

Risk Classification Tool

Assess the risks in your leading option - fully aligned with Step 5 of the Decision Cycle

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What this tool does

Step 5 of the Decision Cycle (Chapter 15) asks you to assess the risks of your leading option in full: the overall risk picture, what could cause things to go wrong and how to prevent it, the realistic range of outcomes, how reversible the option is and what it does to your resilience, and finally, what you will do about each significant risk and what your overall verdict is. This tool walks through all six parts of that process in order, using the Step 5 questions from the book and the Decision Cycle questions, so the two stay in step with each other.

It works alongside the Pre-Mortem Template (which identifies risks by working back from an imagined future failure, typically at Step 3) and the Risk vs Uncertainty Matrix (which helps you understand the nature of your unknowns).

Pre-Mortem Template	Risk Classification Tool	Risk vs Uncertainty Matrix
Identifies risks from an imagined failure	Works through Step 5 in full, and helps to set the response and verdict	Distinguishes known risks from unknowns

How to use this tool

1. Complete Part 1 (Risk Overview) for an initial read of the risk level and what worries you most.
2. Complete Part 2 (Outcome Range) to map the realistic best and worst cases.
3. Use Part 3 (Causes and Prevention) to identify your key risks, what would cause each one, and what would prevent it.
4. Complete Part 4 (Reversibility and Resilience) to check how recoverable this option is.
5. Use Part 5 (Risk Response) to choose a response for each significant risk, and to record what remains, the warning signs to watch for, and your contingency if the worst happens.
6. Complete the Risk Verdict to record your overall judgement on the leading option before proceeding to Step 6.

PART 1 Risk Overview

A first look at the risk landscape, including the cost of not deciding.

1A. FIRST TAKE

What is my initial gut sense of the risk level?

Before any analysis - note it here so you can compare it to your considered view later.

☐ Low ☐ Moderate ☐ High ☐ Very High

What makes me most nervous about the leading option?

Note your biggest worry, even if it feels vague. It is the first step to assessing it properly.

How much risk am I willing to accept here?

Set your threshold before you list specific risks: the level of risk above which you will not proceed without doing something about it. Name what would be too much - a loss you could not absorb, or a consequence you could not face. A threshold set afterwards is a rationalisation. This threshold is your risk tolerance for this decision: how much risk you can tolerate in this situation, which may be more or less than your general risk appetite. You will test the risks against this in Part 5.

Will this decision, or the option I am about to choose, break any law, regulation, or bylaw?

Consider statute law, local bylaws and regulations in areas such as planning and property, employment, road traffic, consumer rights, landlord obligations, data protection. If uncertain, seek advice.

Could this decision foreseeably cause harm to another person, and if so, have I taken reasonable steps to prevent it?

Duty of care does not require an intention to harm. It arises wherever a reasonable person would anticipate their actions could injure, disadvantage, or harm someone who relies on or is affected by them.

1B. WHAT COULD GO WRONG

What could go wrong financially?

Consider costs, losses, unexpected expenses, income effects, and knock-on financial consequences.

What could go wrong for the people involved, and could this cause harm to anyone, or raise any legal or ethical concerns?

Think about relationships, health, wellbeing, and the effect on people you care about or are responsible for.

What are the second-order risks - what does each primary risk cause to happen next?

For each risk you identified, trace one step further. If this goes wrong, what else does that cause?

How much will it cost if I do it, and how much will it cost if I don't?

Direct costs such as money, time, emotional energy - be specific. Then consider the cost of inaction: inaction has costs too.

Can I afford the time this requires, and the emotional cost?

Not just the immediate time, but the ongoing commitment. Some decisions are financially viable but emotionally draining.

If I do nothing, what will the consequences be - financially, emotionally, and for the people involved? Is inaction a realistic option?

Imagine the situation six months or a year from now if nothing changes.

PART 2 Outcome Range

Mapping the realistic spread of results, from best to worst.

What is the best realistic outcome if this works well?

Not the best imaginable outcome, but the best realistic one. What does success look like?

What am I giving up by not choosing this option?

What do you forgo if you choose a different option instead? Opportunity costs are easy to overlook.

How can I boost the positive outcomes?

Are there actions (within or alongside this decision) that would increase the probability or scale of a good result?

What negative outcomes will this decision produce, and for each, is it avoidable (and if so, how?) or unavoidable (and if so, what is the plan)?

Even good decisions have costs and downsides. List them, and note one action that would reduce probability or impact for each.

Where will the effects be felt most strongly?

Which area of your life, or which people around you, will feel the impact most acutely?

