



cutting through complexity

PROJECT MANAGEMENT, RISK MANAGEMENT & IT

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Project

A temporary endeavour undertaken to create a unique product, service, or result.

Source: PMBOK, 4th edition – PMI^(c)

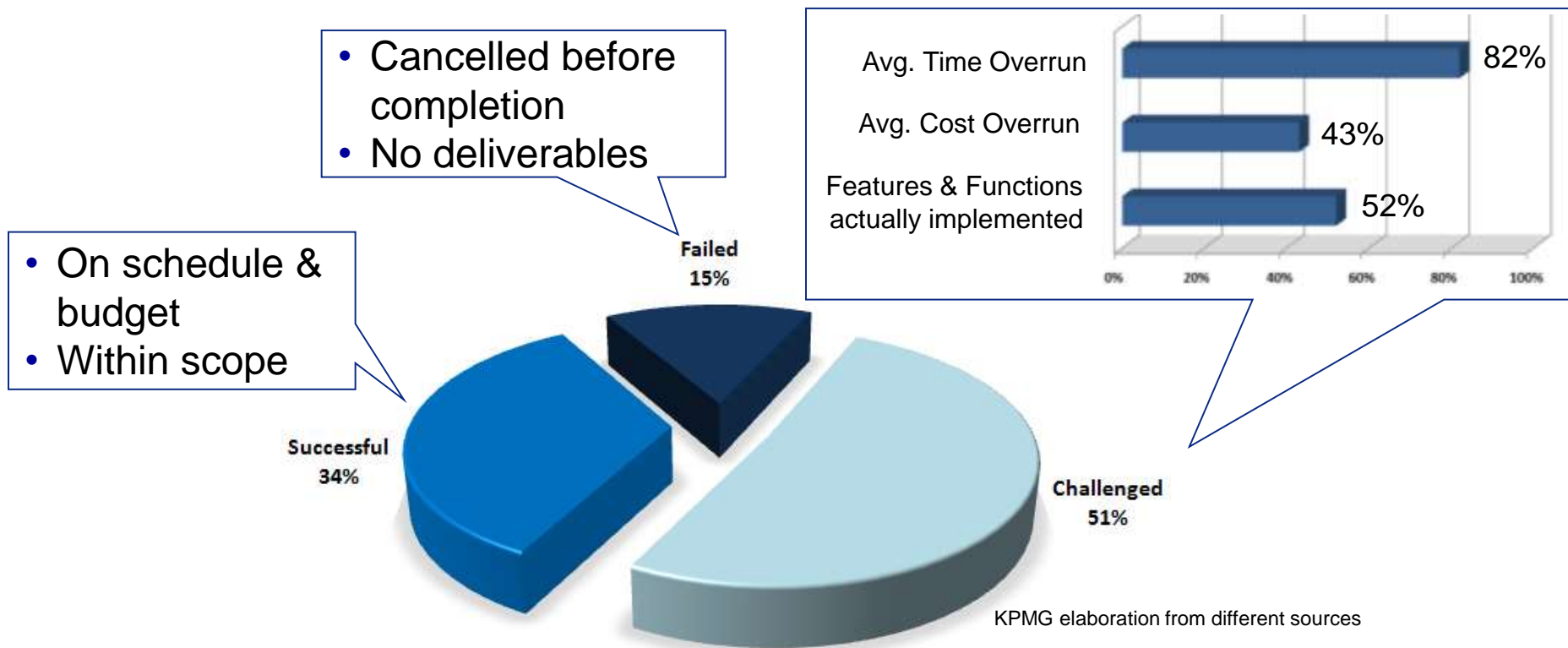
Project Management

The application of knowledge, skills, tools, and techniques to project activities to meet the project requirements.

Source: PMBOK, 4th edition – PMI^(c)

The goal of project management is to organize and manage resources and tasks in an effective way in order to meet the project's defined scope, quality, time, and cost requirements, and ultimately to achieve the project's objectives.

What is the evidence?



