

# Qualitative Risk Rating and Prioritization

Developing a Risk Categorization  
Scheme

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Qualitative Risk Analysis: Risk Ranking

## Probability

- What is the likelihood that the bad or good thing will happen?
  - Judgment call based on experience
- Develop a scale of probability of "happening":
  - Very high probability: > 30%
  - Medium probability: > 5% - <30%
  - Low probability: > 1% - < 5%
  - Very low probability: < 1%

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2

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Qualitative Risk Analysis: Risk Ranking

## Qualitative Risk Assessment

Probability of Happening	Impact	Magnitude of the Risk
High Medium Low	Very bad Bad Not so bad	Biggest Big Not so big

X =

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3

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Qualitative Risk Analysis: Risk Ranking

### Risk Prioritization

↑ Probability increases	Very High			1		
	High			3		
	Medium			6		4,5
	Low				2	
	Very Low					
	Very Low	Low	Medium	High	Very High	

Severity of Impact increases →

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4

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Qualitative Risk Analysis: Risk Ranking

### Risk Prioritization

↑ Probability increases	High			3
	Medium		1	6
	Low	4,5	2	
		Low	Medium	High

Severity of Impact increases →

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5

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Qualitative Risk Analysis: Risk Ranking

### Prioritization Considerations

Risks are rated in the qualitative process in order to:

1. Identify risks in some type of prioritized order
2. Determine which risks require more analysis.

How to determine risk rating?

- Examine a risk's probability and the risk's impact.
- Consider which value is the most accurate (often impact is)
- Also consider the timing of the potential risk occurrence.

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6

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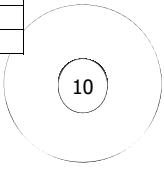
Qualitative Risk Analysis: Risk Ranking

## Ranking Risks

- Using the 4 risks that you developed in risk identification, rank them using the following criteria:

Impact: % of Contingency Fund	Probability:
High: > 5%	High: 5% (> 1 in 20)
Medium: 1% to 5%	Medium: 1% to 5%
Low: < 1%	Low: <1% (< 1 in 100)

\* For this \$2.7 M project, assume a contingency fund of \$270K.



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