

Risk Management

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Risk can be defined as “the chance exposure to the adverse consequences of future events”.



PROJECT RISK

Despite the fact that enterprises have been undertaking projects for decades, there is still no shortage of incidents where projects have run badly, run over budget or failed altogether.

Projects fail for many reasons. Sometimes there may not be the structures in place to manage the process effectively. Often the application or process for change is inadequate to meet the needs of the project. Alternatively, it could be the project team fails to anticipate and manage issues that impact the project's costs and scope.

All projects involve risk. Every time an enterprise embarks on a major project, companies need to be aware of the potential risks.

Along with risk management, project management is a discipline that is now well entrenched in the business world. It is commonly acknowledged that project management structures need to be in place to manage the project process effectively and efficiently.

What has changed in today's world is that project steering committees are no longer willing to accept budget blowouts or inferior project outcomes. Consequently there is intense pressure on project managers, whether they are consultants or internal staff, to deliver successful projects on time and on budget.

RISK RESPONSIBILITY

When it comes to project risk management, one of the key issues is determining who is responsible for the risk in a project. In practice, project risk is often incorrectly assigned to the project manager because that person seemingly has been given responsibility for the entire project.

However, the ideal role of the project manager is to be responsible for coordinating all of the activities that need to take place to achieve an outcome. Although the responsibility for the resolution of risks should reside with the individual who is best placed to deal with that risk – i.e. someone who can do something about it – the actual Risk continues to reside with the line manager who has end responsibility for the desired outcome of the project. In most cases, this individual is the Project Sponsor/Executive.

A project manager should coordinate the reporting of risk but ultimately it makes more sense for line managers to take ownership of risk because risk in a project needs to be considered as one and the same as risk for the entire company.

RISK MITIGATION

Project risk mitigation gives enterprises a structured way to approach change that is centered on identifying risk, analyzing risk and minimizing risk. The process of project risk mitigation ensures that people throughout the business consider the liability of risk. In contrast, for situations where there is no project risk mitigation regime in place, stakeholders tend to assume that project risk management is the responsibility of the project manager.

The Cognos framework of project risk mitigation provides a holistic view of the project, thereby enabling users to identify and analyze the potential risks associated with key activities and components of their project. Risk mitigation actions can be put in place at the appropriate stages throughout the project.

The project risk mitigation process provides project directors with the confidence that all risks have been identified and appropriate risk management strategies have been developed. It also provides board members, chief executives and project steering committees with independent assurance that risks are being managed.

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RISK PROFILE

Once all risks have been identified, the project manager needs to establish the risk profile. This involves quantifying and measuring the risk. To establish this, the project manager needs to have a sound understanding of the company's overall risk profile. There is no point in having an aggressive risk profile for a project if the enterprise is risk averse. Alternatively, if the enterprise chooses to adopt an aggressive risk profile for the project, there must be a complementary risk reward identified.

Throughout the project planning process, each of the high-level risks can be drilled down again and again until every stakeholder is satisfied that all relevant risks have been identified.

For each risk, an owner needs to be identified. Projects often get in trouble when a risk falls into a "crack" between two functional areas because neither one accepts responsibility for that risk.

Once a definitive list of risks has been created and validated, the project manager needs to quantify the risks. This is done by assessing the probability of every particular risk occurring, and determining what the impact would be.

Valuing a particular risk may come down to an educated guess or intuition, but it is better to get the number wrong than not to have any kind of estimate at all. Once all risks are understood the project team can adopt action plans that will reduce the risk, transfer the risk, eliminate the risk or ignore the risk. Accountability for the necessary actions needs to be assigned at this stage.

The results of this evaluation can be used throughout the project as "go/no-go" decision points. The "no-go" decision can be made if the project team reaches a point where it either cannot mitigate a risk, or determines that the cost of mitigating a risk exceeds the value of the project. Where mitigation costs are significant, analysis can be undertaken to ensure the benefit of mitigation outweighs the risk to the project and organization.

The mitigation action plans should be regularly updated and reviewed. This facilitates up-to-date reporting to all levels of the organization and clear visibility as to the status of the risks within the project.

RISK MONITORING & COMMUNICATION

The final step is to communicate and review the project results. This step allows stakeholders to see that both the project and the project management process are working effectively.

One of the risks with the project is that the project management will fail. Risks that are not managed become evident and proactive measures can be taken to rectify the situation. Key milestone reports should be prepared that identify the progress of the project compared with budgets and schedules. At the conclusion of the project, a formal review of the project outcomes against original business objectives should be conducted.

CONCLUSION

Projects and the risks associated with projects are an integral part of business today. In order to remain competitive, companies need to be able to manage projects successfully. The Cognos approach to project risk mitigation involves: identifying all relevant risks associated with a project, evaluating and quantifying associated risks, developing mitigation action plans, and monitoring and communicating these.

Project risk management is not a panacea that will solve all problems that relate to projects. It is a dimension that in many cases is only given implicit attention by the project stakeholder, if not ignored at all. By identifying, analyzing and mitigating risks associated with a project, the project team will have put in place a strategy that will maximize the likelihood of a successful project, one that is delivered to the right scope, in the right timeframe and to the right budget.

FOR MORE INFORMATION:

Cognos Consulting has developed a short audio visual entitled 'Getting Started: How Consulting Services Can Help You'; the purpose of which is to challenge you as you prepare your project plan and assemble your project team. Cognos wants you to be successful and we are happy to work in whatever role you need, it is your choice, but we do want you to make the right choice for your project and business. Cognos has truly vast experience in the Enterprise BI, Enterprise Planning and Consolidation, Scorecarding and DataWarehousing project delivery and by challenging you Cognos hopes to help make you and your projects using our technology, that much more successful. To experience the 'Getting Started: How Consulting Services Can Help You' audio visual please go to <http://support.cognos.com/en/consulting/about/resources.html>.

If you have any concerns about your project plan, resources, quality issues or risk concerns in general, please contact your local Services Manager or Account Manager (<http://support.cognos.com/en/consulting/about/contact.html>) and let Cognos advise you.

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