KPMG Global IT Project Management Survey outcome

Organizations that achieve a lower failure rate:

- have a PMO that actively manages all projects (22% of participants)
- report to the board regularly on major projects (30% of participants)
- have a very formal benefits process (18% of participants)
- have formally qualified project managers (24% of participants claim this represents the majority of their project managers)
- always perform a rigorous risk analysis during initial planning (29% of participants).

Effective Project Governance

- Governance plays a key role in fostering project success and delivering value
- Governance is the layer that sits between making a commitment and achieving it. It is the process of assessing, directing and monitoring whether expected benefits or business outcomes are being achieved from projects.
- An appropriately rigorous, integrated and balanced project governance regime is the key to sustainable success
- Effective project governance needs to run end-to-end, starting at least with an in-depth business case
- Governance is as much about performance as it is about compliance and control

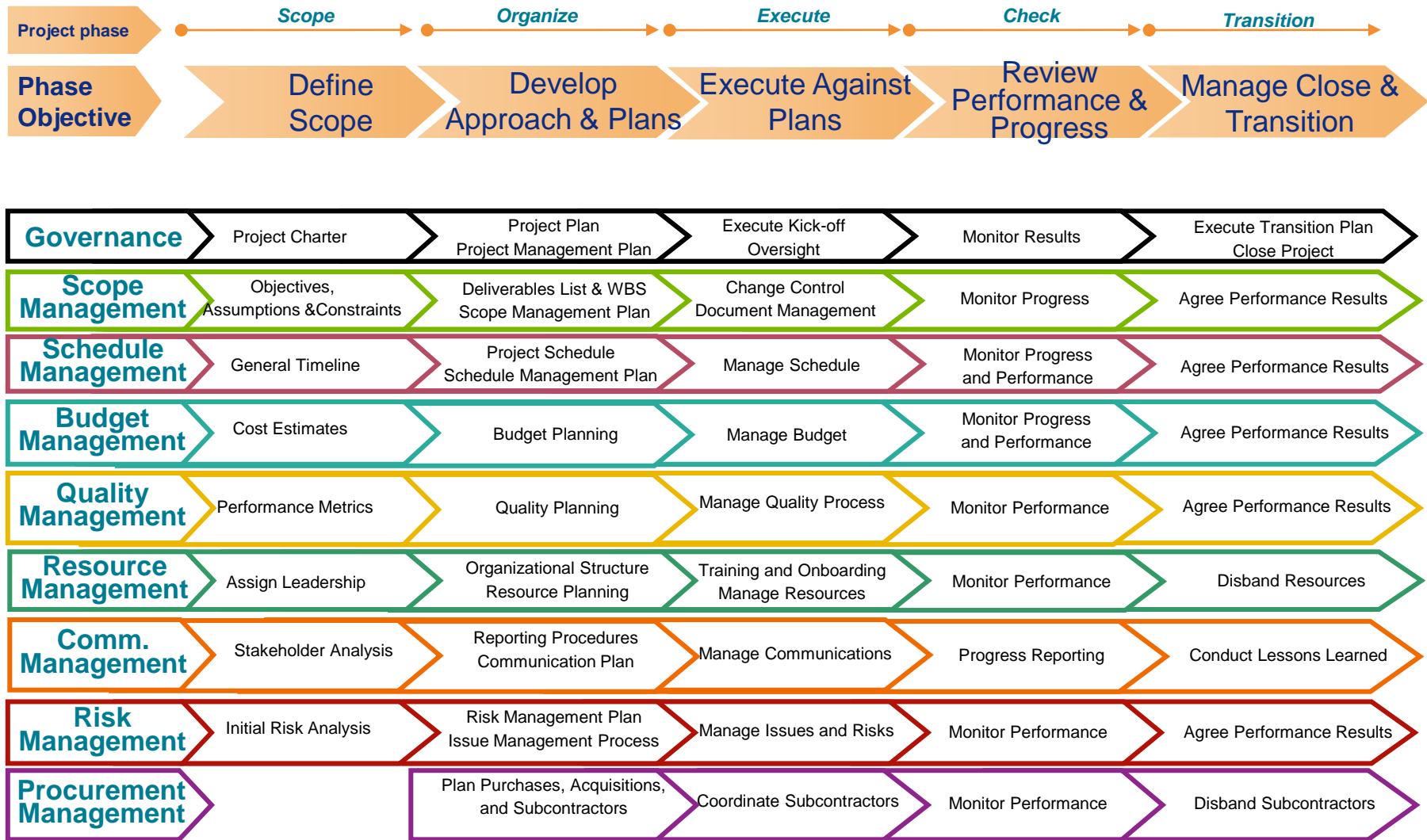
Project Management Approach Overview



Project Management Group of Processes

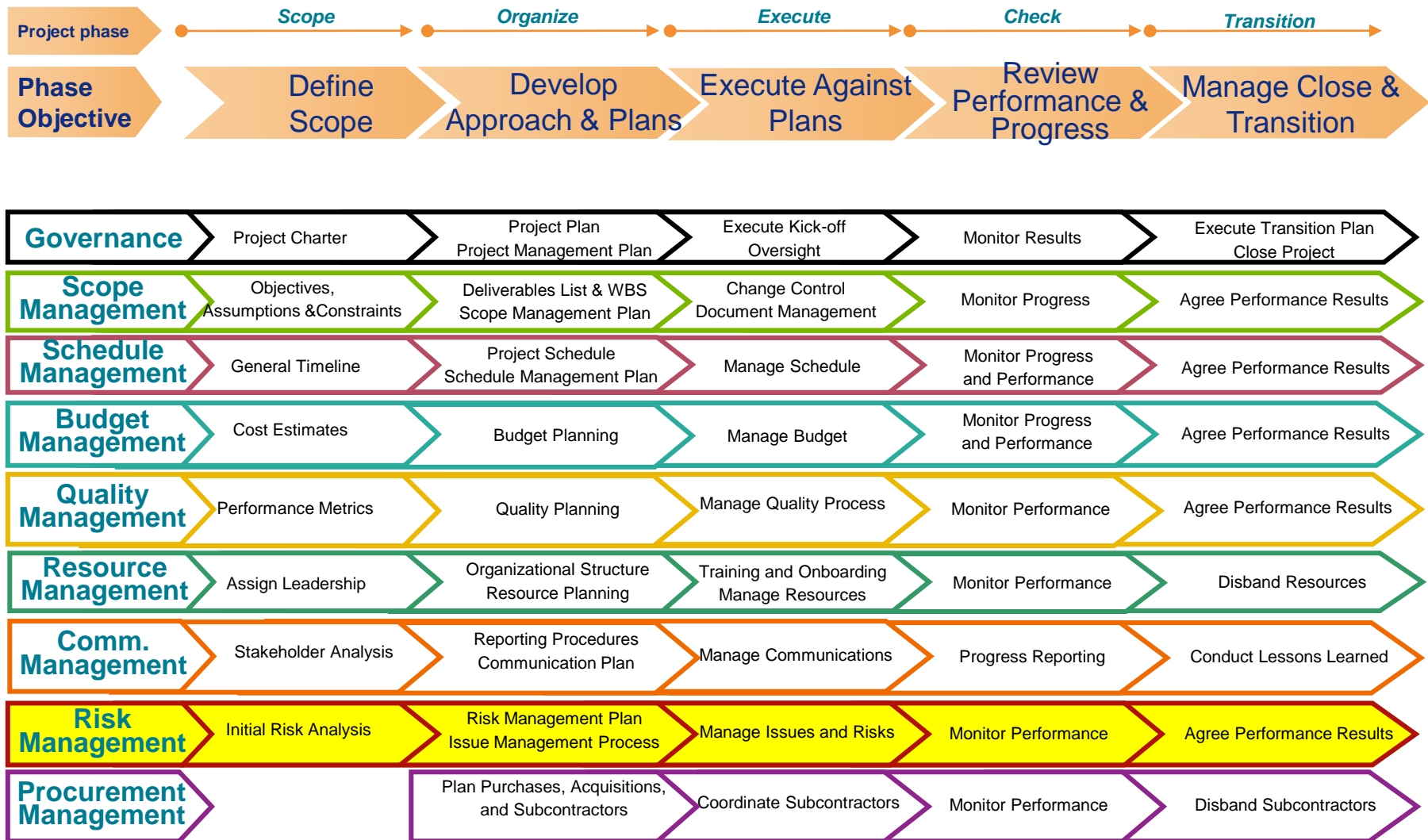
- 1.0 Scope**
- 2.0 Organize**
- 3.0 Execute**
- 4.0 Check**
- 5.0 Transition**

Project Management Approach Overview



 = Management Checkpoint

Project Management Approach Overview



 = Management Checkpoint

What is a Risk?

