

Risk Identification Techniques

Questionnaires and checklists

Structured questionnaires and checklists aimed at deep diving into priorities, processes and dependencies to identify areas of risk

Generally considered one of the less successful techniques, because of its time-consuming nature and the structured format can inhibit free-thinking and risks may be missed.

Brainstorming

Sharing ideas to discuss the events which could impact priorities, processes and dependencies. (Often uses PESTLE or SWOT). Brainstorming is a problem-solving method designed to produce a large quantity of ideas in a short space of time. Group thinking is more productive than individual thinking and where criticism is absent the production of ideas is greater. The concept of free association – suggestions triggered by suggestions, is used.

Brainstorming has 4 rules:

- *Criticism is ruled out – evaluation of ideas is carried out later*
- *Free-wheeling is encouraged – the ‘wilder’ the idea the better*
- *Quantity is wanted – the greater the number of ideas, the greater the chance of having good ones*
- *Combination and improvement- try to build on other people’s ideas.*

Using SWOT, participants identify the strengths, weaknesses, opportunities or threats attaching to a proposal. Although this is useful, SWOT may not lead to all potential risks being identified because a risk classification system is absent.

PESTLE provides this classification:

Political, Economic, Social, Technological, Legal and Environmental.

By considering each of these in turn, it is more likely that the brainstorming session will lead to the identification of all significant risks impacting the proposal.

Inspections and Audits

Inspections of premises and activities and compliance and control audits of established systems and procedures. For example action plans emerging from external or internal inspections or audits will generally be time-bound and specific and be linked to clear risk exposure impacting on success of the organisation.

Dependency Analysis

Analysis of the processes and operations within the organisation to identify critical components and their exposure to risk.

Risks may attach not just to objectives but also to other aspects of activity. A simple method of analysing risks, dependency analysis involves identifying the key dependencies which are fundamentally important to the future success of the organisation (or service). Identifying the factors that are required for success will give rise to a list of the key dependencies. For example:

- *Motivated and engaged workforce*

- *An improving experience for our customers*
- *Better use of our resources*
- *Compliance with statutory requirements*

These dependencies are then further analysed by asking what could impact each of them. These impact analyses should be hazard (threat), control (uncertainty) or opportunity (added benefit). So we ask the questions:

- *What could undermine each of these key dependencies?*
- *What could cause uncertainty about these key dependencies?*
- *What events or circumstances would enhance the status of each of these key dependencies?*

Delphi Technique

Consulting a range of experts with expertise in various aspects of the project for their views on risk.

Questionnaires are designed by a 'staff group' and issued to experts. Results are collated and analysed in an attempt to achieve consensus.

Can be time consuming but generally an improved process over the structured questionnaires approach.

Scenario Analysis

Process of analysing possible future events by considering alternative possible outcomes so instead of one exact picture of the future, typically, 3 alternative scenarios are presented: an optimistic, pessimistic and most likely scenario.

Scenario analysis is used to identify risks by considering possible future developments and exploring their ramifications for an activity or project. Sets of scenarios reflecting best case (optimistic) expected case (most likely) and worst case (pessimistic) are used to analyse a risk including both the probability of occurrence and potential impact. It can be used to look back over a fixed period and examine shifts in technology, transportation and property developments with a view to considering future change. However, it is not a crystal ball and cannot predict the extent, timing and likelihood of such changes. It is a useful way to help an organisation develop strengths and resilience when this is needed to respond to risks. Scenario Analysis is most useful when the team conducting it have between them an understanding of the nature of relevant potential changes.

Changes will need to take account of the external environment including economic, environmental, technological and political. A number of scenarios will emerge from this process and it is necessary to then identify some degree of likelihood for each. Scenario Analysis requires:

- *Avoiding using knowledge of the past exclusively to predict the future*
- *Be objective, try to avoid being influenced by personal interests*
- *Draw on expertise as far as possible*
- *Be collegiate and avoid allowing an individual to dominate.*

Systems Dynamics

Often used in change management situations. Focuses on interrelationships between component parts of the business and their influence on the effectiveness of the total process.

This technique involves understanding the interrelationships of the component parts of a business activity and their influence on the effectiveness of the total process. The technique is concerned with identifying and solving problem relationships or behaviours. .