Where will resistance be strongest?

Who or what will push back, from within yourself or from others? What can you do to reduce it?

PART 3 Risk Register: Causes, Prevention and Response

List your key risks, then work each one across from cause to response.

List 4-8 of your most significant risks. Be specific - “project fails” is not a risk; “the buyer for my flat pulls out a week before completion” is.

Work across these areas of your life before you start listing, so that breadth comes before judgement:

Work - job, career, income security.

Relationships - family, friends, people who depend on you.

Finances - cost, income, savings, debt.

Health - physical and mental wellbeing, energy, time.

Personal development - learning, purpose, growth.

Legal and regulatory - compliance, liability, obligations.

External - events and conditions outside your control.

Rate the probability of each cause, the impact if it happens, and the exposure that results - each as H (high), M (medium) or L (low). Exposure is the two combined, and it is what lets you compare risks that are otherwise unlike each other; Chapter 7 explains the grid it comes from. A low-probability cause still matters if its impact is severe, which is what the exposure column is there to catch.

#	Risk description & probable cause	Probability of cause	Impact	Exposure	Preventive action	Response
1						☐ Avoid ☐ Reduce ☐ Accept ☐ Transfer
2						☐ Avoid ☐ Reduce ☐ Accept ☐ Transfer
3						☐ Avoid ☐ Reduce ☐ Accept ☐ Transfer
4						☐ Avoid ☐ Reduce ☐ Accept ☐ Transfer
5						☐ Avoid ☐ Reduce ☐ Accept ☐ Transfer
6						☐ Avoid ☐ Reduce ☐ Accept ☐ Transfer
7						☐ Avoid ☐ Reduce ☐ Accept ☐ Transfer
8						☐ Avoid ☐ Reduce ☐ Accept ☐ Transfer

PART 4 Reversibility and Resilience

Can this be undone, and will it leave me better or worse placed for what comes next?

Can I reverse this if it doesn't work out, and if so, what would recovery require, and how long would it take?

Some decisions close doors permanently. Others can be revisited. If reversal is possible, list the steps and the timeframe.

How does the leading option affect my overall resilience - my capacity to absorb setbacks, adapt to changed circumstances, and recover if things go wrong?

Does this choice build your capacity to weather future shocks, or does it leave you more exposed, depleted, or locked in?

PART 5 Risk Response

Choosing a response is not eliminating a risk. It is deciding what you will do about it deliberately, rather than by default. Assign one response to each significant risk you listed in Part 3.

THE FOUR RESPONSES

AVOID - change the plan, option or approach so that the risk cannot arise.

Use when the risk is unacceptable and cannot be adequately reduced or transferred. Ask: is there another path that removes this risk entirely?

REDUCE - act to lower the probability or the impact before the risk materialises.

Use when the risk is significant and you have real levers to act on it. Ask: what can I do now to make this less likely, or less damaging?

ACCEPT - proceed without specific mitigation, knowingly.

Use when the risk is within your tolerance, or when mitigation would cost more than the exposure. Ask: am I consciously choosing to live with this, or just ignoring it?

TRANSFER - shift the financial consequence to another party.

Use when the risk is hard to eliminate but the cost can be shared or insured. Ask: can insurance, a contract or another party absorb this exposure?

RESIDUAL RISK

Once these responses are in place, what risk remains, and can I carry it?

Residual risk is what is left once every response has been applied. It is not a failure of the assessment; it is the part you are knowingly carrying. Writing it down makes carrying it a choice rather than an oversight.

What early warning signs would tell me a risk is emerging?

For your key risks, define specific signals (not vague feelings, but observable events) that would tell you something is going wrong.

What is my contingency if the worst case happens?

Not whether the worst case is likely, but whether you could survive it if it did happen. If the answer is no, that changes how much risk you should accept.

VERDICT Risk Verdict

Having assessed all the risks, what is my overall verdict on the leading option?

✓ PASS

The risks are acceptable as they stand. Ready to proceed.

☐ Selected

▲ MITIGATE

Significant risks exist but can be reduced. Define mitigating actions, then proceed.

☐ Selected

● ACCEPT

Significant risks remain, but no better option exists, or the cost of inaction is greater. Document the risks and proceed.

☐ Selected

✗ RETURN

The risks are unacceptable and a better option may exist. Go back to Step 4 and reassess.

☐ Selected

If your verdict is Return, do not proceed to Step 6. Otherwise, carry the risk picture, causes, preventive actions, and any defined mitigating actions forward.

In one sentence - my risk position on this decision

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