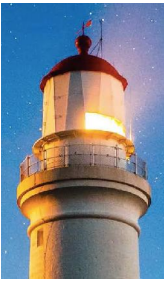


# The importance of properly describing risks

*A world in which all projects succeed*  
*APM North West Branch & APM Risk Management SIG*

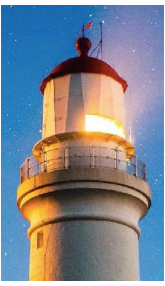
10 October 2016

**Peter Simon HonFAPM PMP**  
Director - Lucidus Consulting Limited  
[www.lucidusconsulting.com](http://www.lucidusconsulting.com)



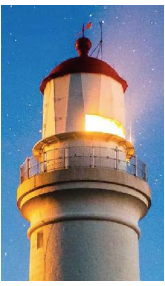
# Risk descriptions

- Please take a few minutes to write a risk description on the card provided.
- Write the risk in the format you would see in your own firm's risk register or database.



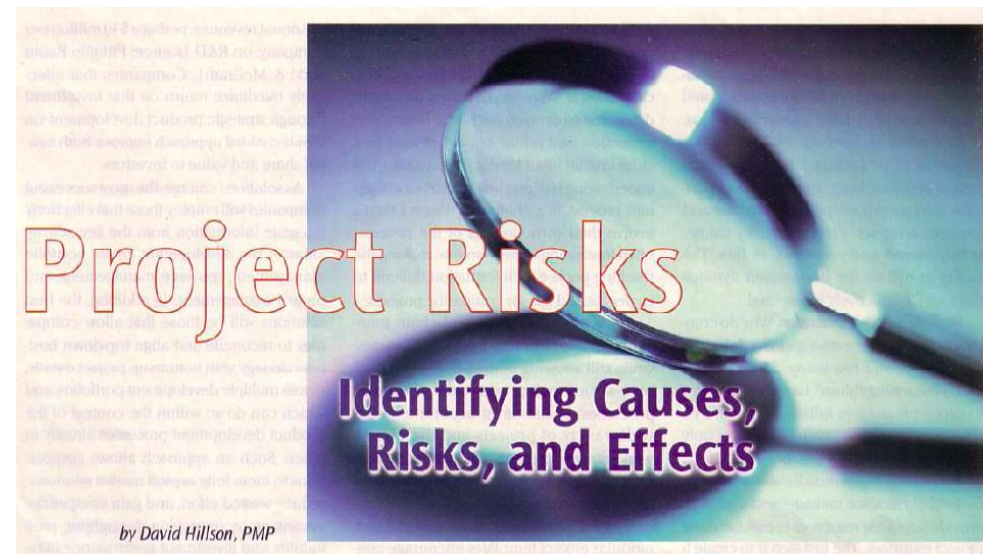
# Risk descriptions

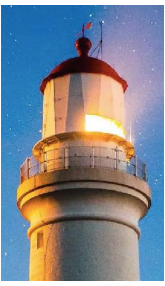
- Assuming the risk you have written is a threat or downside risk, i.e. a risk that if it happened would have a negative effect on one or more of the project objectives...
- Now (on the other side of the card) write an opportunity or upside risk, i.e. a risk that if it happened would have a positive effect on one or more of the project objectives.
- If it was an opportunity then write a threat.



# Background

- In September 2000, David Hillson published his article “Project Risks - Identifying Causes, Risks, and Effects” - (PM Network).

