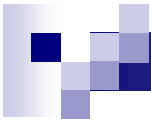


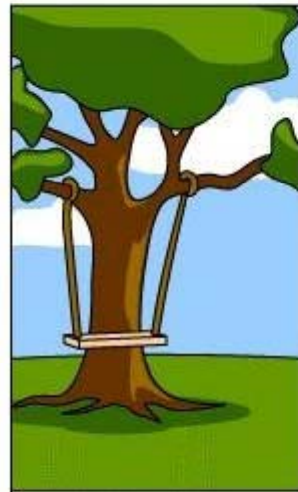


Project Management Risk Techniques

Presented by Miriam de Gabriele
Project Manager &
Project Management Consultant
DEC 2011



How the customer explained it



How the Project Leader understood it



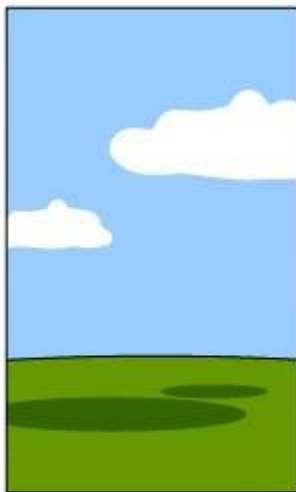
How the Analyst designed it



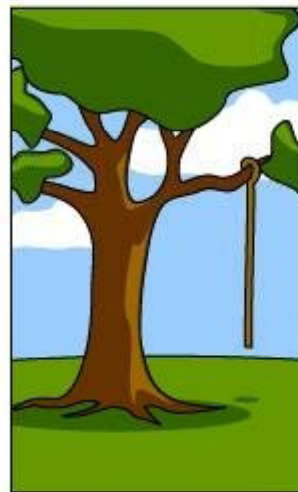
How the Programmer wrote it



How the Business Consultant described it



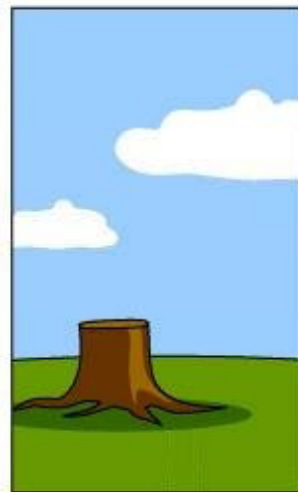
How the project was documented



What operations installed



How the customer was billed



How it was supported



What the customer really needed



Question?

How committed is your organisation to Project Management?

Increasing project commitments are being made

Commitments are up, with increases in:

- 81% Projects
- 88% Project Complexity
- 79% Total Project Budget

.....driven by compliance and performance

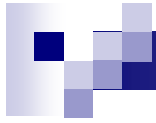
Key drivers for the increase:

- 74% by new products/services and business process improvements
- 48% by technology refreshes
- 24% by governance and regulatory



Agenda

1. Introduction
2. Project Risk Management Techniques
 - Planning Phase
 - Identification
 - Assess and Prioritise
 - Response Planning
 - Monitor and Control
3. Why do Projects Fail
 - The past Or present
 - Reasons why IT Projects fail
 - Golden Rules for success
 - Key Points
4. Questions



Introduction



Some definitions

Risk is defined in ISO 31000 as the effect of uncertainty on objectives (whether positive or negative).

What is Project Risk?

“..is an uncertain event or condition that, if it occurs, has a positive or negative effect on at least one project objective such as time, cost, scope or quality.”

