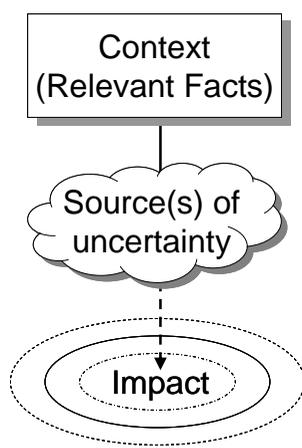


- Purpose** Articulate risks in a way that can be understood with clarity
- Importance** Being able to describe and understand risks is of fundamental importance to:
 - Assigning risk ownership
 - Making risk estimates
 - Developing effective risk responses
 - Structuring risk information e.g. breaking down composite risks or identifying parent-child relationships
 - Reporting and explaining the implications of risks
- Technique** There are a number of risk description techniques. The approach recommended on this sheet has been proven in practice and supports both qualitative and quantitative risk analysis techniques. The given example is simple. However the approach is sufficiently flexible to describe more complex situations.



Recommended approach

Risks can be described in three parts: context, sources of uncertainty and impact

Context: summarise the relevant background facts. These may include prior decisions, assumptions, dependencies and relevant objectives. **Example:** “It is assumed that the subcontractor will have received all drawings by 1st March.”

Source(s) of uncertainty: summarise or list the factor(s) that may cause the risk to occur and/or influence the extent of its effect. **Example:** “Drawings could be delayed by late changes to the specification or a lack of design resources.”

Note – lack of certainty is a common property of all risks.

Impact: summarise or list the consequence(s) should the effects of the risk become significant. **Example:** “Delay to the delivery of the first two batches of product. A delay of more than one month would also incur a £10K charge.”

Risk Register tools Many risk register tools have three fields to record risk descriptions, although they often use different field titles. You may find that the titles they use are equivalent e.g. using the word **consequence** or **effects** instead of **impact**. If not, it may help if the field titles can be changed.

Implications for risk modelling Risk models are based on the same combination of three parts as the recommended risk description approach. One has to structure a risk model on the basis of what can be assumed as **facts** for modelling purposes and then add features such as risk estimates or probabilistic events to simulate the implications of **sources of uncertainty**. The model itself simulates the **impact** of this combination of inputs. The risk description structure can thus be used to describe risk models as well as individual risks. Similarly, the risk responses figure below is applicable to both risk models and risk registers.

Risk responses Using a sound risk description approach aids the identification of risk responses. The figure below shows how different risk response strategies target different aspects of the way in which risk is understood.

		Avoid risk Restructure project plan Optimise project solution	Exploit opportunity Prepare a “Plan B” Change project objectives
		Change risk probability Change risk impact Conduct de-risking activity	Improve knowledge Increase clarity Reduce ambiguity
		Accept (tolerate) risk Transfer risk Prepare fallback plan	Insure against risk Share risk contractually Pool risk in project portfolio