

## Risk Assessment

The assessment of risk is a very personal process, what is acceptable to one person may be far too risky for another to consider. The appreciation and assessment of risk and a person's decision making are heavily influenced by the way the mind works<sup>1</sup>. A person's risk attitude is defined as their chosen state of mind with regard to those uncertainties that could have a positive or negative effect on a project's objectives. A range of possible attitudes can be adopted by a person towards the same situation, and these result in differing behaviours, which lead to different consequences, both intended and unintended<sup>2</sup>.

### Risk Assessment

The assessment of risk is multidimensional; the *PMBOK® Guide* focuses on Probability and Impact, but there are other important characteristics to consider, a more complete set of risk attributes include:

- **Probability** - How likely the uncertain risk is to occur.
- **Impact** - How significant the effect of the risk event would be if it actually happened, measured in time, cost and/or safety.
- **Manageability** - How easy is it to do something about the risk? We may decide that a medium-probability/medium-impact risk that we can do nothing about is more risky than a high-probability/high-impact risk which is simple to deal with.
- **Proximity** - If the risk happens, how soon do we expect that to be? A risk that might happen tomorrow should be treated as more important than one which might not occur until next month or next year.
- **Propinquity** - How important is the risk to me personally, or to my team or our business? We are more sensitive to risks that affect us directly, and view risks to others as less important.
- **Urgency** - How much time do we have in order to implement an effective response to the risk? If we must act now to address the risk, we should give it higher priority than one where we have longer to respond.
- **Relatedness** - Is this risk related to other risks? A risk with complex links or dependencies with many other risks should be treated as higher priority than a simple independent risk.

For more on these additional dimensions of risk assessment, see the *Prioritising Project Risks* guide published by the UK Association for Project Management (APM)<sup>3</sup>.

Because the effect of the risk is in the future, its affects have to be imagined and are therefore subject to a range of cognitive biases. Cognitive bias is a pattern of deviation in judgment that occurs in particular situations; we are all subject to an extensive range of observed biases, Wikipedia offers a comprehensive list<sup>4</sup>.

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<sup>1</sup> For more on neuroscience see: <http://scienceblogs.com/cortex/>

<sup>2</sup> For more on risk attitude see: <http://www.risk-doctor.com/pdf-files/umraNov04.pdf>

<sup>3</sup> Full details at <http://www.apm.org.uk/PrioritisingProjectRisk.asp>

<sup>4</sup> Wikipedia's list of cognitive biases see: [http://en.wikipedia.org/wiki/List\\_of\\_cognitive\\_biases](http://en.wikipedia.org/wiki/List_of_cognitive_biases)