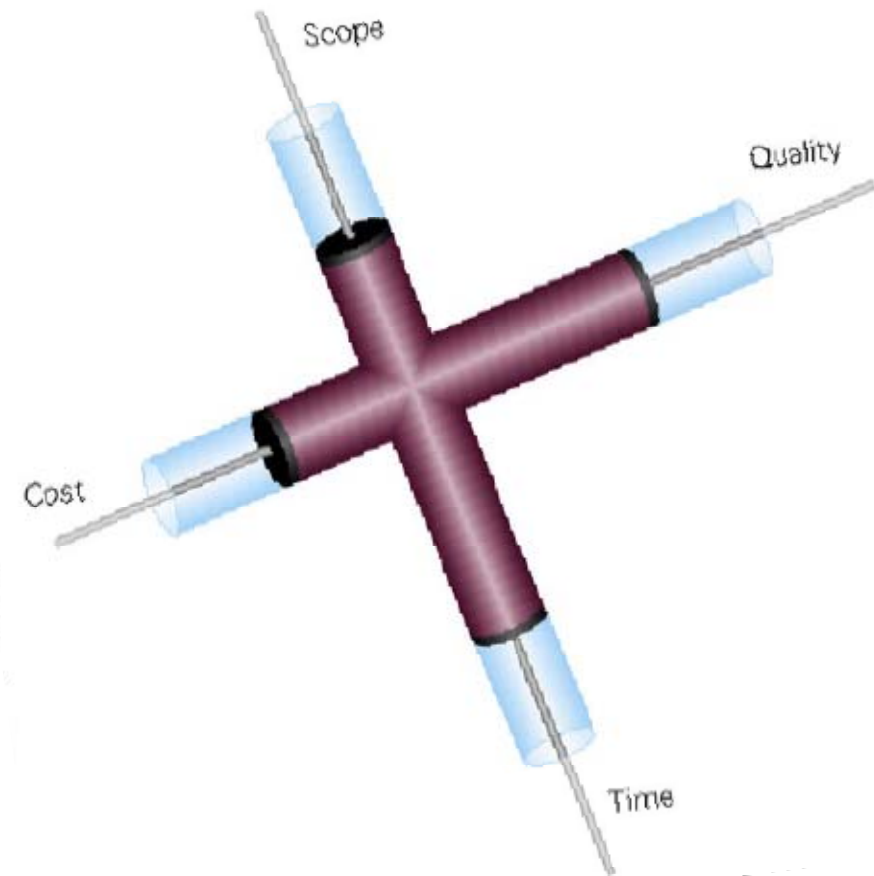
Traditional Project Dynamics

The traditional focus of Project Risk management is on the dimensions of:

- Scope
- Cost
- Time
- Quality

Sounds simple ???

Balancing the constant tension between these dimensions is anything but simple...and its getting harder



