

Risk Matrix scoring problems

RISK ASSESSMENT MATRIX

IMPACT ON THE BUSINESS	HI	5	10	15	20	25
	S	4	8	12	16	20
	M	3	6	9	12	15
	L	2	4	6	8	10
	I	1	2	3	4	5
		H IMPRO	IMPROB	POSS	PROB	H PROB

LIKELIHOOD OF OCCURRENCE

Above is an example of a 5 by 5 matrix, where the impact and likelihood scores are multiplied together to arrive at an overall risk score.

So Highly Probable scores 5 and Severe (S) 4 – giving a combined score of 20.

As you will see on this matrix the Likelihood is on the horizontal axis and impact on the vertical axis. This is purely a matter of choice for the organisation – although I have found that more organisations tend to reverse these axes (with the Impact on the bottom axis) – as in the next example.

The only problem with the risk multiplication method employed above is that it can give a misleading picture. There is a huge difference between a score of 25 and 5 – but both are potentially catastrophic to the organisation there is a danger that the high impact, highly improbable events be given too little attention- after all highly improbable events can still happen.

The other problem is that this scoring method gives the impression that the medium impact, possible event – scoring 9 is more important than the high impact, highly improbable event previously referred to – which scores 5.

I believe that this is fundamentally incorrect. I would be much more concerned about the events that could potentially wipe out the business (however unlikely this is) than an event which would have a much lesser impact.

It is for this reason that I would strongly recommend the use of the following matrix:-

RISK ASSESSMENT MATRIX

LIKELIHOOD OF OCCURRENCE	11	16	20	23	25
	7	12	17	21	24
	4	8	13	18	22
	2	5	9	14	19
	1	3	6	10	15
	IMPACT				

Here the boxes are not a multiplied score but simply an indication of relative importance. So box 25 is more important than 24, the next most important is 23 and so on.

Now the catastrophic impact, very low likelihood risks score 15 (rather than 5 in the previous model) – a much better depiction of the real risk.

Also you will see that the risk is higher than the medium impact, possible likelihood event – 15 compared to 13 – which is much more accurate