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RISK DOCTOR BRIEFING

Prioritising Risks as Simply as Possible

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A lot of effort goes into prioritising risks, so that an appropriate level of attention can be devoted to dealing with them. Several different parameters can be used to rank risks, although it is common to use just two: probability and impact. Other relevant factors might include urgency, manageability, or response cost etc. People spend a lot of time on prioritisation because they know it is important to concentrate on the biggest risks and avoid wasting effort on small ones. But perhaps we are trying too hard? Maybe a more simple approach to ranking risks would work just as well.

In the health service, resources are often stretched, with insufficient time or funds to treat every patient who asks for help. In situations when doctors cannot examine everyone, it is common to adopt a triage approach, first screening all patients to decide which ones need to see a doctor and which can be treated by a nurse. Decisions might be made on the basis of the severity of symptoms or the urgency for treatment. The medical triage decision is often made by a junior professional following simple guidelines, dividing patients into two or three groups for further attention.

Businesses working in the energy sector adopt a similar approach to classify oil fields, using the 3P classification to divide them into three groups. In first group, reserves are proven and commercial operations can go ahead with a high degree of confidence. Then there are probable reserves, where the chance of recovering oil is less certain but still viable. Finally come the fields classified as possible, meaning that oil might be present but there is a high degree of uncertainty over whether it can be recovered commercially.

These simple prioritisation schemes contrast sharply with the level of detail found in most risk processes. It is common for project teams or managers to argue at length about whether the probability of a particular risk occurring is 10%, 12% or 15%, and to debate whether the most likely impact is \$10M or \$11M. Even where generic scales are used, people can spend a lot of time disputing between rating a risk as Low or Medium. Perhaps we can learn something from the medical triage approach or the energy sector's 3Ps.

It is important to remember the purpose of risk prioritisation. We are not usually trying to obtain a precise estimate of the exact likelihood of occurrence for each risk, or to determine the potential impact against objectives in great detail. Most of the time we

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are considering a fairly long list of risks, where there are too many risks for us to give them all the same level of attention. We need to divide them into two or three groups, so that we can focus first on those requiring urgent management, then deal with other important risks, and merely monitor the remainder. The use of red-yellow-green “traffic-lights” reflects this broad classification of risks into high-medium-low priority.

Separating risks into two or three priority groups does not need complex or detailed ranking schemes. All that is required is to compare risks against a defined threshold and decide whether each particular risk is above or below. In some cases it may be enough merely to rank risks against each other to determine a relative prioritisation, without considering absolute values of probability or impact. We should be careful not to seek more detail than we need for this purpose. If a risk is in the “Top Ten” list it requires urgent attention, and it may not matter whether it is third or fourth on the list. All “red” risks should be treated as high priority and we may not need to worry about whether some are more red than others.

Leonardo da Vinci said “*Simplicity is the ultimate sophistication.*” When it comes to prioritising risks, this is good advice.

To provide feedback on this Briefing Note, or for more details on how to develop effective risk management, [contact the Risk Doctor \(info@risk-doctor.com\)](mailto:info@risk-doctor.com), or [visit the Risk Doctor website \(www.risk-doctor.com\)](http://www.risk-doctor.com).



Editor's note: This is the first in a series of Risk Doctor Briefings by the globally famous Risk Doctor, David Hillson, that will be appearing in PM World Today. Risk management is one of the most important aspects of managing programs and projects in today's environment of complexity, global pressures and uncertainty. We are happy to bring the Risk Doctor's expertise and perspective to our readers.

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Dr David Hillson, PMP FRSA HonFAPM FIRM FCMI, is internationally recognized as a leading thinker and practitioner in risk management. He is Director of Risk Doctor & Partners (www.risk-doctor.com), and has worked in over 40 countries. He is a popular conference speaker and award-winning author on risk, with six books on the topic. David has made several innovative contributions to improving risk management, and is well known for promoting the inclusion of proactive opportunity management within the risk process, and for his ground-breaking work in risk psychology. David is an Honorary Fellow of the UK Association for Project Management (APM) and past chairman of its Risk Management Specific Interest Group. He is an elected Fellow of the Institute of Risk Management (IRM), the Royal Society for the Encouragement of Arts, Manufactures and Commerce (RSA), and the UK Chartered Management Institute (CMI). David is also an active member of the Project Management Institute (PMI) and was a founder member of its Risk Management Specific Interest Group. He received the PMI Distinguished Contribution Award for his work in developing risk management over many years. Since 1998 he has been a core author for the risk chapter of the PMBOK Guide®, and is a core author for the PMI Practice Standard for Project Risk Management. David can be contacted at david@risk-doctor.com. To see his latest book, *Managing Risks in Projects*, published in July 2009 by Gower, visit <http://www.gowerpublishing.com/isbn/9780566088674>.