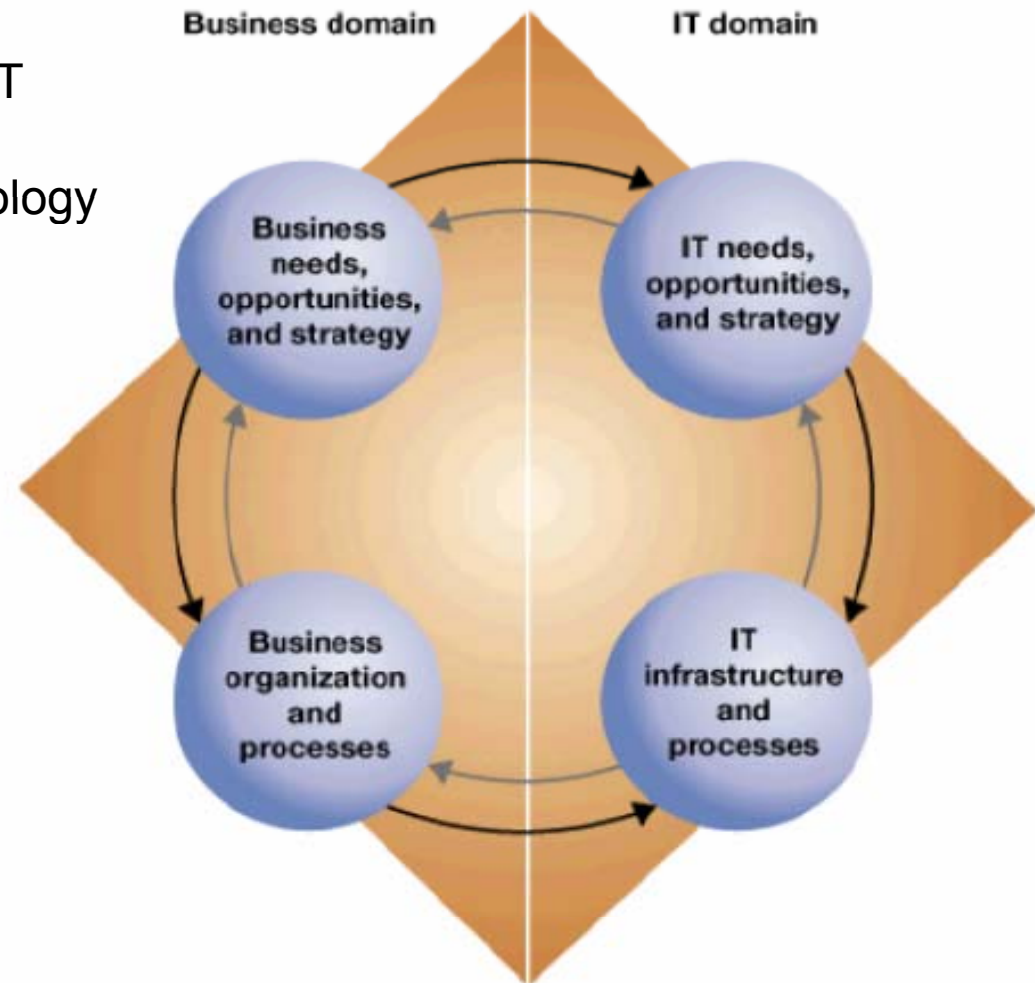
Business vs Technology Projects

Important to accept the integrated relationship between business and IT

- Pure IT projects maybe a technology refresh or upgrade. Pure business projects maybe a market analysis
