

Practical Project Risk Management¹

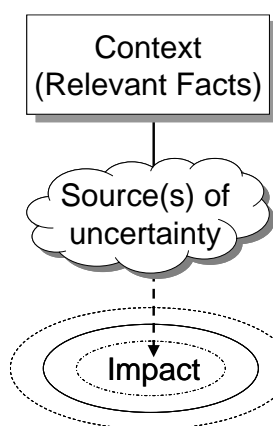
Risk Descriptions: A brief guide²

Purpose

Articulate risks in a way that can be understood, analysed and acted upon

Recommended Approach

There are a number of risk description techniques. The three-parts approach recommended below supports both qualitative and quantitative risk analysis techniques and can be linked to risk modelling. The given example is simple description of a risk event. However the approach is sufficiently flexible to describe more complex situations and is not confined to risk events. For example it can be used to describe opportunities, variability risks and ambiguity risks.



Context: Identify the relevant background facts. These may include decisions, assumptions, dependencies and planned milestones **Example:** “The subcontractor needs all requirements finalised by 1st March.”

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

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

Impact: Identify the consequence(s) should the effects of the risk become significant. **Example:** “subcontractor would be credited with pro rata schedule relief and consequential costs of \$120K per month.”

Risk Titles: A headline approach is useful e.g. “Late Finalisation of Subcontract Specifications”

Risk Registers

Many risk registers 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.

¹ This series of articles is by Martin Hopkinson, author of the books “The Project Risk Maturity Model” and “Net Present Value and Risk Modelling for Projects” and contributing author for Association for Project Management (APM) guides such as *Directing Change* and *Sponsoring Change*. These articles are based on a set of short risk management guides previously available on his company website, now retired. See Martin’s author profile at the end of this article.

² How to cite this paper: Hopkinson, M. (2022). Risk Descriptions: A brief guide, Practical Project Risk Management series, *PM World Journal*, Vol. XI, Issue IV, April.

Link with Risk Modelling

Risk models are based on the same combination of three parts as the recommended risk description approach.

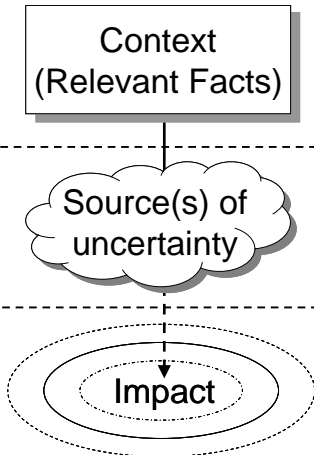
Context (relevant facts): model scope and structure e.g. activity breakdown and dependencies.

Source(s) of uncertainty: the risk model’s inputs that simulate the implications of uncertainty e.g. probability density functions, risk estimates and probabilistic or conditional events.

Impact: the risk model output(s) that are designed to quantify impact e.g. project cost risk.

Link with Risk Responses

Using a sound risk description approach aids the identification of risk responses. The figure below shows how different risk response strategies may be associated with different aspects of the way in which risk can be described.

 <p>Context (Relevant Facts)</p>	Avoid risk Adjust project plan Optimise project solution	Exploit opportunity Prepare a “Plan B” Adjust project objectives
<p>Source(s) of uncertainty</p>	Reduce risk probability Reduce risk impact Conduct de-risking activity	Resolve ambiguity Make risk-efficient decision Focus further risk modelling
<p>Impact</p>	Accept (tolerate) risk Transfer risk Prepare fallback plan	Insure against risk Share risk contractually Pool risk in project portfolio

Common Faults

1. Lack of proactive risk responses caused by a failure to identify significant sources of uncertainty e.g. habitually identifying only one source per risk.
2. Inappropriate Risk ownership choices caused by lack of insight into sources of risk.
3. Weak risk estimates caused by a lack of clarity and detail in risk descriptions.
4. Risks not well understood, or understood differently when reported.
5. Risk reviews time being consumed by comprehending risks rather than managing them.
6. Some or all of the above caused by using a simplistic risk description formula e.g. starting every description with “There is a risk that.....”

About the Author



Martin Hopkinson

United Kingdom



Martin Hopkinson, recently retired as the Director of Risk Management Capability Limited in the UK, and has 30 years' experience as a project manager and project risk management consultant. His experience has been gained across a wide variety of industries and engineering disciplines and includes multibillion-pound projects and programmes. He was the lead author on Tools and Techniques for the Association for Project Management's (APM) guide to risk management (*The PRAM Guide*) and led the group that produced the APM guide *Prioritising Project Risks*.

Martin's first book, *The Project Risk Maturity Model*, concerns the risk management process. His contributions to Association for Project Management (APM) guides such as *Directing Change* and *Sponsoring Change* reflect his belief in the importance of project governance and business case development.

In his second book *Net Present Value and Risk Modelling for Projects* he brought these subjects together by showing how NPV and risk modelling techniques can be used to optimise projects and support project approval decisions. ([To learn more about the book, click here.](#))