RISK ASSESSMENT: IDENTIFICATION AND QUALITATIVE ANALYSIS
AACE International Recommended Practice No. 62R-11

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TCM Framework: 7.6 – Risk Management

Rev. May 1, 2012

Note: As AACE International Recommended Practices evolve over time, please refer to www.aacei.org for the latest revisions.

Contributors:

Disclaimer: The opinions expressed by the authors and contributors to this recommended practice are their own and do not necessarily reflect those of their employers, unless otherwise stated.

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INTRODUCTION

Scope

This recommended practice (RP) of AACE International defines the expectations, requirements, and practices for identifying and qualitatively analyzing risk drivers as part of the overall risk management process. It expands on TCM Framework section 7.6.2.2 Risk Assessment, sections a) Risk Identification and b) Qualitative Risk Analysis, covering common practices and tools such as brainstorming, interviews, and checklists. It also covers documentation for and the deliverables from the process step (e.g., risk register). It does not cover quantification of risks or risk treatment planning.

In TCM, the risk management process is applied in the strategic asset management and project control processes. In the strategic arena, the risk focus tends to be on the state of the current asset, the business environment, and other issues that differentiate alternative asset solutions (e.g., varying levels of scope definition). In project control, the risk focus expands to more specific project conditions, plans, deliverables, and events affecting a defined project scope while strategic risks remain. This RP is intended to be generic to either any focus area and any project scope.

Risk identification may require skills and knowledge of behavioral psychology because methods such as brainstorming and Delphi must deal with participant biases.

Purpose

This RP is intended to provide guidelines, a best practice, for developing a process to identify project risks and perform qualitative risk analysis that most practitioners would consider to be practices that can be relied upon and that they would recommend be considered for use. It provides a foundation for developing risk treatment plans as described in RP 63R-11, Risk Treatment. Ideally, the risk management process provides an opportunity for all stakeholders and contracting parties to work together and manage project risk for their collective benefit. The implementation of all or part of this RP will depend on the size and complexity of the project but the basic processes described should be used in all cases.

This RP outlines the processes and practices but is not a detailed “how-to” in each case. In that respect it will most benefit those that are new to risk management or to decision and risk management professionals who want to refresh their knowledge of recommended practices.

Background

This RP is intended to elaborate on the required skills and knowledge of decision and risk management professionals as identified by AACE International. This area of the body of knowledge is generally considered a well-established and settled area of practice although it may not be fully used on all projects. While the reader may not consider that this RP provides new knowledge or insights, benefit is provided by clarifying where or how this practice sits within the context of the TCM process. The TCM risk management process is unique in that it explicitly includes residual risks in the quantitative risk analysis process to determine contingencies and this RP recognizes that qualitative risk analysis is just a step in risk management.