#RISK MANAGEMENT TWEET

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Proactive Risk Management: Taming Alligators

BOOK 01

A THiNKaha® BOOK

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Proactive Risk Management: Taming Alligators

Book Excerpt

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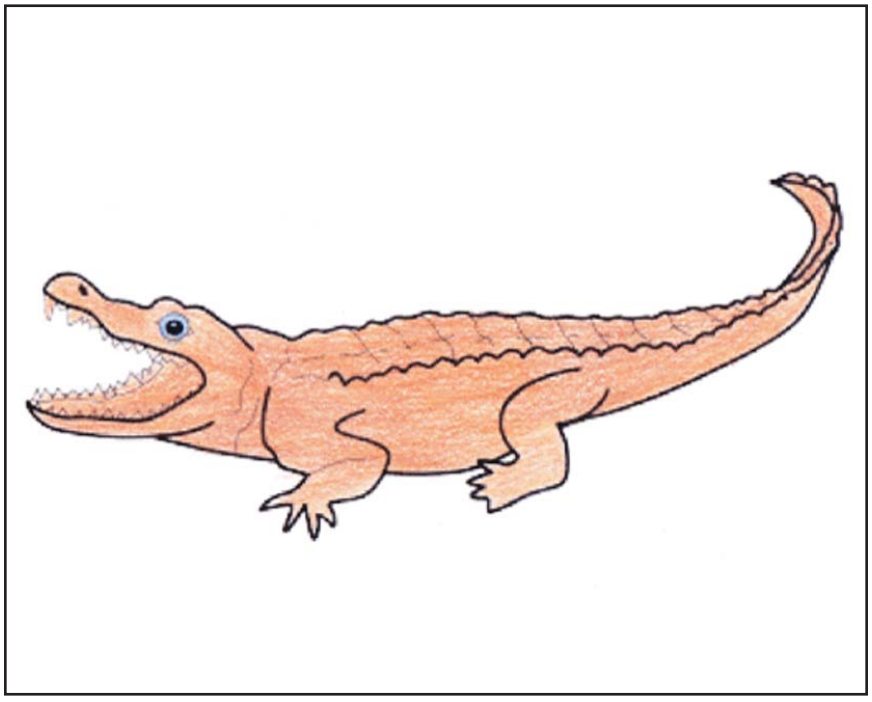


Section 1

Identifying Project Risks: Gators Have Favorite Swamp Hangouts

The foundation of risk management is proactive and thorough risk *identification*—from the beginning of the project and ongoing throughout the timeline. Start with a firm understanding of the scope your risk management should take on—not just the "usual suspects," typical *project* risks such as resource shortfalls—but also risks inherent in the "product" or deliverables your project is creating. Whether your project is New Product Development, IT-related, or something else, start it off with a proper level of fear (or at least healthy respect!) for the risks you could be facing, to spur you and the team to find the risks before they find you.

1

Risk identification is like counting gators before entering the swamp: not knowing how many there are could lead to unfortunate results.

2

Knowing where the gators are in the water gives the team the opportunity for further assessment, prevention, and contingency planning.

3

There are two kinds of risks to monitor: project risk and product risk. It is important to know the difference and monitor both.

4

The goal: ensure that technical and non-technical risks are factored into decisions about creating a new product so planning is proactive.

5

Product risks include the technical risks inherent in alternatives for a product, including unknowns in new technologies.

6

Include specific techniques for uncovering gators based on innovations or inherent critical dependencies.

7

Non-technical project risks include resource shortages, vendor risks, schedule uncertainly, etc.

Section II

Assess the Impact: Potential Wound or Fatal Blow

Thorough risk assessment involves using a variety of tools to understand what your project needs to achieve and the level of risk you face in meeting those goals. Risk assessment also involves understanding the level of impact the project could have on various people or groups—because their reaction to those impacts drives the level of risk you face in satisfying the customers of the project. Various project documents related to goals and impacts can be used as powerful sources of risk insight. And core risk tools such as Risk Lists and Risk Assessment Tables provide the means for a project-wide assessment of the entire risk picture.

36

Neglecting to understand your *level* of gator risk before getting in the water is a sure way to plan on failing.

37

Even the early Concept phase of a project should *assess* level of risk by roughly assessing the potential risk-reward tradeoff.

38

Metrics for the benefits of a project —e.g. return on investment (ROI) and revenue projections—can be compared to quantified risks.

39

Benefits metrics can be a persuasive argument in favor of doing the project —but the potential "cost" of risks must be considered too.

43

Ask yourself, "What's the cause? What's the risk? What is the result of the risk being realized?"

44

IF-THEN risk statement structures work well, too. "IF other projects slip, THEN the resources required will be..."

45

Once properly stated, move toward determining the probability of occurrence and the severity of the impact.

Section III

Response Planning: Deciding How to Handle the Gators

The work is not done once risks are identified and assessed. It's all for nothing if there are not concrete, actionable plans for handling those risks all along the way. Risk Response Planning includes deciding how far the team will go—to take action and spend money—to handle each risk. It also includes ongoing communication to keep monitoring and acting on opportunities to respond to the risks at hand.

78

Gators, like risks, have been around for a very long time. They always will be there—every project must make a risk plan to tame them.

79

Remember: You play to win the game. You must get the project in on time and within budget despite all the risks.

80

Some risks should be mitigated. Sometimes a PM should take a calculated risk. A Response Plan helps everyone know the difference.

