Risk Analysis

Measuring Risk Magnitude

RISK ANALYSIS

Risk IDENTIFICATION
* events

Possible CAUSES

Estimated EFFECTS
- description
- classification

ACTIONS
- remove risks
- limit risks
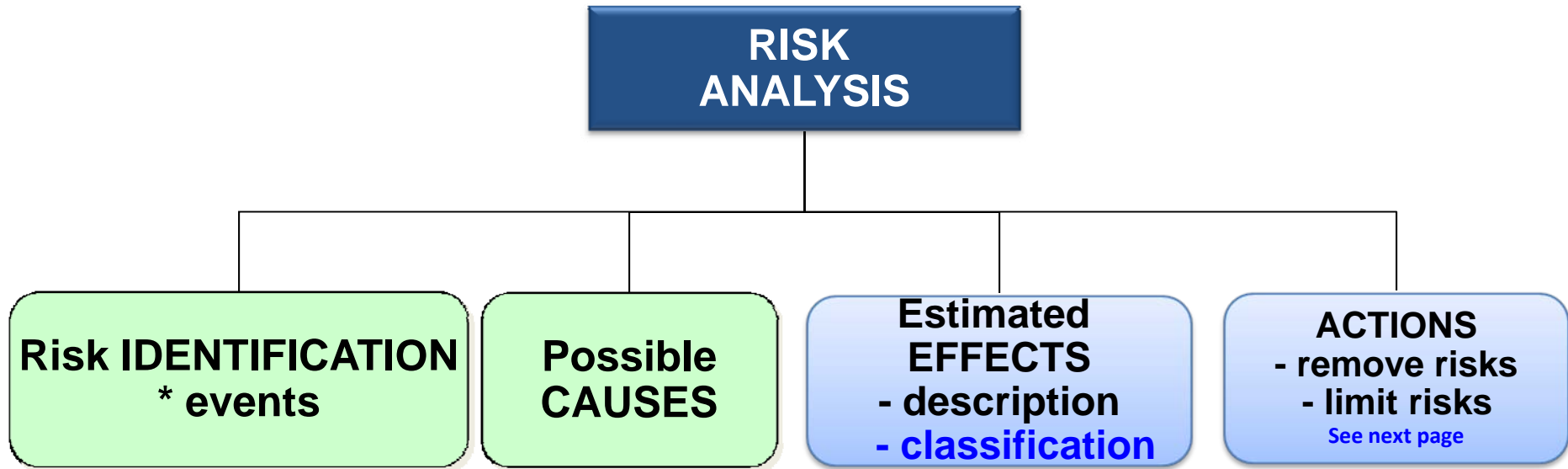**See next page**

Classification and Measuring Risks: For each identified event you can use a qualitative Risk Priority Number (RPN):

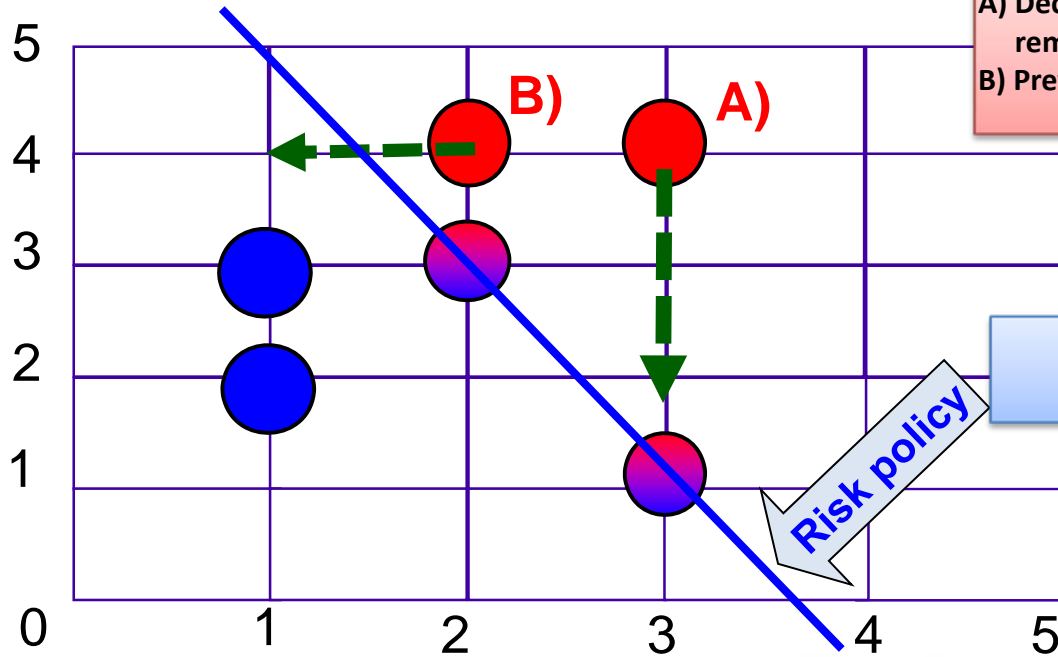**RPN = Event Probability (P) x Consequence Severity (S)**

EXAMPLE: if using scales 1-5 for both P and S, the max risk magnitude is RPN= 25. See next page.

Risk Magnitude and RPN Matrix

Risk Reduction Strategies

Risk removal or/and limitation:
A) Decrease frequency or
    remove event completely
B) Prevent or limit consequences

Event frequency P = 1...5

B)   A)

Accepted Level
= Company Risk Policy

Risk policy

=Identified hazard or problem

Consequence Severity: S = 1...5

EXAMPLE 1:
Try values for P and S, for example:
- P5=1 per month,......, P1= 1 per 10 years, etc
- S5= many fatalities, S4= 1 fatality, S3= 1 serious injury, S2=injury 3d absence, S1=minor.

QUESTIONS:
1. What events can you tolerate as a manager?
2. What is your Company's Risk Policy? Draw it.