Project Risk Management (PRM)
Course Agenda

- Project Management Overview
- The Role of Project Risk Management
- Monitoring Projects
- Project Risk Assessments
“I cannot imagine any condition which could cause this ship to founder. I cannot conceive of any vital disaster happening to this vessel.”

E.J. Smith, Captain of the Titanic, 1912
Across all industries, project management performance is poor.

- 32% of IT projects are successful (i.e., completed on time, on budget and delivered with required features and functions)
- 24% of IT projects are cancelled before they are completed
- 44% were considered challenged (i.e., delivered late, over budget, or without all of the desired features and functions)

- The Standish Group 2009
Sample Project Issues

Project Communication and Estimates
- Project team is fearful of raising questions due to political backlash
- Project team estimates were identified to be more optimistic than practical

Organizational Change Management
- A general lack of a sense of urgency (e.g., disproportionate amount of time spent on evaluating change)
- A lack of compelling vision and strategy that identifies tangible business and technical objectives
- Little evidence of executive management sponsorship and accountability
- A formal communication plan for organizational change does not exist
- Lack of clarity regarding the intent of a technology-induced change to the affected business unit(s)
- Lack of feedback and re-evaluation
Sample Project Issues

Realization of Project Benefits

- Management is not committed to benefits realization
- The reason for the technology is a generic “system end of life” or “compliance requirement” and no value is assigned for the project
- Ineffective OCM leads to unrealized benefits
- The predominant focus is on technology and not business change and benefits
- Business cases are not adequately defined and therefore benefits cannot be tracked or reported

Management of Third Parties

- IT is not adequately involved due to reliance on vendor
- An organization’s PMO does not manage the vendor portion of the project
- Organization defaults to vendor due to their perceived expertise (e.g., they must know what they are doing)
- Vendor project plans are not integrated with other vendors or the organization’s project plan
A strong control environment ensures that project risks are mitigated and the primary goals of quality, time, and cost are achieved.

The foundation of a project control environment is comprised of the people, processes, and technology.

Is the project being completed in a timely manner?

Is the project satisfying the needs for which the project was undertaken?

Is the project being completed within the approved budget?

Project management is the balancing of quality, time, and cost. It is difficult to achieve all three goals on one project.
Project Management is the application of knowledge, skills, tools and techniques to project activities in order to meet or exceed stakeholder needs and expectations.

Cost  Risk  Scope
Communication  Resources
Change  Time  Quality

Initiating  Planning  Executing  Controlling  Closing

Project Life Cycle is the defined process used to design, develop, test, and implement a product.

Project Support is the management and integration framework within which a project operates.

Business Integration  Program Office

Planning  Design  Development  Testing  Implementation  Rollout

Project Environment

Business environment
Stakeholders  Competition
Strategic alignment  Culture

Project environment is the internal and external environment within which a project operates.
The PRM and Oversight role serves as an independent resource(s) to support a project’s monitoring efforts. Sometimes, an independent perspective identifies issues, concerns and risks that the project team does not. This role reports to an executive sponsor level and supplements the project monitoring capabilities with a continual risk assessment approach to confirm that the project is proceeding as planned and the key, significant issues have been communicated to management in a timely manner.
Project Risk Management and Oversight Role

**Executive Project Committee/Sponsor**
- Overall responsibility for project direction and strategy

**Project Steering Committee**
- Functional leaders within the business
- Input on functional changes as required by the new application
- Guidance on project issues and decisions

**Senior Management Project Leader**
- Senior management project lead
- Coordinate project planning and execution
- Report status of project to Executive Sponsor

**Project Management Team**
- Project management representation
- Representation of third parties
- Coordinate project planning and execution

**Project Risk Management**
- Independent resources that have appropriate skill set (e.g., credibility with the project's executive sponsor, project risk management experience, and industry knowledge) and bandwidth
- Provide assessment of the impacts related to project changes
- Ensure appropriate project work streams are addressed
Characteristics of Effective PRM Teams

