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**PMEducation**

RISK BREAKDOWN STRUCTURE

**WHAT IT IS**

A Risk Breakdown Structure (RBS) is a hierarchical representation (or framework) of potential sources of Risks, according to Categories. It helps Project Managers to more quickly visualize and strategize the management of Risks.

It has a similar appearance to a Work Breakdown Structure, but a different purpose. This tool is used in the process called Identify Risks.

Not to be confused with the Cause and Effect (C&E) tool which seeks Root Causes (by asking “Why?”), the RBS organizes all identified Risks under their respective general categories and detailed sub-categories. The RBS Categories need not be the same as the C&E Categories, and can complement the C&E tool.

An organization may choose to develop a generic RBS for use on many projects, or each project may have its own specific RBS.

An RBS can be built “Top-Down” or “Bottom-up”. That is, we can start at the top with Categories, find sub-categories, and place Risks into the sub-categories. Or we can start with Risks and categorize them upward. We will use the Bottom-up method, starting with the Risks.

**HOW IT WORKS**

1. First brainstorm all possible Risks, and write them down. The reminder of the steps can be done as a team, or by one person.
2. Next group the Risks into sub-categories. Sub-categories can be project specific, or set by the organization.
3. Finally, find common elements amongst the sub-categories and collect the sub-categories into Categories. Categories can be project specific, or set by the organization.
4. Now look at your completed RBS Diagram. Are there any Risks that appear in more than one Category? Are there any Categories that have most of the Risks? This is useful information for **Planning Risk Responses** and helps you know where to spend more of your time.

**KEY ELEMENTS**

For this method to be effective, the following key elements must be used:

* A good collection of identified Risks.
* Categories and sub-categories that capture all the identified Risks
* Allow additional Risks to be added, as the act of categorization might prompt additional risk identification

ADVANTAGES and DISADVANTAGES

of RISK BREAKDOWN STRUCTURE

ADVANTAGES

* Highly visual. Easy to see and to explain to others
* Provides a standard presentation for reporting
* Identifies relationships between Risks and Categories
* Focuses on commonalities of the Risks
* Categories act as prompts to identify more Risks
* Reveals possible gaps in Risk identification
* Illustrates Risks that appear in more than one Category
* Helps to focus on Categories that have most of the Risks
* Useful for tracking Risks by Category, throughout the project
* Can be helpful for assigning Risks to Risk Owners
* Becomes a historical document (checklist) for planning future projects

DISADVANTAGES

* Needs meaningful sub-categories, then Categories
* Requires a full list of Categories, especially if going Top-Down.
* May take longer time than available
* Could get pre-occupied with where to place a Risk

FINAL NOTES: This tool is useful for Categorizing Risks but also useful anytime a comparison of Risks between 2 projects is needed. Each project would present its own RBS. Likewise it can be useful for comparing the relative Risks of vendor proposals, for example.

For a more in-depth look, after you Qualify and (perhaps) Quantify the Risks, you can place the Risk Ranks (or Severities) on the RBS then find the Categories and sub-categories with the highest total Rank (or Severity), to manage those more closely.

Below you will find RBS Diagrams for two different projects. Note the Categories and sub-categories selected, which could be useful for your projects.



