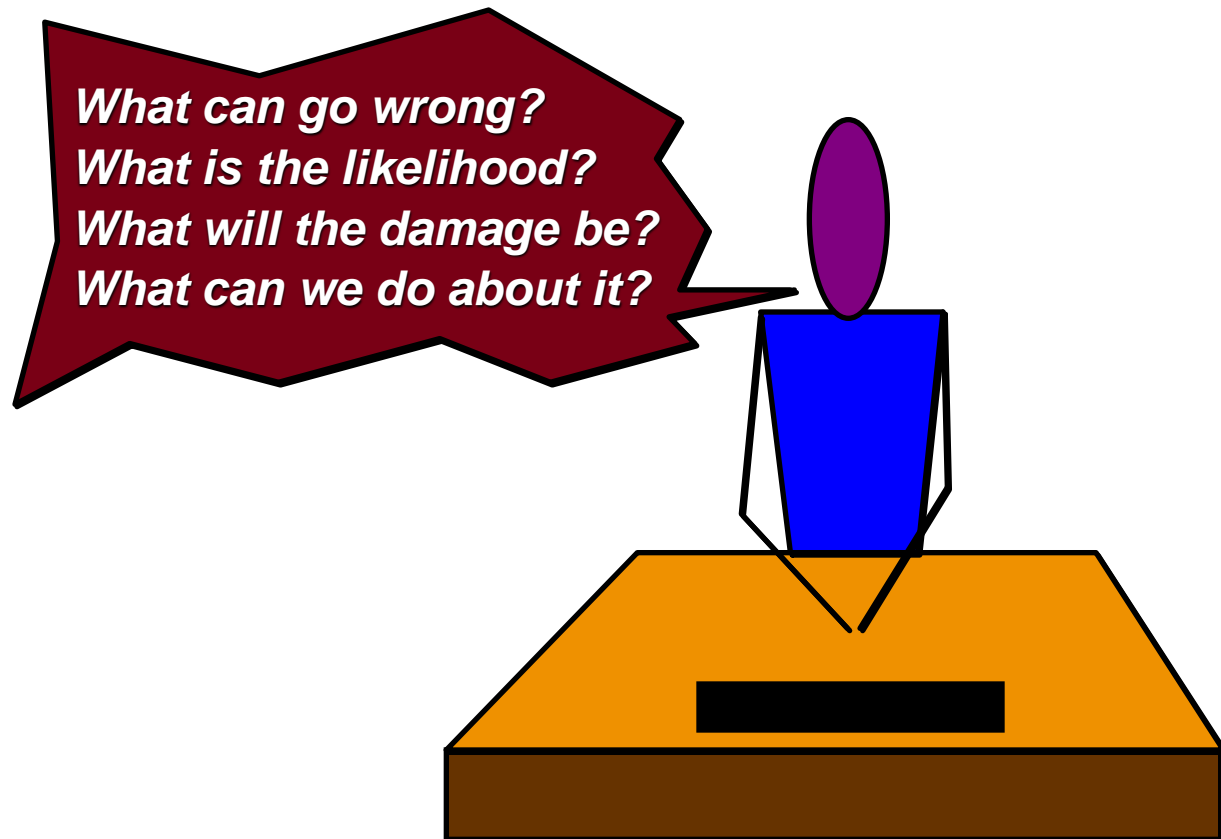# Risk Analysis

Adapted fro Pressman

Project Risks

Reactive Risk Management

- project team reacts to risks when they occur
- mitigation—plan for additional resources in anticipation of fire fighting
- fix on failure—resource are found and applied when the risk strikes
- crisis management—failure does not respond to applied resources and project is in jeopardy

Proactive Risk Management

- formal risk analysis is performed
- organization corrects the root causes of risk
  - TQM concepts and statistical SQA
  - examining risk sources that lie beyond the bounds of the software
 - developing the skill to manage change

Software Risks

- Types of Risks
  - Project risks
  - Technical risks
  - Business risks
- Another classification [Cha89]
  - Known risks
  - Predictable risks
  - Unpredictable risks

Seven Principles

- **Maintain a global perspective**—view software risks within the context of system and the business problem

- **Take a forward-looking view**—think about the risks that may arise in the future; establish contingency plans

- **Encourage open communication**—if someone states a potential risk, don't discount it.

