



ARM Risk
Cost Impact Formula
Driving confidence through digitalization



Risk cost impact assessment – can you afford inaccuracy?

The profitability of a project can be affected by a whole multitude of risks. And each risk may hold multiple cost impacts; daily operating costs, tool rental, licence fees, staff hires to name but a few.

So how do you ensure accuracy when calculating total risk cost impact? Are you reliant upon Risk Owners who estimate risk cost impact values based on knowledge or prior experience? Could 'best guesswork' be influencing critical project risk cost estimations?

Manually recording risk cost items, typically in spreadsheets or disparate documents can be equally ineffective. Calculations introduce scope for human error, data may not be easily accessible to all stakeholders and can you be sure that costs, which are subject to constant change, are updated correctly and in-line with market fluctuations?

And since one minor change in a risk value can have far-reaching consequences across an entire project, it's vital that up-to-date values are reflected in each risk record. After all, reliable data is key for accurate cost impact assessment, from which critical project decisions may be reached.

The benefits at-a-glance

- Centralization within ARM – no siloed information
- Dynamic costs items can be added and updated through excel import
- A change in cost value is automatically used by cost formulas for calculations
- Cost impact information is always up-to-date
- Eliminates time-consuming manual updates to values
- Error-free cost impact assessments
- More accurate costs data for forecasting
- For tighter cost control, each project team, department or business unit can create cost items only used for risks within their folder
- A flexible solution that project or risk teams enterprise-wide can use
- Provides an audit trail of how cost impacts are calculated
- Enables more effective, data-driven project risk management
- ARM becomes a centralised repository – a single source of truth – for all risk information

Be confident that your risk register is up-to-date with the latest cost information

Innovative **Risk Cost Impact Formula** centralizes all risk cost impact data within ARM and digitalizes manual processes for more accurate cost impact assessment.

How the Formula Builder helps to formalise calculations

Project or risk managers define values for cost items at folder level

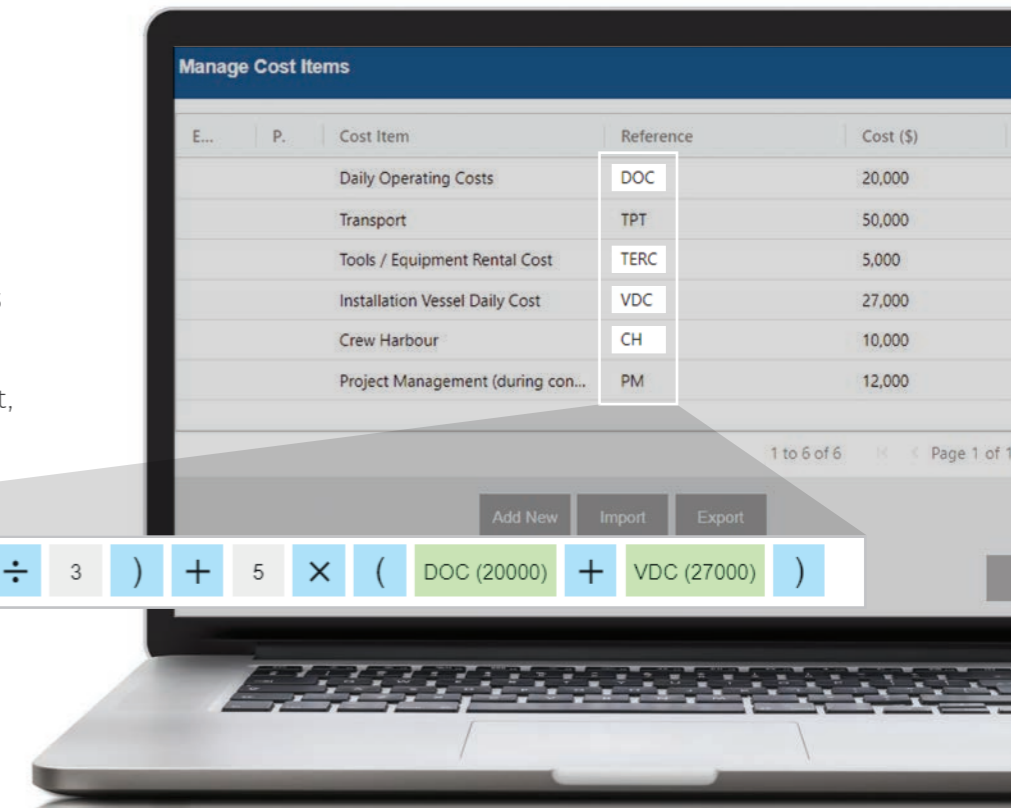
Simply create folders per project, department or business unit



$$\text{TERC (5000)} + (\text{CH (10000)} \div 3) + 5 \times (\text{DOC (20000)} + \text{VDC (27000)})$$

Values entered can be used to assess the cost impact of a risk using the formula builder to calculate costs

Formulas use live dynamic costings – any value update made by a Risk Owner is automatically reciprocated throughout the register, meaning every change is reflected in total cost impact calculations



Wider Implications

More effective scenario analysis

Project or Risk Managers can experiment with the 'ripple effect' – running different scenarios using different cost items to determine how 'saving v spending' can be of greatest benefit to the organization.

Better Monte Carlo cost impact analysis

Working with more accurate cost impact assessments will improve accuracy in Monte Carlo cost impact analysis. With greater precision in forecasting, the value of contingency funds can be more accurately calculated, freeing up monies to be utilized elsewhere in the project.



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