- Projects that enable enterprise strategy are BOTH business and IT.

You can not divorce:

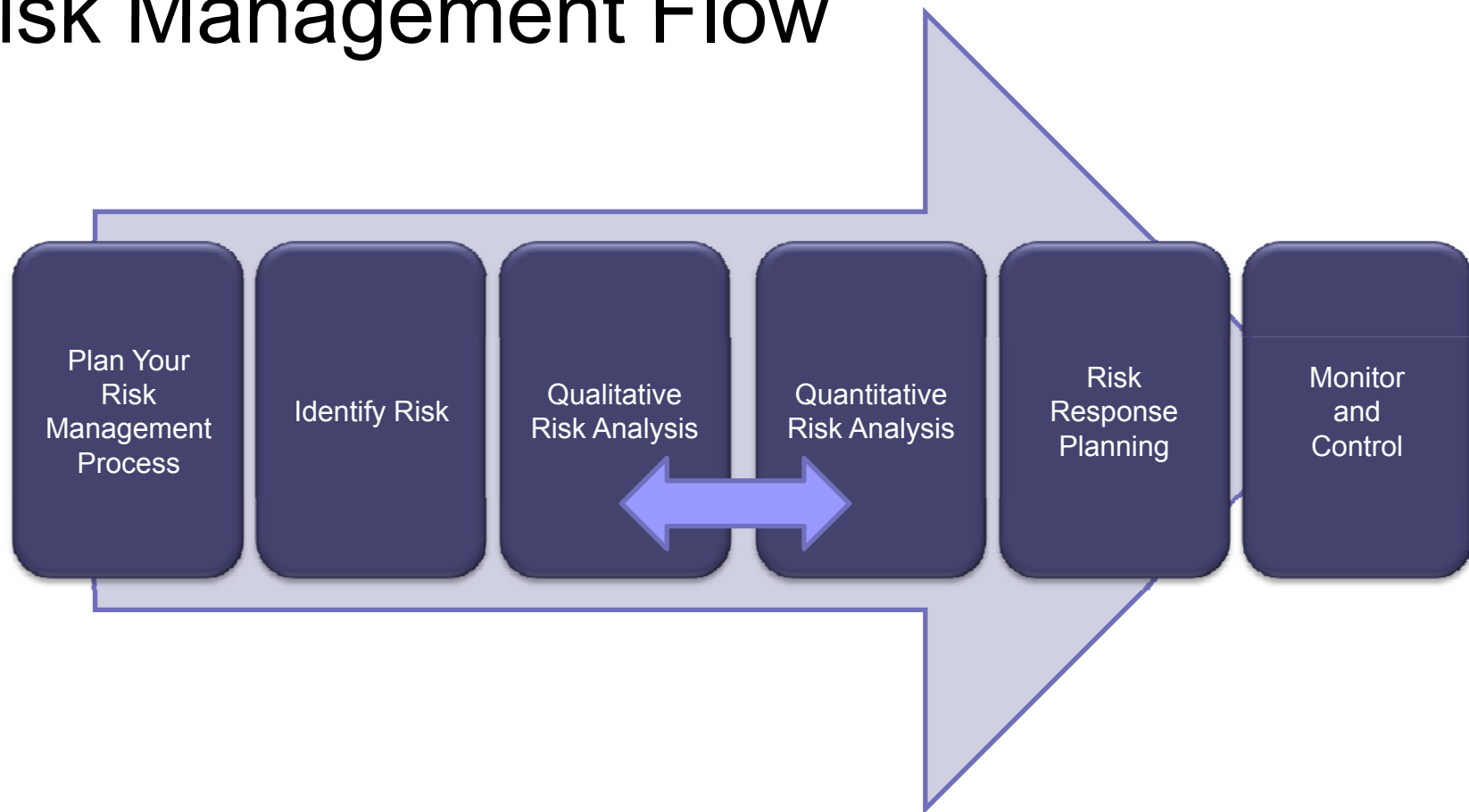
- People from process; and
- Process from technology.