- **Integrate**—a consideration of risk must be integrated into the software process

- **Emphasize a continuous process**—the team must be vigilant throughout the software process, modifying identified risks as more information is known and adding new ones as better insight is achieved.

- **Develop a shared product vision**—if all stakeholders share the same vision of the software, it likely that better risk identification and assessment will occur.

- **Encourage teamwork**—the talents, skills and knowledge of all stakeholder should be pooled

Risk Management Paradigm

control

track

RISK

identify

plan

analyze
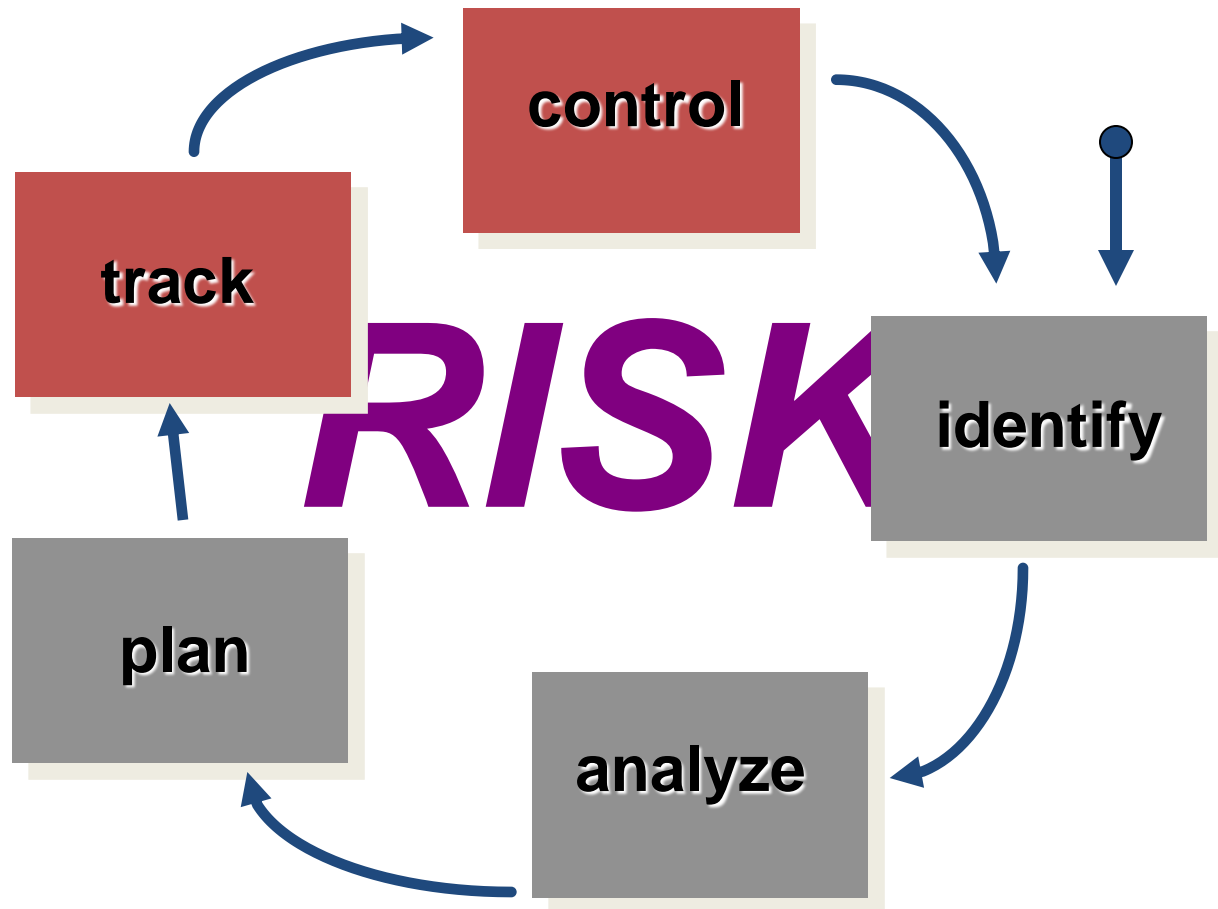
Risk Identification

- *Product size*— risks associated with the overall size of the software

- *Business impact*—risks associated with constraints imposed by management or the marketplace.

