

How to: do a risk analysis

The need of a risk analysis

It is important to do a risk analysis as it can help you in foreseeing obstacles that you may encounter during the implementation of your project. By thinking about hazards that may be a risk to the success of your company and thinking about how you can deal with them, you increase the chance that your project ends successfully.

Identifying the hazards

The key is to look in a detailed enough way so that you may see potential hazards but to not spend too much of your time on identifying hazards that are very unlikely to happen.

To help you do this you can use the risk analysis matrix to determine the impact and the probability of each risk. The impact indicates the effect of the risk on the project if it was to occur. The probability indicates the chance of the risk actually occurring.

Examples of such hazards may be the illness of an employee that is very important to the success the project. The impact may be fundamental to continuing operations and the probability may be likely. This shows an 6 on the risk analysis matrix.

For all red scores and preferably also the yellow scores, one should think about risk management possibilities.

Risk management

There are 4 options once you have established the risks.

1. **Mitigation:** what mitigation means is that you limit the impact of a risk, so that if it does occur, the problem it creates is smaller and easier to fix. For example, ensuring that another person takes over the tasks of that employee in case of sickness.
2. **Transfer:** this strategy tends to be more common in projects where there are several parties. Essentially, you transfer the impact and management of the risk to someone else.
3. **Accept:** Accepting the risk means that while you have identified it and logged it in your risk management software, you take no action. You simply accept that it might happen and decide to deal with it if it does.
4. **Avoid:** This is a good strategy for when a risk has a potentially large impact on your project. This can be done through changing the project plan, the schedule or other elements of your project.

Assessing Risk

Impact \ Probability	1 Extremely unlikely	2 Likely	3 Extremely likely
1 Not critical	1	2	3
1 Significant	2	4	6
1 Fundamental to continuing operations	3	6	9

Impact x Probability = Risk score

Priority
Low 
Medium 
High 