Project Management – Risk Techniques

Risk Management Flow



Risk and Issue Management is a continuous activity that changes as the challenges facing the project are met or lost, or as the status of known risks changes.



Planning Phase

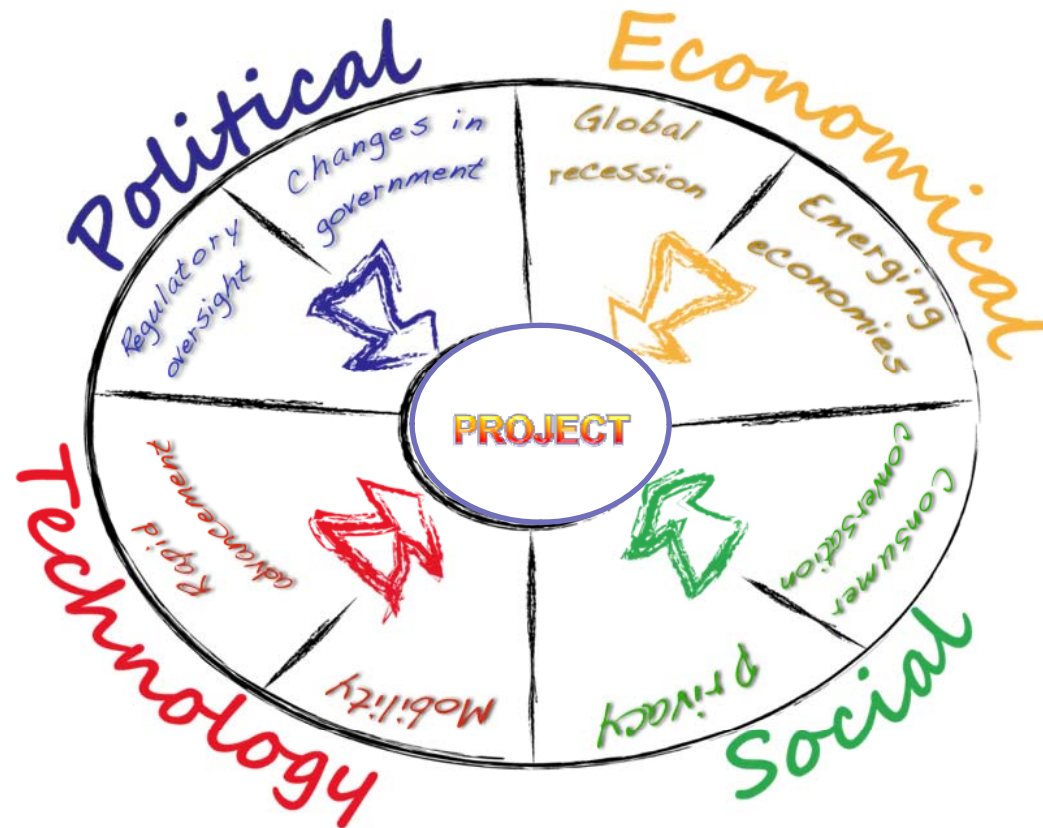
Planning for Risk is a key function in Project Management.