- A risk is a condition or event that is uncertain and, if it occurs, may have a positive or negative impact on a project objective

If a risk has a positive value associated with it, it can be regarded as an opportunity

What is Project Risk Management?

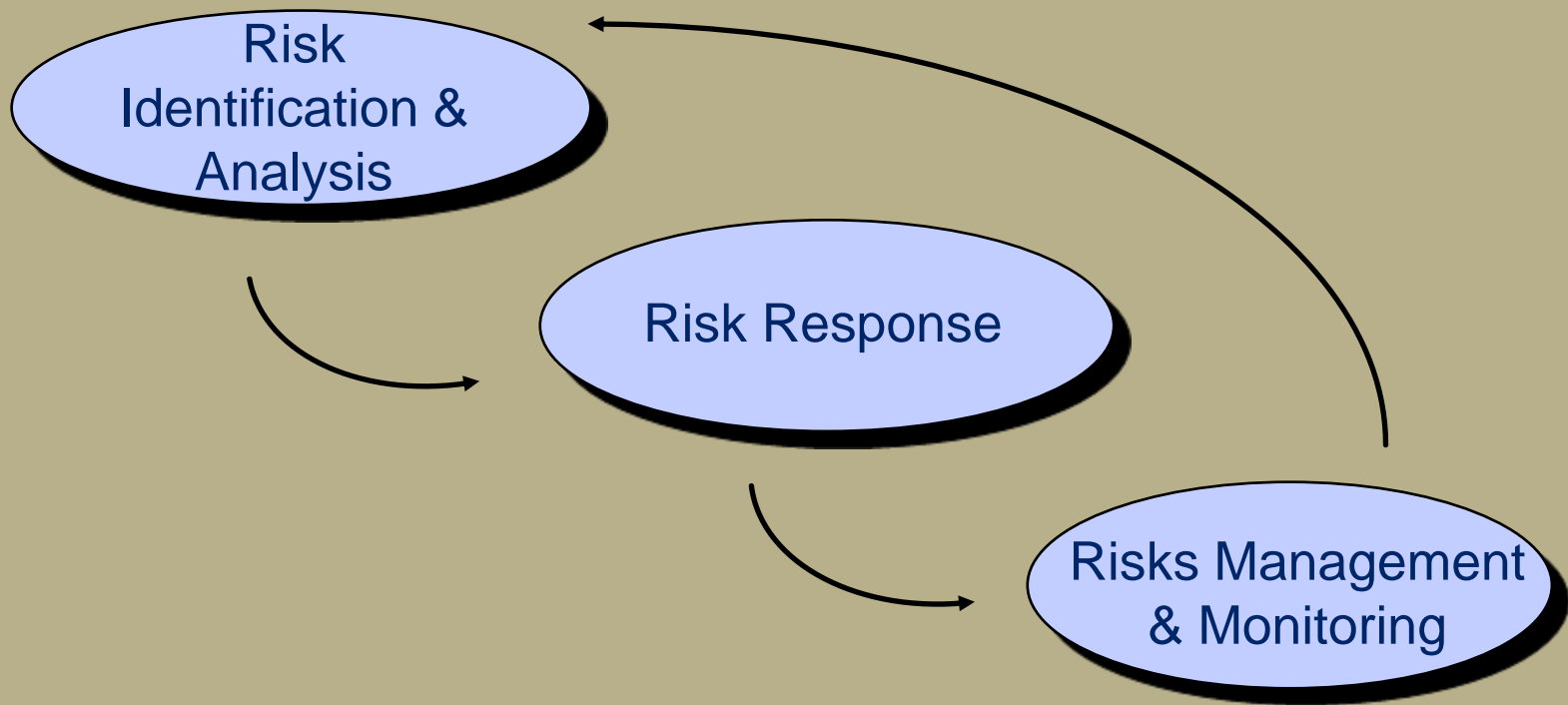
- A systematic process of managing a project's risk exposures to achieve its objectives
 - Involves the identification, analysis, management, and monitoring of project risks, aiming to minimize the implications, in case undesired events arise, or maximizing the result, in case an opportunity appears
- Risks should be distinguished from issues; risk management is a proactive process that addresses a probable event, whereas issues management is dealing with immediate events that have already occurred

