



Title: Project Risk Management

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What I want to talk about today is risk management from a project delivery perspective. Everyone here must have been involved in a project that has gone wrong. More seem to go wrong than right. The reason is risk and the lack of management of risk on a project. No matter what sector you operate in, be it financial services, pharmaceutical or telecomms, the principles of risk management are exactly the same. It was heartening to see, in the launch of the Risk Management Standard, that the process of identifying risk is exactly the same as we would use in project management and in essence good project managers are good risk managers.

[SEE/SHOW SLIDE 2 – Does this sound familiar] Everybody has experienced one or maybe all of the following responses: “It’s late”, “I didn’t ask for that”, “It doesn’t work” “It’s going to cost me how much more?” “I forgot to mention”.

[SEE/SHOW SLIDE 3 – Why projects fail] Typically these are reasons why projects fail. Projects go through a cycle starting with an optimistic gung-ho attitude. Three or four months into the project an air of depression sets in as things do not go as expected. Two or three weeks before delivery it is absolute desperation as you try to get things done. There is a huge degree of optimism involved combined with blind faith as projects are put together. But sometimes the will does not match expectations. People don’t commit to actually delivering. A very important part is that expectations are not set or managed. All this generates risk. There is a lack of realism in project set up and people seem to think that because there is a method involved, somehow the magic ‘project fairy’ will take away all the risks.

The method is a framework and the key to it is good, strong project management. No matter what risks you are managing it is people rather than methods which are important. The method is a useful tool. I come across all sorts of people who are project managers. First there is the person who will produce you a GANT chart or risk model at the drop of a hat and then alter them to suit the profile of the project. But this misses the point of actually managing the project. Secondly, you get the type of project manager we, in the trade, call the ‘bunny in the headlights’. This person has been landed with the project but is not really a project manager but has been told s/he is going to be one and sent on a course to understand how to be a project manager. The third type is the person who has been around a long time and is very experienced. S/he is so laid back to the point of almost being horizontal. Nothing worries them.

The rare project manager is a mixture of all three. S/he follows the method, is very professional, very savvy and has the political nouse to handle situations. Being a rare species you tend to end up with a compromise.

[SEE/SHOW SLIDE 4 – What are projects supposed to do] This is really nirvana, what a project manager should do – lolling around on top of the world, relaxing. Obviously the project should deliver the right solution. It should deliver benefits. It should add real value and real return on investment. It should not deliver surprises and if it does then you are in the area of high risk.

[SEE/SHOW SLIDE 6 – Approaches] There are many different approaches that people take to identifying and managing risk. They range from complete disbelief that there is any risk at all; acceptance that it is there and must really be managed; complete indignation that anyone could suggest that there is any risk attached to the project and; ignoring it in the hope that it might get better. It is amazing that throughout my career and that of many of my colleagues in all sorts of organisations, that you have and still have these reactions today.

[SEE/SHOW SLIDE 7 – Methods] The method is often blind hope against experience in that the risks have been identified and logged and the job is complete. They will be reviewed but not added to. Conversely something can actually be done about the risk, however I have been to project boards where the risk log has not even made the agenda and where it has they have just been reviewed and ticked off but they are still there. No one has actually taken them forward. That is extremely worrying because they have missed the whole point

[SEE/SHOW SLIDE 8 – 11 -Typical risk categories] Typical risks in project management are exactly the same across all businesses. All projects have a combination and variant degrees of these kind of risks. The biggest single risk and the one that generates the most risk is change. If you look a bit deeper at some of these risks like, for example, objectives they can compromise the very project itself because they are so unrealistic, they are not achievable. It is often very difficult to talk people out of an unreal situation because they have convinced themselves that this is what they want and believe it is possible without actually assessing the true risks of what they are doing and the knock-on effect of change.

Timescales are always critical as there is always insufficient time allowed and then there is the black art of estimating. Everybody thinks they can do things quicker than they actually can. Consequently a good project manager will build in a lot of contingency to the estimate to avoid over promising and being very realistic about what can be achieved in the time available. Another area of huge risk is the environmental risk. Companies merge but sometimes people do not check that systems are compatible or that the cultures fit together causing endless grief and some mergers fail as a result.

The human element is always significant with personalities, morale, availability of resource and one of the biggest is commitment. Having commitment from the sponsor/stakeholder is vital. If you do not have it you can be progressing through a project and discover that you really have not got the business backing to reap any benefits which happens more often than not. Sometimes you will never get anyone to commit. The person who instigated the project initially has simply disappeared because it is no longer important to him.

Politics is the one single killer of projects with vested interests, hidden agendas, point scoring all acting as barriers to delivery. It is amazing how some people will sacrifice

the good of the business for some political agenda. However, as a good project/risk manager you have to be aware that these things are going on and be capable of managing your way through them.

If it is too good to be true it usually is. People will claim that by introducing this new technology it will save 40% of development time. We have all seen this and it rarely happens because it is foisted on people who do not accept it.

The critical thing on a project is to see how it fits into the overall environment and understand what changes need to be made to have it accepted into that environment and what the impact will be. You may have to interface into several different systems or rely on people in different divisions to assist you and many people look at projects in isolation and therefore also manage risk in isolation leaving a lot more risk unattended.

Scope creep is another significant threat to projects with people going to great lengths to define requirements and then let them drift. It then eats away at budget and timescale. Good change management is therefore crucial.

