the project team and having no anticipated long-term effects</td>
</tr>
<tr>
<td>Moderate</td>
<td>Any impact that would result in significant project replanning, or that could lead to a noticeable and inconvenient effect for the organization</td>
</tr>
<tr>
<td>High</td>
<td>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</td>
</tr>
<tr>
<td>Very High</td>
<td>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.</td>
</tr>
</tbody>
</table>
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 **all** potential impact.
Questions?

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References

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*Results Without Authority: Controlling a Project When the Team Doesn't Report to You - A Project Manager’s Guide* by Tom Kendrick. AMACOM, July 2006. ISBN 0814473431
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