Project Risk Analysis

Proficiency SYSTEMS, INC

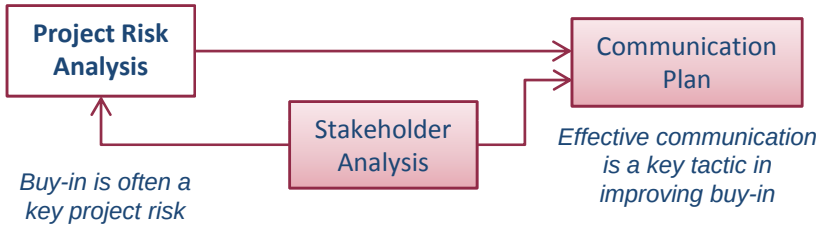
When to Use

- Use to proactively identify and manage potential risks, which could negatively impact project success
- Create initially in the Define phase, updating throughout the project as more is learned and risks evolve

Helpful Hints

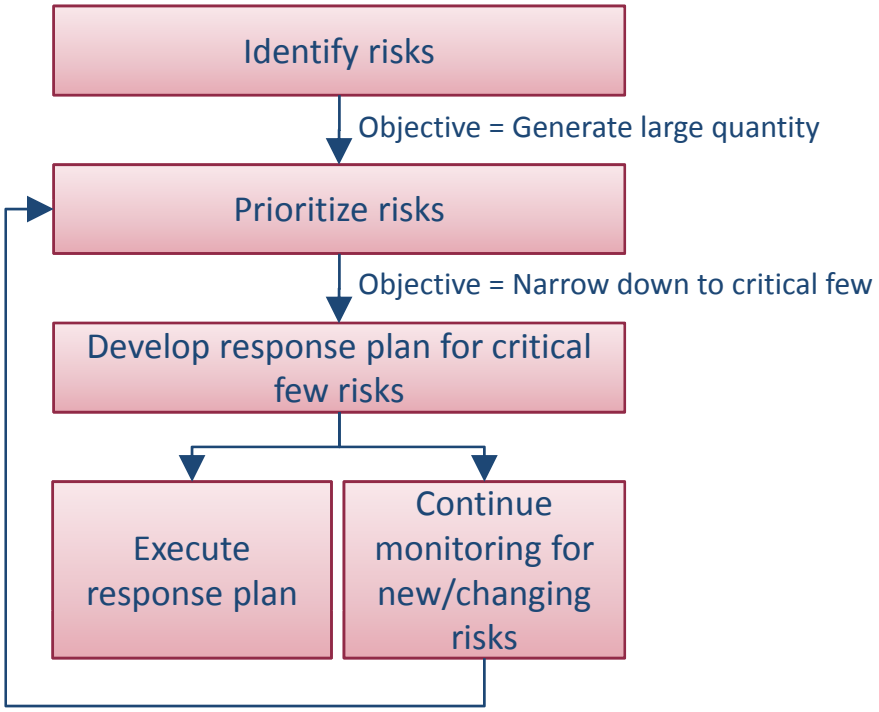
- Generate potential risks by developing a list of answers to the question: *"What may prevent us from achieving the desired project results on time?"*
- Start by identifying a large quantity of potential risks, but only take action on the critical few
- The most important step in risk management is executing the response plan – or actively managing – the critical few risks

Related Tools



Description

- Proactive identification and management of project risks reduces the likelihood of unwanted surprises negatively impacting project success
- Said differently, proactive risk management increases the likelihood of project success
- Project risk analysis consists of the following high-level activities:



Project Risk Analysis (Cont.)

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Step by Step Instructions (Project Risk Analysis Worksheet)

1. Fill in the header section of the Project Risk Analysis Worksheet:
   - Project Name: Title of the project being worked on
   - Process Name: Name of the process that the project is within
   - Project Sponsor: The name of the business leader accountable for the project's success and long-term sustainment of its results. It is best if this person is the Process Owner
   - Project Leader (Lean Belt): The name of the person responsible for leading the project
   - Date Last Updated: Date the worksheet was last updated

2. Working with the project team, generate a list of risks potentially impacting project success, by asking *"What may prevent us from achieving the desired project results on time?"*
   - At this stage, the objective is to identify a large quantity of potential risks. The more thorough the team is, the more likely that all critical risks are captured

3. Complete the "Risk Assessment" portion of the worksheet, completing one line for each identified risk
   - Risk Description: The description of each risk identified by the team
   - Impact Type: The most critical type of impact anticipated if the risk were to occur: Proj. Schedule, Goal Achievement, Proj. Costs, Results Sustainment, or Other
   - Impact Ranking: The negative impact on the project, on a 1-to-5 scale (1 = No Impact, 5 = Very High Impact), if the risk were to occur
   - Likelihood of Occurrence: The probability, on a 1-to-5 scale (1 = Very Low, 5 = Very High), of the risk occurring
   - Priority Ranking = Impact Ranking X Likelihood of Occurrence

4. Sort the worksheet, so that the risks with the largest "Priority Rankings" are at the top
   - It is often useful to perform a reality check at this point, by looking for any "Priority Rankings" which don't seem right. The team should discuss any of these and make adjustments as necessary

5. Select the critical few risks – those with the largest "Priority Rankings" – which the team will focus on
   - Typically a small minority of the items (maybe 20% of those identified) drive the high-majority of project risk
   - Focusing only on the critical few items, allows the team to efficiently and effectively manage risk

6. Complete the "Risk Response" portion of the worksheet – ONLY FOR THE SELECTED CRITICAL FEW RISKS
   - Actively Address Risk?: "Yes", if one of the critical few risks, "No" otherwise
   - Description of Planned Risk Response: The specific actions planned to address the risk
   - Target Date: The date when the risk response will be completed
   - Responsible Person: The name of the individual who will ensure the planned response is effectively completed
   - Current Status: The updated status of risk response implementation and effectiveness