- *Customer characteristics*—risks associated with the sophistication of the customer and the developer's ability to communicate with the customer

- *Process definition*—risks associated with the degree to which the software process has been defined and is followed by the development organization.

- *Development environment*—risks associated with the availability and quality of the tools to be used to build the product.

- *Technology to be built*—risks associated with the complexity of the system to be built and the "newness" of the technology that is packaged by the system.

- *Staff size and experience*—risks associated with the overall technical and project experience of the software engineers who will do the work.

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Assessing Project Risk-I

- Have top software and customer managers formally committed to support the project?
- Are end-users enthusiastically committed to the project and the system/product to be built?
- Are requirements fully understood by the software engineering team and their customers?
- Have customers been involved fully in the definition of requirements?
- Do end-users have realistic expectations?

Assessing Project Risk-II

- Is project scope stable?
- Does the software engineering team have the right mix of skills?
- Are project requirements stable?
- Does the project team have experience with the technology to be implemented?
- Is the number of people on the project team adequate to do the job?
- Do all customer/user constituencies agree on the importance of the project and on the requirements for the system/product to be built?

Risk Components

- *performance risk*—the degree of uncertainty that the product will meet its requirements and be fit for its intended use.
- *cost risk*—the degree of uncertainty that the project budget will be maintained.
- *support risk*—the degree of uncertainty that the resultant software will be easy to correct, adapt, and enhance.
- *schedule risk*—the degree of uncertainty that the project schedule will be maintained and that the product will be delivered on time.

Risk drivers

- The project manager must identify the risk drivers that affect the risk components

Category		Performance	Support	Cost	Schedule
Catastrophic	1	Failure to meet the requirement would result in mission failure		Failure results in increased costs and schedule delays with expected values in excess of $500K	
	2	Significant degradation to Non-achievement of technical performance	Nonresponsive or Unsupportable sw	Financial shortages, budget overrun	Unachievable IOC
Critical	1	Failure to meet the requirement would degrade system performance to a point where mission success is questionable		Failure results in operational delays and/or increased costs with expected value of $100K to $500K	
	2	Some reduction in technical performance	Minor delays in sw modifications	Shortage of financial resources, overruns	Possible slippage in IOC
Marginal	1	Failure to meet the requirement would result in degradation of secondary mission		Costs, impacts, and/or recoverable schedule slips with expected value of $1K to $100K	
	2	Minimal to small reduction in Technical performance	Responsive software support	Sufficient financial resources	Realistic, achievable schedule
Negligible	1	Failure to meet the requirement would create inconvenience or nonoperational impact		Error results in minor cost and/or schedule impact with expected value of less than $1K	
	2	No reduction in technical performance	Easily supportable software	Possible budget underrun	Early achievable IOC

(1) The potential consequence of undetected software errors or faults.
(2) The potential consequence if the desired outcome is not achieved.

Risk Projection

- *Risk projection*, also called *risk estimation,* attempts to rate each risk in two ways
  - the likelihood or probability that the risk is real
  - the consequences of the problems associated with the risk, should it occur.
- The are four risk projection steps:
  - establish a scale that reflects the perceived likelihood of a risk
  - delineate the consequences of the risk
  - estimate the impact of the risk on the project and the product,
  - note the overall accuracy of the risk projection so that there will be no misunderstandings.

Building a Risk Table

Risk	Probability	Impact	RMMM
			Risk Mitigation Monitoring & Management

Building the Risk Table

- Estimate the probability of occurrence
- Estimate the impact on the project on a scale of 1 to 5, where
    - 1 = low impact on project success
    - 5 = catastrophic impact on project success
- sort the table by probability and impact

Risk Exposure (Impact)

The overall *risk exposure,* RE, is determined using the following relationship [Hal98]:

$$RE = P \text{ x } C$$

where

P is the probability of occurrence for a risk, and
C is the cost to the project should the risk occur.