[SEE/SHOW SLIDE 12 – How do we identify] The critical thing in identifying risks is to understanding the environment in which you are operating, particularly the personal agendas, the politics et al. This will reap huge dividends later on. Classically, if something is deemed to be a threat to delivery or effectiveness or impact on business in financial terms there will be categories of risk in each one of these different areas.

[SEE/SHOW SLIDE 13 – How do we manage?] The risk assessment process can be as complex as you want to make it. You assess risks in light of their categories to see where the real impact of the risk is going to occur and what the real financial or timescale impact is going to be. Once this has been done then focus on the high risk, high probability risks because these are the ones most likely to happen and cause the most problems. It is all well and good to have a risk log of 600 risks but the most important ones are those that are here and now and they need reviewing in light of what has happened and what needs to be done to remove them from that risk log. People do take the 'ostrich' approach and bury their heads in the sand. The blind optimism approach never works in project management. So you must be methodical in your approach, tracking everything but not to the point of over engineering the method.

Also, you should publicise the risks to let people know what they are.

[SEE/SHOW SLIDES 14 – 15 - A process] A simple process to achieve this is, firstly, to use experience. Experienced project managers do not materialise after being sent on a course. S/he has been around experiencing good things and bad things. A good project manager has, through experience, made mistakes and is unlikely to repeat them again. Once identified it is critical to appoint an owner of the risk. Someone who is accountable and responsible. You can then rate all the risks in terms of priorities within the plan you actually go forward with. You must detail mitigating actions and a contingency plan. Finally, publish, review and escalate if necessary before closing the risk down once it has been removed.

In terms of mitigating actions there are certain elements like descoping the functionality to business critical functions that you can not do without. More resources generally does not solve the problem and increasing timescales is rarely possible. Alternatively, there is shared risk where a third party involved and they agree a fixed

price contract. Never let it drift and never go for a time and materials approach if it can be avoided.

A contingency plan could be to fall back to the current position or recruit temporary staff but these contingencies must be in place because there is no point in getting to the end of a delivery cycle and then realise that you are unable to deliver.

As discussed it is important to have stakeholder support which really comes into play when you need to escalate a risk and someone to put muscle behind what you are trying to do. If you have managed to get everyone involved right the way through the project then you will get this commitment.

[SEE/SHOW SLIDES 16 – 17 An example] An example of how this may all come together is where a client wants to introduce a new business system. Currently it is provided by a third party and costing a fortune. It is not functioning that well and is based on an old technology platform. It must also be live from the beginning of the new financial year which means a timescale of about 8 months. It is a big task involving a lot of resources but the benefits are enormous. There will be huge financial savings and it will deliver a standard technology platform allowing staff in-house knowledge of the system so they can take forward the support themselves.

As a project manager you can look at such a scenario and start identifying the risks. Defining the requirements for a large system is always difficult because the user will always want the world delivered as soon as possible and will not want to pay for it. So you must scope the project requirements very carefully and set very clear expectations right from the outset. If you set these right you stand a good chance of estimating how much work is involved in delivery. Many people go wrong at the outset by defining very loose requirements and come up with an estimate they commit to which may be wildly inaccurate because the requirements are not known.

Third parties, as in this scenario, are always a risk because they will have knowledge about data in the current system and you will need access to that but they may not be willing to co-operate. The timescale is exceptionally short and it has to be live at the beginning of the financial year. The resource level is high and projects involving big teams are risky in terms of co-ordination and quality – the bigger the team, the bigger the risk. The budget is indeterminate. A figure has been dreamt up and put in the budget and it may or may not be enough to cover the objective. This is an immediate risk that needs managing right at the outset. Although they want to transfer knowledge to the in-house staff, do they actually have the in-house staff who can deliver?

Do the right environments exist? In this type of project you would need a very strong development, testing and production environment.

The politics will be very significant because people will have vested interests from the IS group or the business group. They must have confidence fairly quickly that this system will be delivered. In this current environment, with a tube strike on going, you are going to have to arrange overnight accommodation to avoid losing valuable man days.

[SEE/SHOW SLIDES 18 – 20 An example] In terms of approaching this scenario a fixed price contract to share the risk is the way to proceed, ensuring the budget is sufficient, and building in a 20% contingency to avoid the need for requests for further funding down the line. Make sure there is a firm requirement 'sign-off' and a change management programme is in place. Scope the minimum functionality that

that you require in order to go live in the new financial year. Decide this first so that you can be absolutely sure that you will have a business system in which business critical functions can perform. Also collect as much information about the existing system as you can.

You should also consider using contract staff to backfill for in-house staff who are needed elsewhere. These can be on the project as soon as possible. Detail all the environments you will need making sure they are available well in advance. Try and 'head things off at the pass' something experienced project managers are very good at, particularly from the political aspect. Ensure you have enough management in place as big teams will need managing and also involve the stakeholders/sponsors all the way through.

In terms of building and maintaining confidence you could build a reusable prototype to demonstrate the proof of concept, its functionality to give people belief that what is needed will be delivered.

[SEE/SHOW SLIDE 20 - Summary] So in summary, risks are usually identified right at the beginning and then parked and routinely ignored. When they surface they will cause damage and havoc and if you do not manage them your project will fail. Snatching defeat from the jaws of victory is a common phrase because it happens so frequently. Managing risks is not rocket science. It is about common sense application and using the right method and making sure everything is covered and managed and nothing slips through the gaps. Finally it is a team game – you do not want a team of eleven Roy Keanes!