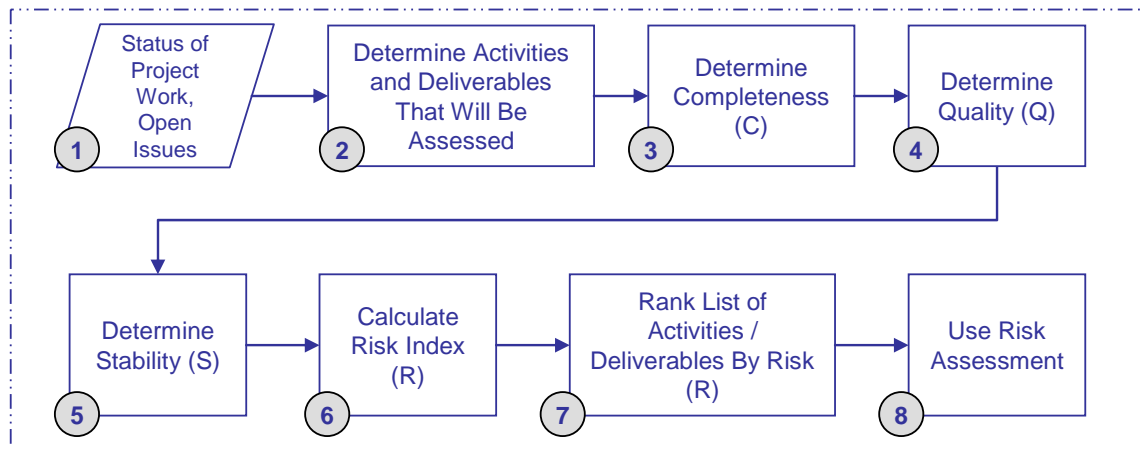


# Project Risk Assessment Process

## Process Flow

### Assessing Project Risk



## Process Flow Details

**1. Collect Status of Work Products, Open Issues** Project team members are responsible for providing regular updates on the status of project work and related issues to the project manager. These updates and open issues provide the basis for determining the likelihood of success in moving forward with the project.

**2. Determine Activities and Deliverables That Will Be Assessed** Typically, the risk assessment will be performed on the activities in the current phase. Additionally, the project team may decide to assess specific deliverables within the phase.

**3. Determine Completeness (C)** Completeness is the actual percentage of work completed divided by the planned percentage of work completed. For example, if, at the time of assessment, it was planned to have an activity 50% complete and it is actually 30% complete, then its Completeness would be  $30\% \div 50\% = 60\%$ . If the activity was actually 50% complete, its completeness would be  $50\% \div 50\% = 100\%$ . Finally, if the activity was actually 60% complete, its Completeness would be  $60\% \div 50\% = 120\%$ . Note: There are two ways to treat an activity where the planned percentage of work complete is 0%. The first way is to leave the Completeness blank and not assess risk at all. The other is to enter 100% for completeness (0% was planned and 0% was achieved) and assess the other aspects of risk.

There are many ways to determine actual percent complete. The most fundamental is based on elapsed time. This is a common technique but is not always accurate and can be mostly subjective. A more accurate and objective actual percent complete can be determined by establishing interim milestones for



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a particular deliverable or activity that are reflective of a certain percent completeness. It is up to the project team to decide how to proceed here. Activities and tangible deliverables such as documents and prototypes are more easily broken down into interim milestones.

**4. Determine Quality (Q)** Quality is the likelihood (0-100%) that the deliverable or activity will have to be reworked due to poor quality.

It is the responsibility of each functional organization to define quality standards for the work products that they are responsible for. It is recommended that the responsible individual assess the quality and the manager of that department sign off on the individual's assessment.

Having quality standards defined for deliverables and activities will reduce the level of subjectivity of the Quality assessment.

**5. Determine Stability (S)** Stability is the likelihood (0-100%) that the deliverable or activity will not have to be reworked due to external influences. For example, if the project team knows that the customer is about to move the required finish date ahead 30 days, several deliverables would most likely be affected and the team would want to assess a low number for Stability.

Stability is almost purely subjective. There should be back-up documentation supporting the assessment number.

**6. Calculate Risk Index (R)** The Risk Index is calculated as follows:  $R = (1 - C/100 * Q/100 * S/100) * 100$  and is expressed in percent. R will never be greater than 100%. If a negative number is calculated (due to having a Completeness greater than 100%), round R up to 0.

**7. Rank List of Activities / Deliverables By Risk (R)** The actual number that is calculated is not as important as the process and supporting discussion in determining C, Q, and S. Over time, as more calculations are made on different projects for the same types of deliverables, the numbers will become more meaningful. For example, in the future, it may be possible to determine whether an R of 45% for an activity in the middle of a particular phase is a problem. Today, it is the relative position of that activity on the list of deliverables and activities that have been assessed for risk that determines how much focus it gets.



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**8. Use Risk Assessment** Use the Risk Assessment in preparation for the Project Review and Project Tollgate Review meetings. The Project Risk Assessment will be used to identify and prioritize areas requiring attention. The project team may establish a risk level beyond which mitigating action must be taken prior to any Project Review or Project Tollgate Review meeting. The areas where risk is not acceptably reduced become agenda items for the Project Review or Project Tollgate meeting. Finally, for specifically enumerated reasons, the project team may decide to accept a high risk level for certain project activities or deliverables.