Having a plan on how to manage risk allows project teams to proactively prepare and plan for risks rather than being in a reactive mode should a Risk materialise into an Issue.

It is the role and responsibility of the Project Manager to conduct meetings with the project team and business stakeholders for the identification and analysis of RISKS.



Understand the business environment



Understanding and Managing Risk

All projects have some degree of risk because predicting the future with certainty is impossible.

Project Risk is greater:

- The longer your project lasts.
- The longer the time is between preparing your project plan and starting the work.
- The less experience you, your organisation, or your team members have with similar projects.
- The newer your project's technology is.



Risk Management

Is the process of

- identifying possible risks
- assessing their potential consequences
- developing and implementing plans for minimizing the effects

Risk Management cannot eliminate Risks, but it offers the **best** chance for successfully accomplishing your project goals despite the uncertainties of a changing environment.





Identification

Use simple techniques to work through your Risks such as brainstorming and mind mapping



How to identify Risk

Risk identification process should be completed by the Project / Business team in a group effort and **not** by individuals.

The **focus** at this stage is to **identify** the risks and not to analyse them at this point.

1. Risks are listed and expressed in more general terms
2. Categorised and grouped (similar attributes)
3. Expressed as an Opportunity or Threat





Industry Standard Risk Categories

Risk Category	Description	Example
Strategic / Commercial (external / Benefit realisation)	Under performance to specification; collapse of contractors; market fluctuations; fraud or theft; cost of insurance outweighs the benefits	<ul style="list-style-type: none"> • Benefits not understood, realised or measurable • Rising Costs affect benefits
Economic / financial / market (sponsorship / external)	Exchange rate fluctuations; Interest rate instability; inflation; shortage of working capital	<ul style="list-style-type: none"> • Funds not available / Withdrawn. Priorities change (for example order book)
Organisation management / human factors (Organisational / project management / resource availability)	Management incompetence; inadequate corporate policies; personality clashes; health and safety	<ul style="list-style-type: none"> • Organisational restructures • Resourcing problems • Skills shortages • Engagement problems • Conflicting agendas and priorities



Industry Standard Risk Categories

Risk Category	Description	Example
Legal and Regulatory (external / organisational)	New or changed legislation invalidates assumptions; failure to get appropriate approval; unexpected regulatory controls / licensing requirements; failure to achieve satisfactory contractual arrangements	<ul style="list-style-type: none">• Data Protection Act• SOX• Basel II• Internal and external Audit• Central Bank• EU Regulations• MFSA
Political (external)	Change of Government policy; change of Government; war and disorder; adverse public opinion or media intervention; Sanctions	<ul style="list-style-type: none">• The company strategic and architectural policy changes
Environmental (external)	Natural Disasters; transport problems;	




Industry Standard Risk Categories

Category	Description	Examples
Technical / Operational / Infrastructure (Technical complexity / Project Management / Process Complexity)	Inadequate design, professional negligence, safety compromised, performance failure	<ul style="list-style-type: none">• Project Structure and approach• Over engineering• Choice of hardware• Choice of software• Interoperability• User issues• Technical issues• Implementation issues

For an IT Project, a high proportion of risks fall into the above category, which may need to be subdivided.



Assess and Prioritise



The brainstorm sessions should generate some risk ideas, however these need further understanding and analysis to best determine RISK.