- Resources independent of the project with appropriate skill set (e.g., credibility with the project’s executive sponsor, project risk management experience, and industry knowledge) and bandwidth
- Defined framework to utilize in analysis
- Knowledge to understand large scale project risks
- Independent perspective to identify the ‘right’ risks and their potential impact to the project and organization
The PRM can have two primary objectives:

1) Project Monitoring: Monitor the project activities utilizing a defined framework; and

2) Project Risk Identification and Assessment: Identify and assess risks that would impact the project.
Example Project Monitoring Responsibilities

• Provide ongoing communication to the project’s Steering Committee.
• Provide status reports to the organization’s Executive Sponsor
• Monitor project utilizing defined frameworks
• Ensure appropriate oversight to identify risks to project success, develop risk mitigation plans for identified risks and monitor mitigation plans
• Provide an independent assessment of the impacts related to project changes
• Ensure appropriate project work streams are addressed (e.g., planning, testing, change management, vendor management)
**Project Management** is the application of knowledge, skills, tools and techniques to project activities in order to meet or exceed stakeholder needs and expectations.

**Project Life-cycle** is the defined process used to design, develop, test, and implement a solution.

**Project Support** is the management and integration framework within which a project operates.

**Project Environment** is the internal and external environment within which a project operates.
## Project Management Elements

<table>
<thead>
<tr>
<th>Project Integration</th>
<th>Time</th>
<th>Communication</th>
<th>Risk</th>
<th>Procurement</th>
<th>Human Resources</th>
</tr>
</thead>
<tbody>
<tr>
<td>– Plan Development and Execution</td>
<td>– Activity Definition</td>
<td>– Communications Planning</td>
<td>– Risk Identification</td>
<td>– Procurement Planning</td>
<td></td>
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<tr>
<td>Scope</td>
<td>– Schedule Control</td>
<td></td>
<td></td>
<td>– Contract Administration</td>
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<tr>
<td>– Initiation</td>
<td>Quality</td>
<td></td>
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<td>– Contract Close-out</td>
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<td>– Scope Planning</td>
<td>– Quality Planning</td>
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<tr>
<td>– Scope Definition</td>
<td>– Quality Assurance</td>
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<td>– Quality Control</td>
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<td>Cost</td>
<td>Time</td>
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<td>Risk</td>
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<td>Human Resources</td>
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<tr>
<td>– Cost Control</td>
<td>– Schedule Development</td>
<td>– Administrative Closure Scope</td>
<td>– Risk Response Control</td>
<td>– Source Selection</td>
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Typical Areas for Review of Testing

• Tests plans have been developed for the testing of daily, monthly, quarterly, and annual transaction types and process streams
• Daily, monthly, quarterly, and annual process streams and transactions have been tested, reviewed and verified for each module and application
• Interfaces have been tested with verification and reconciliation of input/output control totals
• Significant transaction types have been tested
• The set of transactions tested was determined in a logical and objective manner
• Significant master file maintenance transactions have been tested (such as customer, product, vendor, pricing and order files)
• Tests have included verification and reconciliation of key transaction totals
• Critical reports have been generated and reviewed for accuracy and completeness with reconciliation of report results to master file and transaction data
# Project Risk Summary

## Project Management

<table>
<thead>
<tr>
<th>Item</th>
<th>Risk Level</th>
</tr>
</thead>
<tbody>
<tr>
<td>A. Project Office</td>
<td>3</td>
</tr>
<tr>
<td>B. Scope</td>
<td>3</td>
</tr>
<tr>
<td>C. Time</td>
<td>4</td>
</tr>
<tr>
<td>D. Cost</td>
<td>3</td>
</tr>
<tr>
<td>E. Quality</td>
<td>3</td>
</tr>
<tr>
<td>F. Human Resource</td>
<td>2</td>
</tr>
<tr>
<td>G. Communication</td>
<td>2</td>
</tr>
<tr>
<td>H. Risk</td>
<td>2</td>
</tr>
<tr>
<td>I. Procurement</td>
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</table>

