

Project Success Utilizing Preplanning and Risk Management

By Jim Miller

To forestall a disaster from happening, prevention and anticipation is crucial to the success of a project. And although some project managers may consider putting energy into the negative aspects of a project unproductive, it has been proven that systematically addressing risk is key to successfully managing projects.

According to Paul Proctor, vice president and distinguished analyst at Gartner, "An enterprise that wishes to better understand and manage the risks to which it is exposed should begin with enterprise-specific risk definitions and an organizational risk hierarchy to which all risk-related specialists can align," said Mr. Proctor. "Although no single definition will work for all enterprises, it is important to start from a common, overarching framework to eliminate overlap, avoid gaps in coverage and ensure good governance."

For this reason, while others may not fully appreciate the need for pre-planning of risks, based on my many successful years as a project manager it is my contention that the greatest factor that influences how projects are delivered is risk management. Accordingly, with appropriate risk management in place, serious risks can be intercepted before they have a chance to do great damage.

What Exactly is Risk Management?

Risk management is the identification and acceptance of the risks involved in a particular type of business, a risk that may threaten the profitability and even the existence of an organization. It is therefore important for a project manager to understand that there is never just one single type of risk that can impact on a project, primarily because different companies and situations pose different problems.

But understanding the risks of your business and being able to define risk strategies can help manage those risks, thereby helping to achieve successful project delivery. In fact, without defining and managing risks you may potentially jeopardize a project by delaying or compromising the project. In brief, taking a few steps that identify what could go wrong, defining the probability and impact of each risk factor and developing a strategy for dealing with the risk simply makes good sense when it comes to project management.

Potential Risks You May Face

By taking a proactive approach it can mean the difference between ultimately delivering better projects versus potentially facing a failed project. So, to minimize the impact of risk, let's first consider the potential risks you might face.

- **Delivery Risk** involves the risk of a project not being completed successfully because of miscalculated budgets, schedules or resources.

- **Project Definition Risk** involves the risk of a project not fully and completely defined or understood, and therefore not estimated correctly prior to the start of the project.
- **Business Impact Risk** involves the magnitude of change the project represents for the customer's organization and the likelihood of their adopting the change.
- **Business Support Risk** involves the degree of support for the project within the customer organization.
- **Technology Impact Risk** involves the risk to the project based upon the newness and degree of familiarity with the technology employed on the project.
- **Project Management Risk** involves the risks presented as a result of the project management processes being employed on the project.

Putting Core Processes in Place

The secret to handling risk before it does damage is taking preventative steps that will impact on profitability. Based on that premise, there are core processes that must and should be in place. The way to implement these core processes is to start by asking yourself where potential risk factors lie within your project and what key things you can do to avoid or reduce the impact of the risk. And once the risks have been identified, there are several types of risk strategies that can be applied in response to the identified risks. The following strategies focus on preventative measures, which have a powerful impact on profitability:

- **Avoidance:** Often one of the first and most direct means of dealing with risk factors comes through pre-planning a project. At the very least, pre-planning the project is preventing the risk from becoming an issue.
- **Transference:** Involves the shifting of the consequence and impact of the risk to a third party. This can include the use of insurance as well as performance bonds, warranties, guarantees or fixed-price contracts.
- **Mitigation:** Involves taking active steps that reduce the probability or impact of the risk should it occur. This may include preventative measures or the introduction of redundancy into the project effort.
- **Acceptance:** Involves accepting the risk by recognizing that risk is a factor. Acceptance is not the same as ignoring the risk but is instead putting a plan in place that acts as a response to the risk should it occur.

Planning for Risks

Initial risk management plans will never be perfect. Practice, experience, and actual loss results will necessitate changes in the plan and contribute information to allow possible different decisions to be made in dealing with the risks being faced. Yet, having a good risk plan in place can help yield the greatest benefits for your company.

As you prepare to put a risk management plan in place, consider the following questions:

- Are there uncertainties regarding the objectives or requirements of the project?

- Are there any barriers that exist related to the project?
- Are there individuals who champion the project or is there resistance to the project?
- What are the project management risks?
- What types of activities or deliverables may be encountered in managing the project?
- Has specific technology been implemented within the organization?
- Is the organization familiar with the technology?
- What software, hardware, or toolset risks are in place?

In Conclusion

A savvy project manager will use risk management as a determining factor all during various phases of the project, followed up by carefully assessing their importance and evaluating these risks. Because potential problems can have an adverse impact on the cost or technical success of a project, the solution is to look out for risks early enough to be in a position to take preventative action.

If risks are tackled in the beginning, the project manager reduces the chances for any disagreeable and unpleasant surprises that can spoil the project. To avoid the potential danger of a failed project, decide on solutions beforehand and implement them conscientiously. And finally, after a period of time, evaluate the solutions you've implemented so as to determine whether the changes are working successfully. You may not always be able to control every risk, but if your risk management measures are in place, you will keep challenging risks at bay, making sure the threat of a failed project is at the very least stopped in its tracks.

Suggested Readings

Gartner Research (May 2008). *Gartner Says Risk Management Is Broken in Many Organizations*. Stamford, CT, USA. Download from: <http://www.gartner.com/it/page.jsp?id=673309>

ISO/IEC 27002 (October 2005). *Information technology -- Security techniques -- Code of practice for information security management*. Download from: <http://www.iso.org/iso/home.htm>

Miller, Jim, (2007). *Cultivating Success through Effective Risk Management*. gantthead.com. Fairfax, VA, USA. Download from: <http://www.gantthead.com/content/articles/235019.cfm>.

IT Governance Institute (2005). *Enterprise Risk: Identify, Govern and Manage Risk, The Risk IT Framework* Exposure. Rolling Meadows, IL, USA. Download from: <https://www.isaca.org/Template.cfm?Section=home&Template=/ContentManagement/ContentDisplay.cfm&ContentID=47643> .

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