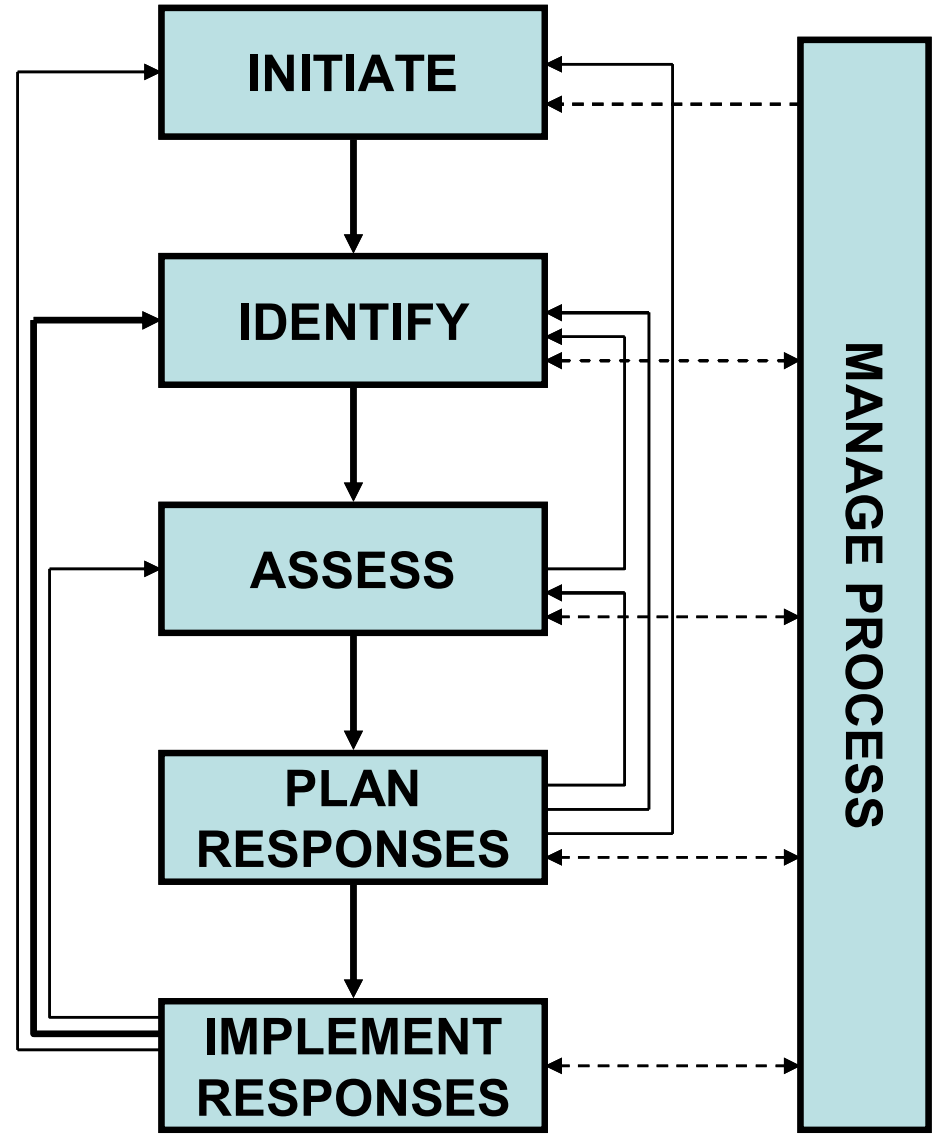




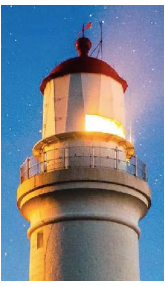
# Background

- Since then most international standards and reference texts have adopted the use of this structured way of describing risks.
- According to “some people” using this approach has had the greatest influence on improving risk management in practice.

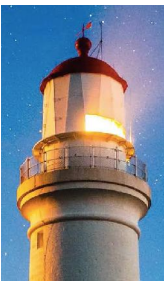
# The PRAM Risk Management Process



PRAM refers to the APM's Project Risk Analysis and Management (PRAM) Guide

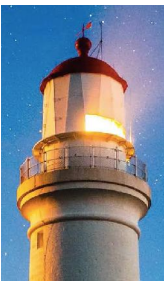


- A risk that is identified is a risk that can be managed...
- If you fail to identify a risk, it means you have taken it.

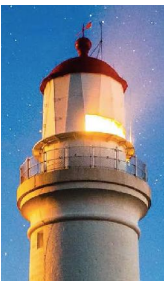


- A risk that is understood is a risk that can be managed...
- If you fail to understand a risk, it means you can't manage it.

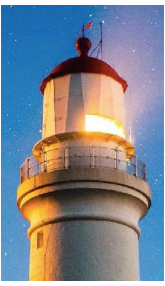




- Therefore, in order to make risks manageable, it is essential that risks are described in a way that allows them to be understood by all who read them.
- This includes those who have written the risk (perhaps when they are revisited in, say, three months time) and those who have little knowledge of the project. The ‘metalanguage’ helps to do this.

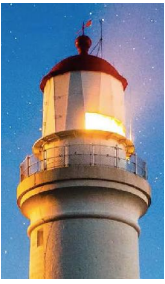


- The ‘metalanguage’ helps to transcend language barriers.
- It also really helps in the later assessment of both probability and impact by clearly separating the risk event from the effect/consequence.