Risk Exposure Example

- **Risk identification.** Only 70 percent of the software components scheduled for reuse will, in fact, be integrated into the application. The remaining functionality will have to be custom developed.
- **Risk probability.** 80% (likely).
- **Risk impact.** 60 reusable software components were planned. If only 70 percent can be used, 18 components would have to be developed from scratch (in addition to other custom software that has been scheduled for development). Since the average component is 100 LOC and local data indicate that the software engineering cost for each LOC is $14.00, the overall cost (impact) to develop the components would be 18 x 100 x 14 = $25,200.
- **Risk exposure.** RE = 0.80 x 25,200 ~ $20,200.

Risk Mitigation, Monitoring, and Management

- mitigation—how can we avoid the risk?
- monitoring—what factors can we track that will enable us to determine if the risk is becoming more or less likely?
- management—what contingency plans do we have if the risk becomes a reality?

Risk Due to Product Size

Attributes that affect risk:

- **estimated size of the product in LOC or FP?**

- **estimated size of product in number of programs, files, transactions?**

- **percentage deviation in size of product from average for previous products?**

- **size of database created or used by the product?**

- **number of users of the product?**

- **number of projected changes to the requirements for the product? before delivery? after delivery?**

- **amount of reused software?**

Risk Due to Business Impact

Attributes that affect risk:

- **affect of this product on company revenue?**
- **visibility of this product by senior management?**
- **reasonableness of delivery deadline?**
- **number of customers who will use this product**
- **interoperability constraints**
- **sophistication of end users?**
- **amount and quality of product documentation that must be produced and delivered to the customer?**
- **governmental constraints**
- **costs associated with late delivery?**
- **costs associated with a defective product?**

Risks Due to the Customer

Questions that must be answered:

- Have you worked with the customer in the past?
- Does the customer have a solid idea of requirements?
- Has the customer agreed to spend time with you?
- Is the customer willing to participate in reviews?
- Is the customer technically sophisticated?
- Is the customer willing to let your people do their job—that is, will the customer resist looking over your shoulder during technically detailed work?
- Does the customer understand the software engineering process?

Risks Due to Process Maturity

Questions that must be answered:

- **Have you established a common process framework?**

- **Is it followed by project teams?**

- **Do you have management support for software engineering**

- **Do you have a proactive approach to SQA?**

- **Do you conduct formal technical reviews?**

- **Are CASE tools used for analysis, design and testing?**

- **Are the tools integrated with one another?**

- **Have document formats been established?**

Technology Risks

Questions that must be answered:

- **Is the technology new to your organization?**
- **Are new algorithms, I/O technology required?**
- **Is new or unproven hardware involved?**
- **Does the application interface with new software?**
- **Is a specialized user interface required?**
- **Is the application radically different?**
- **Are you using new software engineering methods?**
- **Are you using unconventional software development methods, such as formal methods, AI-based approaches, artificial neural networks?**
- **Are there significant performance constraints?**
- **Is there doubt the functionality requested is "do-able?"**

Staff/People Risks

Questions that must be answered:

- **Are the best people available?**
- **Does staff have the right skills?**
- **Are enough people available?**
- **Are staff committed for entire duration?**
- **Will some people work part time?**
- **Do staff have the right expectations?**
- **Have staff received necessary training?**
- **Will turnover among staff be low?**

Recording Risk Information

Project: Embedded software for XYZ system
Risk type: schedule risk
Priority (1 low ... 5 critical): 4
Risk factor: Project completion will depend on tests which require hardware component under development. Hardware component delivery may be delayed
Probability: 60 %
Impact: Project completion will be delayed for each day that hardware is unavailable for use in software testing
Monitoring approach:
Scheduled milestone reviews with hardware group
Contingency plan:
Modification of testing strategy to accommodate delay using software simulation
Estimated resources: 6 additional person months beginning in July

Homework

- You have been asked to conduct a software coding contest during Instincts. You need to make it successful by attracting more registrations, making the contest interesting and competitive, and ensuring the quality of prize winners. Create a risk table for this project in the following format

Sl. No.	Risk	Impact/ problems	Probability	Mitigation