Seminar 9
Project Management
Risk Management and Stakeholder Analysis

“If we don’t succeed, we run the risk of failure.”
Dan Quayle (1947 -

Project Risk Management

• Identify, analyse and respond to project risk
  – risk management planning
  – risk identification
  – qualitative risk analysis
  – quantitative risk analysis
  – risk response planning
  – risk monitoring and control

Objectives of Risk Management

• To identify any risk that might threaten the success of the project
• To focus attention on minimising those risks with appropriate corrective action
• To provide a formal management and repeatable process approach for
  – identifying and assessing risk
  – determining effective risk reduction actions
  – monitoring and reporting progress in reducing risk

Factors Influencing Successful Risk Management

• Senior management’s expectations about risk
  – do they understand value of risk management? How can they be persuaded?
• Corporate culture and attitudes towards accountability
  – is there a culture that accepts need for accountability
• Background skills and experience of project team
  – management of risks should be an important skill for all project teams

Risk
– unexpected events that can cause problems which threaten the success of IT projects

Risk management is about knowing the unknowable!
– anticipating risk, assessing potential impact, and dealing with it in the hope that it never occurs
– juggling and balancing risks and their associated opportunities

All projects have risks!
Types of Risk in Project Management

- Broadly there are five main categories of risk
  - external risks
  - cost risks
  - schedule risks
  - technology risks
  - operational risks

External Risks

- Mainly outside the control of project manager and organisation
  - marketplace developments
  - government regulatory change
  - industry-specific procedures, standards
  - mergers and acquisitions
  - legal issues
  - change-driven factors – new products, services
  - corporate strategy and changes in priority

External Risks

- Mainly outside the control of project manager and organisation
  - disasters – fire, flood, earthquake, …
  - outside electrical interference
  - loss of power, heating, ventilation
  - sabotage, hacking, security breaches
  - communications systems and security sensor failure
  - viruses, other malicious attacks
  - emergency destruction of communications

Cost Risks

- Often directly or indirectly under project manager’s control or within area of influence
  - cost overruns by project teams, subcontractors, vendors, consultants
  - scope creep, expansion, unmanaged change
  - overrun of budget and schedule

Schedule Risks

- Project failure due to missing or delaying a market opportunity
  - inaccurate estimation resulting in errors
  - increased effort to solve technical, operational and external problems
  - resource shortfalls – staffing delays, insufficient resources, unrealistic expectations of assigned resources
  - unplanned resource assignment – loss of staff, resources to higher priority project

Technology Risks

- Failure to meet target functionality or performance
  - problems with immature technology
  - using the wrong tools
  - software that is untested or fails to work
  - requirement changes with no change management
  - failure to understand or account for product complexity
  - integration problems
  - software and hardware performance issues
Operational Risks

- Inability to implement large-scale change effectively, resulting in failure to achieve intended or expected benefits
  - inadequate resolution of priorities or conflicts
  - failure to designate responsibility to key people
  - insufficient communication or lack of communication plan
  - size of transaction volumes – too big, too small
  - rollout and implementation risks – too much, too soon

Measuring and Specifying Risk

- To evaluate and quantify risk we need to consider the following areas
  - likelihood of occurrence
    - how likely is the risk
  - severity of impact
    - how severely will it impact the project
  - level of controllability
    - how controllable will it be

Measuring and Specifying Risk

- Prepare a Risk Watch list
- Assess and monitor risk
  - Tripwires
  - Contingency plans
- Enterprise risk profile
  - Organisational BOK

Stakeholder Analysis

- All stakeholders have the potential to influence a project’s success in some way
  - the project may be unimportant but their involvement is critical
  - power to stop the project
- We need to understand all stakeholders position, power and stance
  - their consent or finance may be needed

Stakeholder Analysis

- Stakeholder
  - anyone affected by the outcome of a project, in a positive or negative way
  - some take no direct part in project
- Primary stakeholders
  - directly affected by project outcome
  - generally internal to organisation or project
- External stakeholders
  - suppliers, legal bodies, third party organisations who may impact or be impacted by activity

Assessing Stakeholder Interest

- Stakeholders will have differing motives and incentives for the project
  - expect different levels and types of information
- It is useful to analyse stakeholders in terms of the power they possess vs the level of interest they have in the project
  - a simple approach, but it captures a lot of information quickly
Assessing Stakeholder Interest

<table>
<thead>
<tr>
<th>Level of Interest</th>
<th>Power</th>
</tr>
</thead>
<tbody>
<tr>
<td>High</td>
<td>Key Player</td>
</tr>
<tr>
<td>Low</td>
<td>Keep informed</td>
</tr>
</tbody>
</table>

Assessing Stakeholder Interest

- Next, analyse stakeholders or stakeholder groups at a higher level of detail
  - positive towards project
  - negative towards project
  - not committed one way or another
  - a decision maker
  - a decision influencer
  - consent required for project to succeed

Stakeholder Conflict

- While stakeholders may share similar views on project objectives, approaches and timescales may differ according to motivations and agendas
- Conflict is unavoidable
- Many view conflict as necessary and beneficial
- To ensure project success we must understand key causes of conflict and possible ways to resolve it

Key Causes of Stakeholder Conflict

- Failure to identify and engage key stakeholders
- Conflicting objectives among key business stakeholders
- Excessive control exerted by business sponsor
- Key IT decisions taken independently of business sponsor
- Supplier management (customer’s perspective)
- Customer management (supplier’s perspective)

Encouraging Good Stakeholder Relations

- Promoting effective communication – required at every stage of the project
- Reducing the blame culture – trust, cooperation, responsibility, accountability
- Building the core project team – right people, balance of skills
- Training, coaching, mentoring – investment in organisation’s major asset

What Does All This Mean For Your Project?

- You have encountered some of these risks
  - which risks have affected your project?
  - you may still encounter others!
- You have had to deal with stakeholder conflict
  - in what areas?
- How have you dealt with these issues?
  - you thought about the issues that may still arise?
  - …and what will you do about them?
- Have you taken any calculated risks?
References


Schwalbe, K., (2004), Information Technology Project Management, Thomson Course Technology, Boston, MA, USA.