Project Management
White Paper Series

Whose fault is it?

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by Keith Fournier

Sometimes when a project goes badly, the project sponsors may want to hunt down the guilty and reward the innocent. However, all projects have problems. The key to project management success is the ability to plan, predict and respond to project risks.

The primary reason that projects are not successful is because of critical assumptions made during the planning of the project. Often, the major risks in a project are shrouded in overly optimistic assumptions. For example, an assumption may include the availability of key resources during project implementation. It may be planned that these resources will be available 20 hours a week. However, during the project execution, the actual time is only 5 hours per week. Many failed projects have this situation. So what happens?

Project plans are made based on many assumptions. These should be clearly documented during the planning phase. As a rule, assumptions are considered true until a condition occurs making them false. When assumptions are false, the condition typically becomes an issue and could ultimately trigger a risk event.

An issue is defined as a potentially large and formally described problem that might impede the progress of the team, or that resources outside of the project team will be needed to resolve it. The problem should be significant enough to need project management assistance and have a potential impact to the cost, schedule and scope (technical or functional) of the project. The issue, if significant enough, may become a risk to the project.

The goal of an issues log is to have a dynamic and current repository whereby the appropriate project stakeholders are aware of project issues and will be better able to resolve them in a timely fashion.

An issue and the subsequent resolution can be further defined as:

1) An issue that can be resolved within the project team. The tasks to overcome the issue are within the project scope and can be resolved with a change in business process or a work-around.

2) An issue that cannot be resolved within the project team and could result in a scope change impacting cost, schedule and requirements. The issue, once quantified, will pass through the change control process.

3) An issue that is not impacting the scope of the project tasks but impact the ability to accomplish the project, for example, non-engaged project team, lack of stakeholder or project sponsor support.

To assist in the identification and documentation of an issue, an Issues Submission Form Template should be created and made available to the team leads. Upon consultation with the project managers, it may be prudent to include a completed issue submission form, to provide additional clarity on the subject. After review, the consultant and the project manager will develop an impact statement to quantify the potential impact to the project. If the impact is significant, it will be escalated through the change control process.

If the issue is significant enough, it could impact the cost, schedule or scope of a project. When this occurs, it could create a risk to the project. What is risk? Risk is a function of impact and probability. Stated as a formula:

Risk = f (impact, probability)

Impact is related to the potential costs that will impede the successful completion of the project and its probability can be considered as the odds of the risk event happening. There are two different types of risk analyses that can be performed to determine impact and probability. These are qualitative and quantitative. Both provide some indication to the impact of the risk.

Qualitative risk analysis typically classifies risk into groups such as low, medium and high risk. In contrast, a quantitative analysis attaches a percent probability to the risk for its possible occurrence. Each potential event could then be multiplied by the potential cost impact and derive the amount of funds that should be held in reserve.

In the following example, the team has identified three risks to the project. Each risk has a corresponding probability of occurrence and its impact. The prudent risk reserve is calculated by multiplying the probability by its impact, then totaling all reserve amounts. Therefore, for this project, the risk reserve should be $57,000.

Risk Event	Probability	Impact	Reserve
R1	0.2	$20,000	$4,000
R2	0.5	$80,000	$40,000
R3	0.1	$130,000	$13,000
		Risk Reserve Total	**$57,000**

After a risk is no longer considered relevant, the amount held in reserve to cover that event may be removed from the project budget. Those funds can be returned to the organization's general fund to be redistributed into other projects.

Risks can be dealt with in four possible ways: acceptance, avoidance, mitigation or transference. Accepting a risk is a situation whereby the team understands that an event or condition can occur, but chooses not to do anything about it. This may be due to a very low probability of it occurring or the potential impact is considered insignificant. When avoiding a risk, the team decides not to even engage in an activity that could cause the risk event. Trying to reduce the probability or impact of an event is the basis of mitigating risk. Finally, transferring risk places the liability of a negative risk event with a third party. Typically, transferring risk includes the use of insurance or hiring an experienced consultant.

A list of project risks should be held in a central repository called a risk register. A risk register includes all the pertinent information regarding potential project risks and should be reviewed often with the team. Risks should be monitored and elevated and communicated to the proper project stakeholders or sponsors, as stated in the project's communication plan. Contingency planning should also be a component of the project planning process. If an event should happen, contingencies should be prepared to minimize the duration of the risk event's impact.

The majority of the work performed by a project manager has to do with issue resolution and managing risks to the project. Using these following tools and techniques can certainly assist the project manager in documenting project conditions and providing concise information that can effectively communicate the health of the project.

Keys to successful risk reduction:

1) have senior management support,
2) develop risk management plan,
3) identify potential risks,
4) perform quantitative or qualitative analyses,
5) create contingency plans,
6) create and maintain a project risk register,
7) review risk register often,
8) capture project issues and evaluate for risks,
9) document any risk event and escalate accordingly, and
10) remove risks from the risk register after its probability for occurrence is eliminated.

Projects always have risks. Certain events or conditions can negatively impact the cost, schedule and project scope. If the project is properly planned, the impact of a risk event or condition will be much less than if not anticipated. The key to successful project management is not only to complete the project, but to manage stakeholders' expectations during the project life cycle. When an event occurs, the project team will be prepared to handle the situation and successfully finish the project. Then nobody will have to worry about whose fault it is.

About the Author

Keith Fournier, PMP, APMC, CMS, GISP (keith@isdltd.com) is a certified Project Management Professional (PMP) and has an Advanced Project Management Certification (APMC) with 17 years of GIS and IT project management experience. Keith was most recently the CIO and GIO for the award winning GIS and technology programs in Lucas County, Ohio. He is now the president of Innovative Systems Design Limited (www.isdltd.com). ISD is an enterprise technology management consulting firm specializing in Enterprise Resource Planning (ERP), Enterprise Content Management (ECM) and Geographic Information Systems (GIS) strategic planning, acquisition and implementation.