## Project Life Cycle Support

<table>
<thead>
<tr>
<th>Item</th>
<th>Risk Level</th>
</tr>
</thead>
<tbody>
<tr>
<td>J. Planning &amp; Initiation</td>
<td>2</td>
</tr>
<tr>
<td>K. Requirements Analysis</td>
<td>2</td>
</tr>
<tr>
<td>L. Development</td>
<td>2</td>
</tr>
<tr>
<td>M. Testing</td>
<td>2</td>
</tr>
<tr>
<td>N. Implementation &amp; Rollout</td>
<td>3</td>
</tr>
<tr>
<td>O. Post Implementation</td>
<td>2</td>
</tr>
</tbody>
</table>

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<thead>
<tr>
<th>Item</th>
<th>Risk Level</th>
</tr>
</thead>
<tbody>
<tr>
<td>P. Program Office</td>
<td>4</td>
</tr>
<tr>
<td>Q. Integration with Common Business Functions</td>
<td>4</td>
</tr>
</tbody>
</table>

## Project Environment

<table>
<thead>
<tr>
<th>Item</th>
<th>Risk Level</th>
</tr>
</thead>
<tbody>
<tr>
<td>R. Strategic Alignment</td>
<td>2</td>
</tr>
<tr>
<td>S. Corporate Culture</td>
<td>1</td>
</tr>
<tr>
<td>T. Stakeholders</td>
<td>2</td>
</tr>
<tr>
<td>U. Business Environment Risk</td>
<td>5</td>
</tr>
<tr>
<td>V. Process Alignment</td>
<td>4</td>
</tr>
</tbody>
</table>

## Risk Status

<table>
<thead>
<tr>
<th>Risk Level</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Unlikely to occur and low impact to project or program.</td>
</tr>
<tr>
<td>2</td>
<td>Unlikely to occur and moderate impact to the project or program.</td>
</tr>
<tr>
<td>3</td>
<td>Possible chance of occurring and/or moderate impact to project or program.</td>
</tr>
<tr>
<td>4</td>
<td>Possible chance of occurring and/or significant impact to project or program.</td>
</tr>
<tr>
<td>5</td>
<td>Likely chance of occurring and/or significant impact to the project or program.</td>
</tr>
</tbody>
</table>
Project Monitoring Considerations

- Is an organization structure in place to effectively address the work effort?
- Does the PMO have authority, responsibility, and accountability?
- How well communicated and understood are the project objectives and scope?
- Are the right stakeholders involved?
- How frequently does the Steering Committee meet and how effective are the discussions?
- Does the Steering Committee have accurate information to make decisions?
- Does the culture promote prompt and open communication of issues?
- Is there a common language across the entire program / project?
- Are the most capable personnel involved?
- Have contingencies been planned?
Project Risk Management

- Project Risks are all elements that might adversely impact the final IT project result.
- Project Risk Management includes the processes concerned with identifying, analyzing, and responding to uncertainty elements.
- It includes maximizing the results of positive events and minimizing the consequences of negative events.
- The project risk management process is completed through the QA review of the IT project plan and recording of all lessons learned.
Risk Identification

- Consists of determining which risks are likely to affect the project and documenting the characteristics of each risk

- Not a one-time event, but should be performed on a regular basis throughout the project

- Should address both internal and external risks
Risk Quantification

• Evaluating risks and risk interactions to assess the range of possible project outcomes

• Define a scale to measure the likelihood that a risk will occur (e.g., percentage, pre-defined terms such as High, Medium, and Low)

• Identify impact of the risk would have on project the key components of a project (i.e., time, quality, cost)
Risk Response and Management

- Defining enhancement steps for opportunities and responses to threats
- Responding to threats generally fall into one of five categories:
  - Avoidance / Prevention
  - Mitigation / Reduction
  - Transfer
  - Contingency
  - Acceptance
- Executing the risk management plan in order to respond to risk events over the course of the project
- Responding to changes in risk over the course of the project; when changes occur, the basic cycle of identify, quantify, and respond is repeated
Summary

• Identify the right people to be in the Project Risk Management role
• Utilize standard project frameworks to monitor the project
• Project risk assessment is not a one time activity
• As always, communication is key
Presenter Contact Information

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