Why risk management is important for the project?

➤ Risks are inherent in all projects, and cannot be totally eliminated

- The benefits of risk management in projects are huge
- By being able to assess and identify risk, it becomes easier for one to prevent it from occurring, or to quickly address adverse events if and when they do occur
- The result will be that you minimise the impact of project threats and seize the opportunities that occur
- This allows you to deliver your project on time, on budget and with the quality results your project sponsor demands
- Also your team members will be much happier if they do not enter a "fire fighting" mode needed to repair the failures that could have been prevented

Three main steps of Project Risk Management



The **Golden Rules** of Project Risk Management

❖ **Rule 1: Embed Risk Management into the Project**



- Risk management is an essential process for project success. *Is about being proactive, focusing on prevention rather than cure*
- Embed risk management into your project
- Do not leave work overload to shade risk identification and monitoring efforts and set it as a recurring process. By this approach, you will
 - ✓ show the importance you give in the project risk management
 - ✓ assist the team members & other stakeholders to adopt risk culture
 - ✓ minimise the impact of project threats and the likelihood for unforeseen events appear and harm your project
- Block some time of your (weekly) project meetings to review risks and risk responses / make project risk management part of the default agenda

The **Golden Rules** of Project Risk Management

❖ **Rule 2: Think about both Threats & Opportunities**

- Do not forget that there are :
 - uncertain events that might harm your project, but also
 - uncertain events that might proved beneficial to your project
- So, search for project threats but also focus on positive risks, the project opportunities



The **Golden Rules** of Project Risk Management

❖ **Rule 3: Identify Risks Early in Your Project**



- Risk management should start early, at the project “Scope” phase. This will impact the project decision process, but also the project planning
- A suggested approach to identify risks is to assemble a group of key people with diverse experiences and skills and conduct a workshop. You can also talk to other people - outside your project – who are experts and have conducted similar to yours projects
- Probably, you will not manage to identify all project risks ... but you will have the chance to be ready for the majority of them!

The **Golden Rules** of Project Risk Management

❖ **Rule 4: Clarify Responsibility**

- The next step after you identify a risk, is to define who is responsible for this risk
- Assign owner to each indentified risk or risk category (technology risks, project management risks, etc).
- Risk categorization can drive the allocation of risk responsibilities to the right people



The **Golden Rules** of Project Risk Management

❖ **Rule 5: Analyse Risks**



- First understand the risk, then react – Risk analysis is about understanding the risk root cause, the expected impact on project objectives, the urgency
- Risks can be categorised as either inherent or acquired
 - Inherent risks result from the nature of the project objectives and scope.
 - Acquired risks result from the selected approach, methodologies, tools, techniques, skills, and experience
- Generally, inherent risks are more difficult to reduce; acquired risks can generally be minimized

The **Golden Rules** of Project Risk Management

❖ **Rule 5: Analyse Risks**

The following check list can be used to determine whether there are inherent risks on your project



Characteristics	High Risk	Low Risk
Total effort hours	>2500 hours	<250
Duration	> 12 months	< 3months
Team size	>25 members	< 5 members
Project scope/ deliverable	Poorly-defined	Well-defined
Business benefit	Not clear	Well- defined
Dependency on other projects	Dependent on three or more projects	No more than one dependency
Physical location of team	Dispersed at several sites	Located together
...		

