



### Risk Assessment Matrix

A risk assessment matrix or table is a simple way of ranking different potential projects in terms of their potential benefit and the likely risks or costs in implementing them. Some projects may be very attractive in terms of the potential benefits that they offer but have serious implementation difficulties. Others may be low value in impact terms but be easy to implement tomorrow. Ideally firms will want to choose a balanced portfolio of short- and long-term, low- and high-risk projects.

#### How Does It Work?

##### Step 1

Draw a table (or chart – see example below) that sets out the level of implementation problems against the level of potential benefits.

##### Step 2

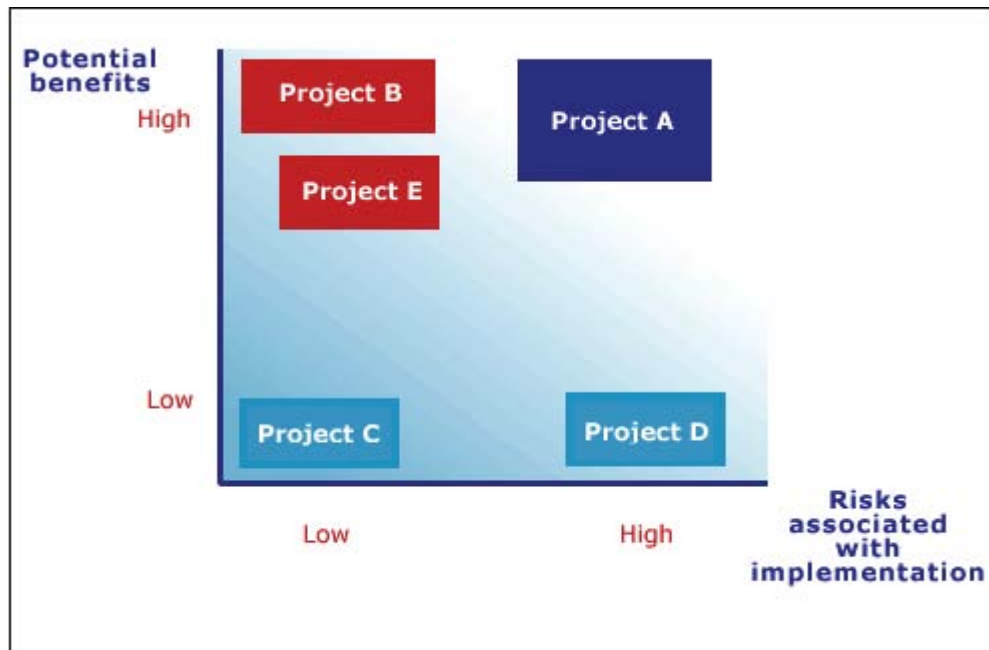
Locate projects under consideration within the space created by the table or matrix.

##### Step 3

Assess the results. The ideal project would obviously be easy to implement (i.e. low risks associated with implementation), but would have a high potential impact. However, in practice, we look for a portfolio that balances low- and high-risk projects.

#### Example of a risk assessment table

Risk associated with implementation	Potential impact – e.g. cost/time savings	
	Low	High
Low	Project C	Project B, Project E
High	Project D	Project A



### Hints For Using This Tool

The detail in the matrix can, of course, be extended. For example, in the 'ease of implementation' area we are really talking about the likely risks involved in moving forward. We could begin to identify and quantify those risks – for example, using a scale from 1 to 5 where 5 is extremely high risk and 1 is low risk.