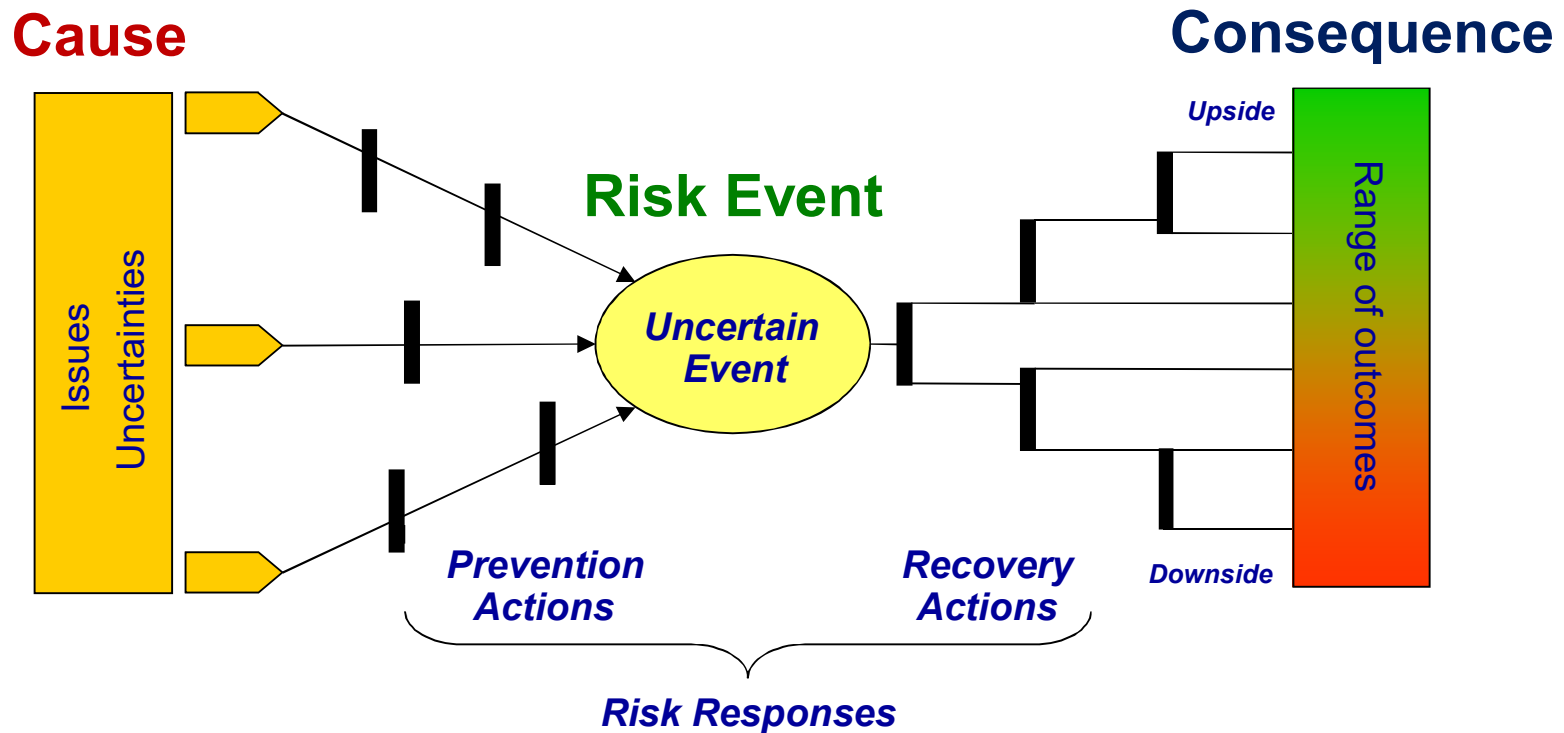


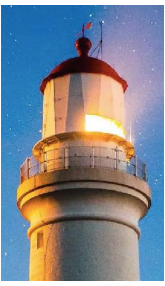
# Definition of a risk event

- APM BoK 6 - “An uncertain event, or set of circumstances that would, if it occurred, have an effect on the achievement of one or more objectives”
- PMI PMBOK<sup>®</sup> 5 - “An uncertain event or condition that, if it occurs, has a positive or negative effect on one or more of the project objectives *such as scope, schedule, cost and quality. A risk may have one or more causes and, if it occurs, it may have one or more impacts.*”