❖ **Rule 5: Analyse Risks**



- The risks should be analyzed against four attributes:
 - Probability of occurrence
 - Impact of occurrence
 - Immediacy
 - Ability to Control (External, Internal, Uncontrollable)
- The purpose of this analysis is to determine the relative exposure to a project in terms of time, cost and scope
- An overall risk assessment rating can be assigned. An adjective/color rating (Low/Green, Medium/Yellow, High/Red) can be used or something more complex.

The Golden Rules of Project Risk Management

❖ Rule 5: Analyse Risks



Probability	Probability – Impact Matrix (net risk score)				
5	5	10	15	20	25
4	4	8	12	16	20
3	3	6	9	12	15
2	2	4	6	8	10
1	1	2	3	4	5
Impact	1	2	3	4	5

The **Golden Rules** of Project Risk Management

❖ **Rule 6: Prioritise risks**



- You can not do something for all the risks identified. That would be too expensive and time consuming
- You have to spend your time on the big risks, with greater impact
- You have to prioritise the risks and decide which of them are your first priority, for which of them you should somehow response, for which of them you do not need to do anything else except from later review
- Use the risk assessment to prioritise your risk
- Showstoppers are your first priority / Risks that you cannot bear their impact are your first priority

The **Golden Rules** of Project Risk Management

❖ **Rule 7: Plan and Implement Risk Responses**



- You have to decide what you are going to do with each top risk and implement it!
- The goal is to do something to eliminate the threats (or ensure that opportunities materialized) or minimize the impact of the risk if it materializes.
- Risk owners should consider various approaches in the management of their risk (risk response strategies)
- In developing a risk response strategy, the risk owner should consider one of three outcomes:
 - Avoid (exploit) the risk
 - Reduce (enhance) the impact of the risk
 - Accept (ignore) the impact of the risk

The **Golden Rules** of Project Risk Management

❖ **Rule 7: Plan and Implement Risk Responses**



- The risk owner should consider all alternatives of risk response strategies, weighing the cost and potential benefit of each objective
- For “acquired” risks the emphasis is likely to be on preventive actions (to stop the risk materializing)
- For “intrinsic” risks where the impact without contingency would be unacceptable and preventive actions are unavailable, the emphasis is likely to be on contingency plans (to manage the impact)
- The identification of specific events that would act as triggers of contingency response is part of the risk response planning
- The implementation of the risk response strategies should be part of the daily tasks of the project
- Risk response strategies could be accompanied with new risks – called as secondary risks. Think about them, too!

Rule 8: Document Project Risks & Corresponding Actions



- Use a risk register to document the risks identified, their assessment and prioritization, the owners and the response actions defined
- This will help you monitor the progress and run the risk management sessions
- There are a variety of tools that can be used to capture and report risks and can include specific software options or office tools (e.g., Microsoft Access, Excel, Lotus Notes, etc.).

❖ **Rule 9: Communicate About Risks**

- Use various, combined methods to communicate with project team member about risks (through meetings, email, with or without the use of specific forms)
- Gain agreement from the steering committee on the appropriate levels of acquired risk to accept
- Inform the Steering Committee or/and the Sponsor early enough for the major identified risks
- Get acceptance on the risk mitigation actions or ask for decisions



The **Golden Rules** of Project Risk Management

❖ **Rule 10: Monitor Project Risks & Associated Tasks**



- Risk management is extremely dynamic. Requires continual monitoring to:
 - ✓ review the current status of already identified risks (including changes in severity of impact and probability) and the effectiveness of the corresponding preventive and contingency actions in managing the risks, and also
 - ✓ identify new risk areas when they arise
- Plan periodic re-assessments throughout the project lifecycle
- If mitigation actions are having the planned result, the risk will be reducing. If mitigation actions are not being effective, then it is a clear warning that additional assessment and risk management planning is required

❖ **Rule 10: Monitor Project Risks & Associated Tasks**



- Risks that have reduced to zero probability, can be closed as they are no longer a threat to the project
- New risks must also be assigned to respective risk owners, who are responsible for their management
- Risk identification should be performed until the project is complete

Thank you

