

Risk Narratives for Acquisition Plans and Strategies

Over the years I've read hundreds of acquisition strategies and plans. The weakest discussion is often in the risk area. Often, the author addresses the wrong risks, addresses risk inadequately or doesn't address risk at all. I hope the following discussion provides some useful ideas about how to address risk in an acquisition strategy or plan.

Schedule risk is the probability that the acquisition or procurement strategy will fail to provide the needed in supplies or services in a timely manner and the consequence of that failure in terms of meeting the customer's objectives. Similarly cost risk is the probability and consequence that customer requirements cannot be met within the available resources. Performance risk is the probability and consequence that the acquired solution will not meet customer requirements.

Risks can be articulated in the following form: Vulnerability → Adverse Event → Consequence. For example, "Because the demand for highly skilled workers greatly exceeds the supply (Vulnerability), the labor market may bid up wage rates (Adverse Event). As a result, existing funds may be inadequate to procure the full requirement (Consequence)." The acquisition team should evaluate each of these risks in terms of the probability of the adverse event occurring and the impact of the consequence on the organization's ability to meet its goals or fulfill its mission.

Finally the acquisition team should discuss its risk management strategies. Risk can be **avoided** by changing the acquisition strategy to eliminate the vulnerability or the consequence. Risk can be **mitigated** by taking steps to reduce either the probability of the adverse event occurring and/or the impact of the event's consequence. Risk can be **transferred** by shifting some or all of the vulnerability to another party. Finally, risk can be **accepted**. The acquisition team simply acknowledges that risk exists and resolves to address any consequences of an adverse event when it occurs. The acquisition team should identify the chosen risk management strategies and discuss why its choices are appropriate for the current acquisition.