# The bow-tie diagram





# Structured risk descriptions

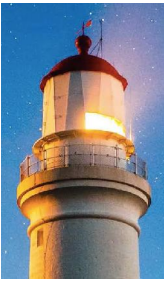
- In order to assist in the risk management process it is essential that risks are properly described using:



- Definite events or set of circumstances that exist in the environment and which give rise to uncertainty
- Uncertain events or set of circumstances that, if they occur, would affect objectives
- Unplanned variations from objectives, either positive or negative, which arise as the result of risks occurring

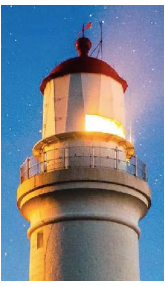
As a result of <definite cause>, <uncertain event> may occur, which would lead to <effect on objective(s)>

(David Hillson - PMNetwork - September 2000)



# 16 tips on how to describe your risks properly

T*ip*s

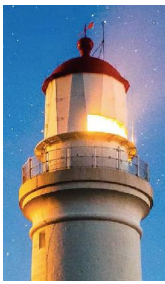


# 1

## The cause must be a fact.

Many causes of risk events are current issues, which by definition are facts.

*Inclusion of one of the key words 'may', 'might' or 'could', or other words like 'future' would confirm that a risk event (not a fact) is being described.*



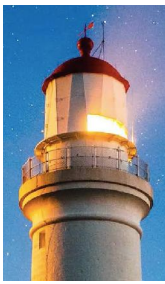
# 2

**One of the key words ‘may’, ‘might’ or ‘could’ must be used in the risk event description.**

This avoids the inclusion of issues and ensures that what is being described is actually uncertain.

It helps not to use alternative words like ‘possible’, ‘potential’ or ‘chance’ - just stick to the key words.



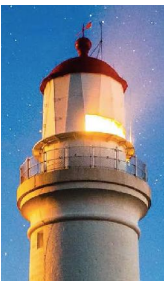


# 3

**The effect or consequence of the risk event must specifically state which of the project's objectives are impacted.**

Try not to be too verbose. It should be easy to recognise which objective or objectives are impacted.

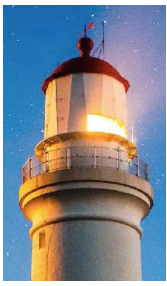
The 'so what?' question needs to be avoided.



# 4

**Do not use any of the key words ‘may’, ‘might’ or ‘could’ when describing the effect(s) or consequence(s).**

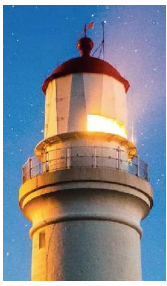
Use words like ‘will’ or ‘would’. Assuming the impact will happen makes it easier to assess. It removes the double uncertainty.



# 5

**An opportunity or positive risk event should have a net beneficial impact on objectives.**

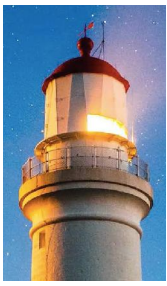
Therefore, phrases like ‘removing the chance of delay’ or ‘avoiding cost overruns’ or ‘increasing the probability that schedules will be met’ are not acceptable as they are unquantifiable.



# 6

**A risk event has to be something that might happen and which is different from the base case.**

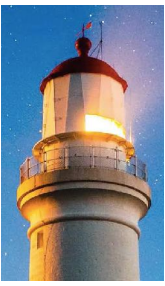
Therefore, it is vitally important to be totally aware of what is already being planned.



# 7

**The measurable impact of the effect or consequence is against the base case.**

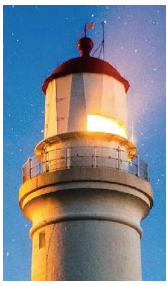
Therefore, it is again important to know what is currently included in the cost estimate or schedule in order to define a positive or negative impact.



# 8

**The temptation to quantify the risk should be avoided, so words like ‘high’, ‘major’ or ‘significant’ must not be included in either the risk event or the effect/consequence.**

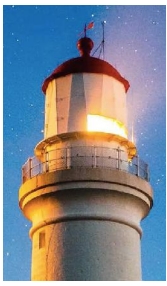
Quantification is done in the next phase of assessment. Any earlier quantification will only be the writer’s view and this can easily be biased. It can also change.