Risk Analysis

All Risks have both Probability and Impact

- ? What is the **probability** the risk will actually happen
- ? What is the **impact** to the project if the risk occurs



Probability can be **quantified** by determining the likelihood of the particular event occurring.

The impact can be **qualified** by using labels to determine the impact such as 'insignificant', 'massive', 'moderate'

Qualitative Risk Analysis

There are several techniques – Decision tree analysis, Expert judgment, historical data, SWOT analysis etc, however

The simple and most frequently used method is the Priority and Impact Matrix tool (**PIM**) – a rating system of adjectives to rank probability and/or impact of occurrence.

Likelihood	Consequences				
	Insignificant	Minor	Moderate	Major	Severe
Almost certain	M	H	H	E	E
Likely	M	M	H	H	E
Possible	L	M	M	H	E
Unlikely	L	M	M	M	H
Rare	L	L	M	M	H




Quantitative Risk Analysis

Uses the assignment of numeric values to both probability and impact so that an overall risk score can be calculated.

The Risk score (absolute score) assists the team when prioritising risks.

Probability is usually expressed as a percentage and the impact as a numeric value between 1 and 5.





Probability	Percentage	Impact	Numeric
Almost Certain	95%	Severe	5
Likely	75%	Major	4
Possible	50%	Moderate	3
Unlikely	25%	Minor	2
Rare	5%	Insignificant	1

After determining the quantitative impact of a risk, assess the impact on a given factor such as delays in schedule, resources, performance etc

Risk Event	Supplier's strike
Probability	50%
Cost impact	Worst case \$500K (due to delays
Expected Value	\$250K (Pxl) (added to the contingency reserves in the budget)

Risk Prioritisation

Prioritisation is carried out based on the assessment of the probability and the impact of each identified risk.

Risks with the highest probability and highest impact are usually assigned a high numeric value.

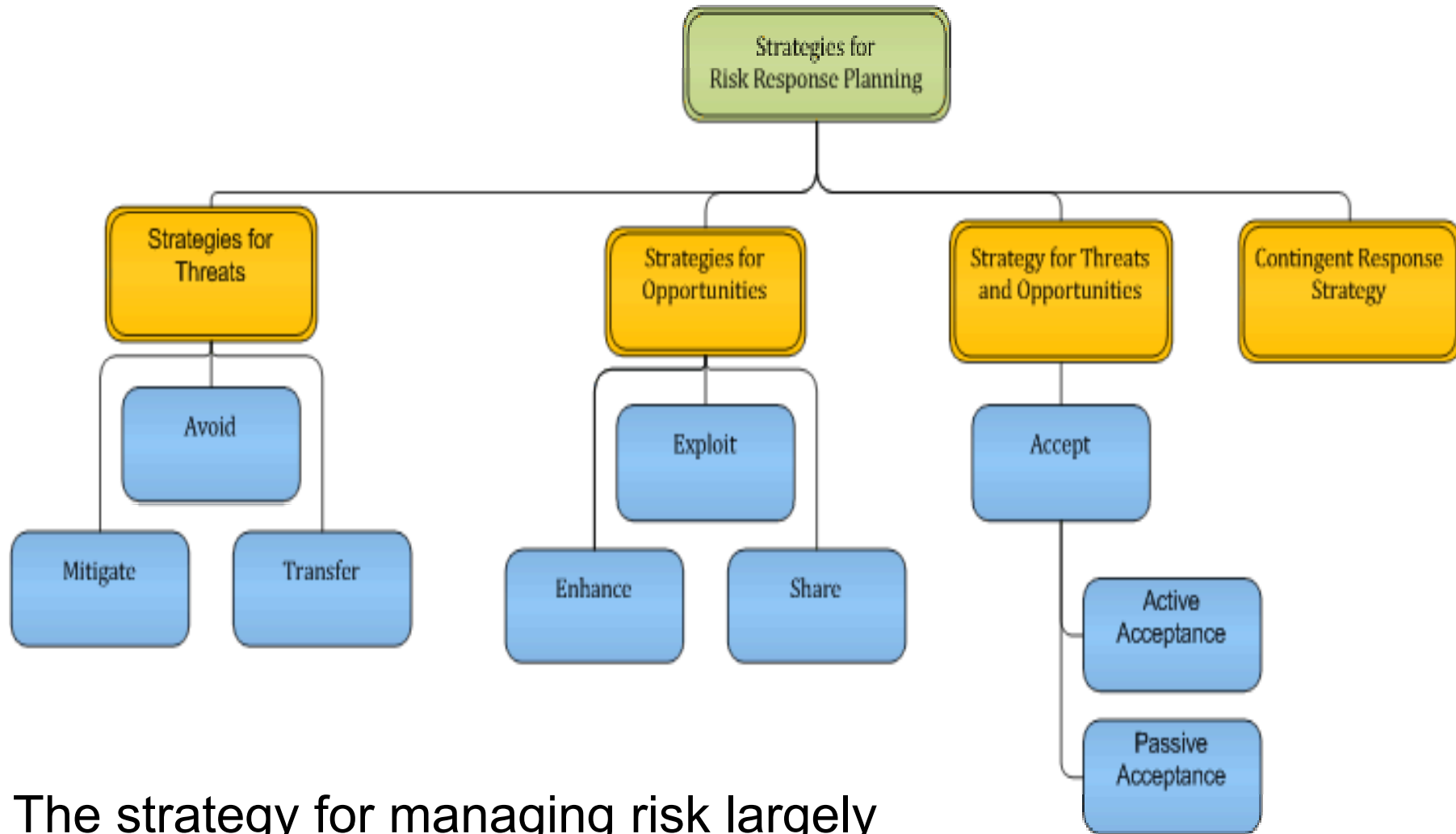
This process is essential so the **focus** (budget allocation, resources, etc) will be **placed** on the higher probability and the higher impact risks.





