

# What you need to know about quantitative risk analysis

[Business](#)



Quantitative Risk Analysis explains the overall risk of a project once individual risks have been considered. Quantitative risk analysis is one type of analysis, but it usually follows after Qualitative Risk Analysis.

The difference: Qualitative risk analysis identifies individual risks.

A little confusing, right? The two go hand-in-hand. But when to use quantitative risk analysis can vary compared to its counterpart analysis.

Remember:

- Qualitative: examines individual risks of a project.
- Quantitative: examines the overall project risk, after individual risks have been considered.

If your teams are handling big projects, here's what they need to know about using quantitative risk analysis.

When To Do It?

Quantitative risk analysis is done second. It follows after qualitative risk analysis. Because quantitative risk analysis looks at the overall risk of a project after individual risks have occurred.

When marketing a project, a business analyst may consider many things: funding costs, customer acquisition costs, method of marketing, expenses (unexpected and expected) to name a few.

After calculating the risks of each of these individual tasks (qualitative risk analysis), the analyst will conduct the quantitative risk analysis.

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With his findings, he may say, “ After examining the total risks for this marketing project, the quantitative risk analysis shows that the campaign only has a 30% overall chance of success.”

While you should do qualitative risk analysis for every project, you don't have to this risk analysis.

It's good to do. It shows the risks of big projects, which you can break down further with qualitative. But it's not necessary — especially if there's a time constraint.

Why Should I Be Using This Analysis?

For strategic planning.

When you understand the risk estimate of a large project, it's easier to understand who should be assigned which roles for the project. It also identifies when a project should be conducted (sooner? Later?) allowing more outside projects to be scheduled based on priority and success rates.

You also don't want to commit to a big project, which takes large funding expenses, only to learn the project can't be completed on time or within the set budget.

Risk scales used in quantitative risk analysis are often in monetary and scheduled terms.

What Are Two Techniques To Help With This Analysis?

It can help to do this risk analysis with a couple techniques. These techniques can be used together — this way, the analysis gives more in-depth information.

- Sensitivity analysis: When you need to know which of the risks will impact the project the most (or the least), this technique is great.
- Expected monetary value (EMV) analysis: Project managers calculate the average outcome of any possible future scenarios. Whether they may or may not occur. The result will be a statistical answer.

Now for the quick summary...

Quantitative Risk Analysis calculates project risks. It requires time and isn't always necessary. It's best to use with big projects rather than small, short or simple projects.

On the other hand, qualitative risk analysis is necessary for all projects. It looks at individual risks of a project, big or small. Which helps to determine flaws before a project is executed.

When you need to know the risks of failure for a large project, consider doing a quantitative risk analysis. It can save the company from expenses and failure.

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