# 9

**Make sure you actually describe the correct risk event and not the effect/consequence.**

This often happens when long risk event descriptions are included leading to a ‘may’ statement which is actually an effect or consequence.

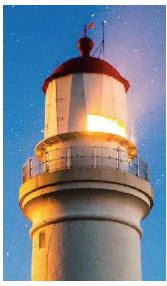


# 10

**Do not include two or more causes in the source of uncertainty unless they are definitely linked.**

Although a risk event can have multiple causes, it is better to keep them separate. The risk string should be one cause > one risk event > multiple effects.

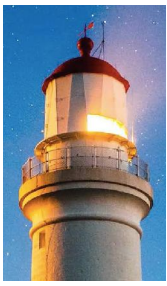




# 11

**Do not include two risks in one risk event description. This is often evident by the inclusion of two of the key words ‘may’, ‘might’ or ‘could’.**

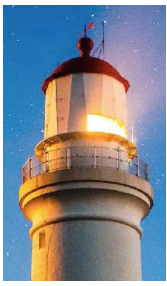
Apart from anything else, later assessment of probability will be difficult/impossible, so either they must be separated or one should be converted to a ‘will’ or ‘would’.



# 12

If your risk event contains words like ‘may lead to cost overrun’ or ‘may reduce the duration’ you probably have the wrong risk event and you are actually describing the effect or consequence.

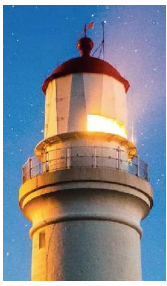
All impacts on objectives must be in the effect. *Remember, it is always better to assume the effect/consequence will occur.*



# 13

**Avoid including responses (actions) in the effect/consequence - just stick to what will happen if the risk event occurs.**

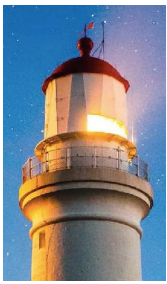
In addition any response would be only your own opinion and it might be wrong.



# 14

**Try to make your risk descriptions - risk strings (cause, risk event and effect/consequence) - as precise as possible.**

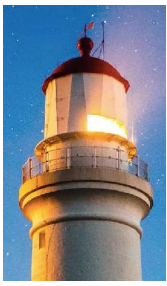
This does not mean they need to be short.



# 15

## Opportunities/upside risks should not be choices.

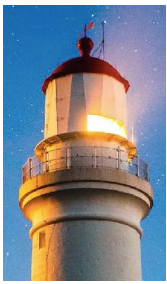
A risk event is something that could logically happen purely by chance. Using the words ‘the project may’ suggests that this is not a chance event but a choice/decision that the project team or organisation can make.



# 16

## **Beware of risk titles - short form descriptions of the risk.**

By shortening the full description it is possible to remove the actual sense of the risk. These then get used in discussion and what is behind the risk gets lost.



# The risk metalanguage

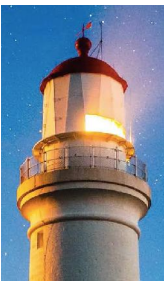
## Structured risk descriptions

A structured description of a risk which separates **cause**, **risk event** and **effect**

“As a result of <**existing condition**>,  
<**uncertain event**> may occur,  
which would lead to <**effect on objectives**>”

Key words :

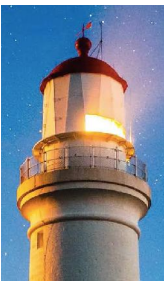
- **is, do, has, has not ...** [present condition]
- **may, might, could ...** [uncertain future]
- **would, will ...** [consequential future]



# In summary (1)

- The cause must be a fact.
- The risk event must be written as an uncertainty using one of the key words ‘may’, ‘might’ or ‘could’.
- The effect/consequence must clearly state which of the project's objectives is impacted. There should be no need to guess or infer what objective is impacted.





## In summary (2)

- The effect/consequence should include one of the words ‘will’ or ‘would’.
- It helps to read the whole risk string (cause - risk-event - effect) as one sentence - this often points out where there are disconnects e.g. the risk event doesn't link to the cause or the effect doesn't relate to the risk event.

A photograph of a lighthouse at night. The lighthouse is white with a red top section and a glowing yellow light emanating from the lantern room. The sky is dark blue with some stars visible.

## Creating Value by Shedding Light on Planned Change

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