Response Planning

Risk Response Planning



The strategy for managing risk largely depends on its being a threat or opportunity



Monitor and Control

Monitor and Control

The review process seeks to:

- address the effectiveness of risk response strategies
- validate risk levels
- evaluate corrective actions taken
- evaluate project assumptions validity and constraints
- identify new risks, and
- adjust the risk management plan accordingly
- close any risks (low probability with no impact level)

When a Risk manifests itself as an **Issue**, the contingency plan or workarounds should be applied to counteract the impact to the project.

Where Risks have **significantly increased**, a full project review should be conducted and the frequency of meetings increased depending on the nature and timeline of the project.





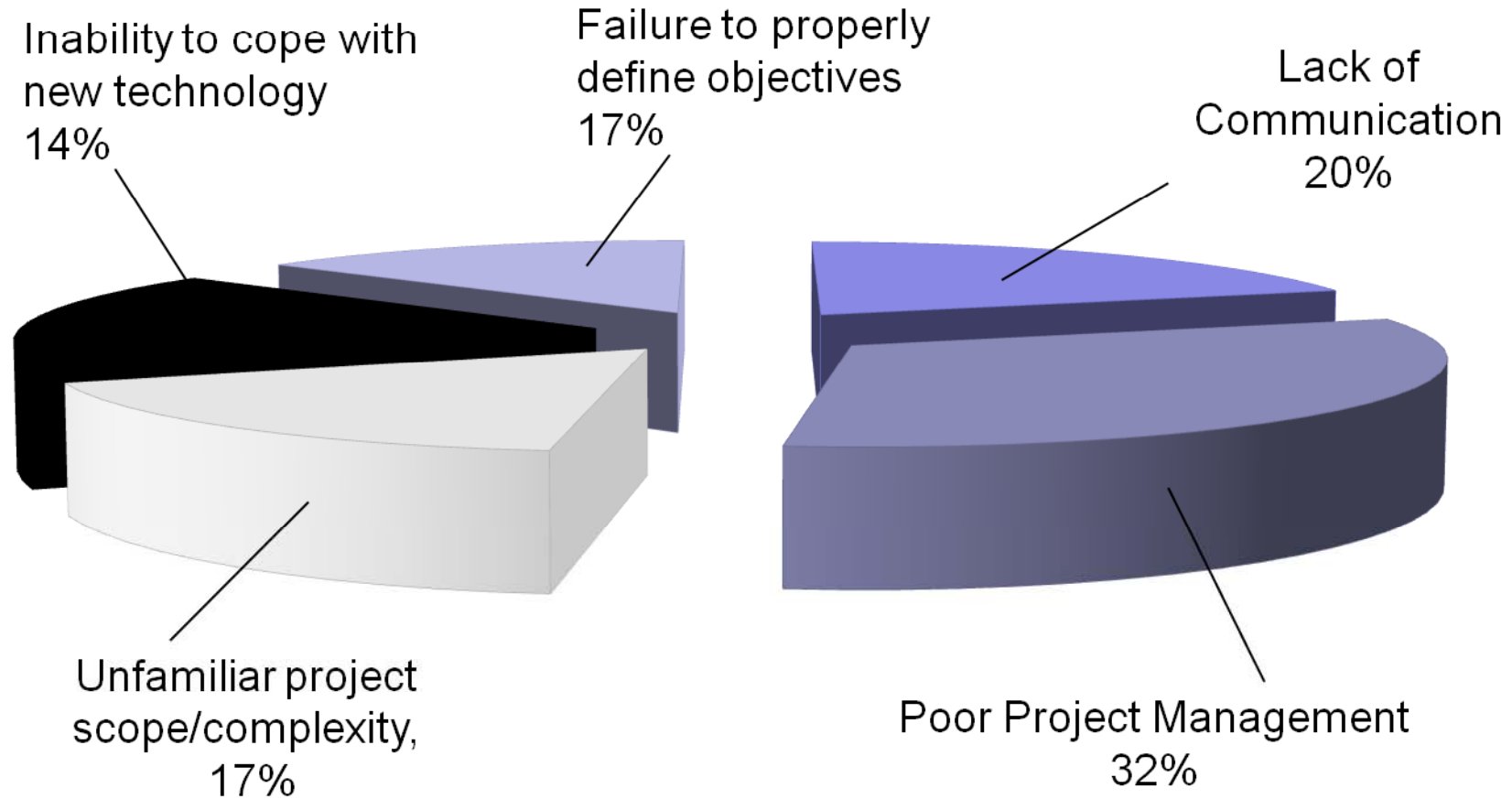
Why do Projects Fail

The Past.....or is it the present?

- ❑ 50 % of IT projects deemed failures (Meta Group)
- ❑ 28% of IT projects are cancelled / not implemented (Standish Group)
- ❑ 75% exceed time deadlines and more than 50% substantially exceed budget (KPMG)
- ❑ Only 33% of outcomes were viewed as positive (Boston Consultant Group)



Reasons why IT projects fail



The financial loss is large and often unrecoverable!

Source : Survey of 256 UK companies



Golden Rules – Key project principles for success

Govern to achieve	Establish an end-to-end integrated governance framework
Prioritise to realise	Establish an enterprise-wide prioritisation processes to get more from less
Align and adjust	Ensure all initiatives are clearly aligned with business strategy and maintain alignment
Safeguard Value	Control benefits leakage by clearly defining what, how and when you will receive value
Hold to account	Clearly define individual accountability for realising benefits, and integrate into operational plans
Invest in people and process	Recognise project disciplines and develop capability, capacity and risk models to suit your organisational maturity and culture

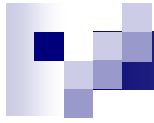


Key Points

- Projects are increasingly seen as the strategic enabler for an organisation.
- As project management evolves as a preferred management approach within an organisation, the complexity of the associated project Risk Management increases significantly.
- There are ample methodologies around, but application is the key.
- A comprehensive risk solution framework is required – high, wide and independent. Integrating people, processes and technology.
- Too much focus on the Project Manager, and not enough on the whole project ‘team’.
- Portfolio management offers the opportunity to do more with less.



? Questions



Thank you