81

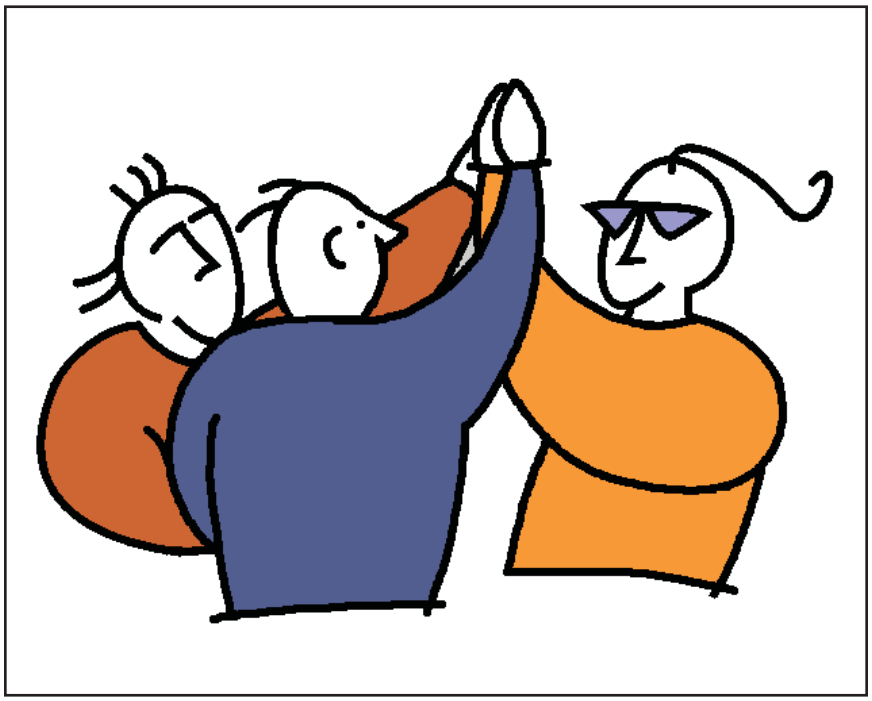
If there is no risk on a project it may not be worth doing! The secret is to make your risks *calculated*.

82

Take steps to improve the chances of a good outcome as well as steps to prevent bad outcomes from happening at all.

83

Understand the financial aspect of risks: Calculate Expected Monetary Value (EMV) of each to decide what to spend to negate them.



Section IV

Managing the Risk Throughout the Project: Living with Gators

The best-laid Risk assessments and response plans may not stay the same. Risk management is an ongoing project activity. Comprehensive risk management involves a plan and focused ongoing attention. The nature of risk on a project should also influence the type of project manager chosen based on the style of management best suited to managing the risk profile of the project. The team's involvement is the full risk management lifecycle and is critical as well.

110

The plan provides a perspective on risks across the project, ensuring that issues will be dealt with and management will get no surprises.

111

Senior management must ensure that their interests are reflected in the project's processes, timing, and approaches to risk management.

112

Have all parties agree on the acceptability of the risk management process. Be open to improvements. This keeps the process alive.

113

Manage the risk plan: scan for new gators in the swamp, assess their size, and monitor them to minimize their impact on the project.

140

Cultivate a proactive, pervasive risk management mindset on the team. Focus all minds on risk to manage gators and emerge unscathed!

About the Authors

Cinda Voegtli is Founder and CEO of ProjectConnections.com, an online project management know-how source and service with over 300,000 members from around the world. She has over 20 years of experience in project and portfolio management, process improvement consulting, line engineering, and company management. Over the years Cinda has consulted on project and portfolio management issues to a variety of companies and their unique projects, including Tyco Healthcare/Nellcor Mallinckrodt, Mobil Oil, Pacific Bell, Dow Chemical, NASA, Schlumberger, Aviron/MedImmune Vaccines, Hewlett Packard, and Lam Research. Cinda writes and speaks widely on practical real-world techniques for project and portfolio management that are organization-appropriate, easy to introduce for fast benefits, and adaptable for effective use on a variety of projects.

Laura Erkeneff is the CEO of Training for Techies, Inc., a training, coaching, and consulting firm that offers a unique approach to developing technical talent. By focusing on integrating her clients' technical expertise along with leadership and business skills, she has established a proven track record for accelerating leadership development in engineering and scientific management teams across multiple industries. In addition, Laura is a faculty member for the American Management Association, where her focus is on training business leaders in strategy implementation. Her professional development coaching groups for women serve such clients as Symantec, Charles Schwab, SAP, Genentech, and PG&E.

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Skills for Pro-active Risk Management
While Swimming with Project Alligators!

"Cinda and Laura have distinguished themselves as thought leaders in the risk management community with this work."
Carl Pritchard, Risk Guru, Pritchard Management Associates

"This handy reminder of practical project risk management could very well save you a much more agonizing trip through the swamp."
Kimberly Wiefling, Author of Scrappy Project Management and Scrappy Women in Business

"Cinda and Laura's expertise in the area of risk management lies in their unique ability to analyze a situation from many angles, through probing questions and insightful alternatives."
Jeff Richardson, Empowered Alliances

Cinda Voegtli is the Founder and CEO of ProjectConnections.com, an online project management know-how source for over 300,000 members and a provider of corporate project management services.

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Both authors have more than 20 years of experience in the fields of project and risk management.

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