Using Risk Review for Successful Project Management

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Introduction

All projects are exposed to risk—from the moment of inception to implementation. It has been said that when projects fail, the seeds for that failure are sown within the first five minutes of the life cycle. A little provocative? Perhaps, but we have seen the land mines get placed very early in the process—from insufficient business or sponsor alignment to a poorly articulated vision and a lack of governance structure to set things in motion to achieve that vision; from an inappropriate response to a marketplace challenge to ineffective funding. Projects can easily go off course before they have moved very far along the timeline.

Projects are also subject to risk along the way. Expected resources can get drained away. A lack of thoughtful preparation can lead to an ineffective work breakdown structure and improper estimation. Even with well-articulated Requirements, if not controlled, the design can go off course. All this can destroy the best-laid plans.

We have all been on projects that seemed, at the time, doomed to failure. We hung in there to try and complete the project for a million reasons that all seemed valid at the time—resources were promised, seniors vowed their support, or just plain heroics. Then, when it was over, someone showed up saying something like "You should have come to me sooner, I could have saved you." You do not know whether to hire the guy as your risk management specialist or have him recruited out of the company!

It is the Project Manager's nightmare, and we have all been there before. We sometimes feel that risk management is more about sleeping better at night than about effective project management.

There are many risk management disciplines and technologies available in the marketplace today, and the first line of defense against risk always lies with the Project Manager. However, there is a way for corporations to support project managers and their teams in the business of managing risk, while increasing the overall probability of project success.

Enter *Project Risk Review*—a forward-looking audit function, based on a consulting model and deployed organizationally, that works with the project manager to anticipate and expose the landmines and to chart a path to successful implementation. Project Risk Review (PRR) is a critical component of the Audit and Risk Review function of the organization, designed to assess and mitigate risk in the corporation's most strategic projects. Previously, the audit function applied the old style approach of inviting one's self into a project, requesting the current set of work products for evaluation and then producing a report at senior levels that showed the project at risk. This traditional process rarely provided resolution tools or assistance to mitigate that risk.

Today, the PRR process operates collaboratively. By partnering with the project manager on the ground, Risk Review Specialists deploy risk avoidance tools and techniques, often joining with project team members to help in the resolution. Project Risk Review comprises a creative, enterprise-wide approach for evaluating the risk component of major change initiatives. It develops its perspective by *"standing in the future"* and looking back across the project to predict where it can go off course. It brings a risk and control culture to the corporate landscape and makes thoughtful planning and a proactive risk management process possible.

This paper will explore the possibilities around deploying a company-wide risk review support function as we examine the crucial role being played by PRR in successful project management.

Why Risk Review Is Critical to Projects

Our conversation in this paper is about a simple statement of need from senior management: "Tell me what projects I need to worry about and tell me soon enough so I can do something about it."

Strategic Projects are those that consolidate operations facilities integrate new acquisitions, significantly redesign existing processes, deploy new technologies or launch new products, pose a significant franchise threat if they fail. These projects have become massive undertakings, requiring huge amounts of corporate resource and can seriously impact the bottom line of the corporation.

Organizations need an independent review function that can combine the necessary assessment mechanisms with an objective view of the project and the means with which to minimize risk impact. In today's environment that can at times be hostile to project management, this function ensures the tough questions are asked.

• Does the project have a Sponsor?

Exhibit 1.
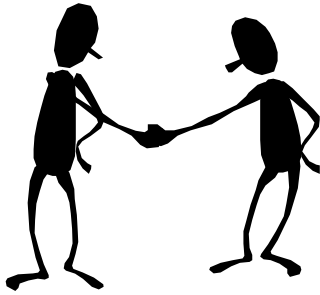
- Is it the right sponsor?
- Does the sponsor have buy-in from its peers?
- Does the project vision support the Business Case?
- Is the organization ready to do this project?
- Should the organization even consider doing this project?
- Will the project get the resources when we expect to get them?
- What is the state of "readiness" of the end user?
- Is post-implementation planning in the Project Plan? This is where risk really lives!

Organization Structure

Project Risk Review is an integral component of the company's Audit group, responsible for risk assessment and control in projects. Our group is part of a global function that reports to the chairman of the organization. We report regularly to the Senior Risk Management Committee of the corporation and the senior Audit Work Group. Thus, our function can bring significant influence as well as access to the most senior levels in the organization by:
- Understanding business and product strategies, priorities, and critical initiatives, then ensuring all major project objectives are closely connected to those strategies
- Aligning coverage to focus on corporate and business technology direction
- Migrating businesses to a culture of project self-assessment and project management competency.

Our focus is making risk review and control a daily practice in projects, rather than an event. The process is proactive and collaborative—it works this way!

During our annual planning, the Risk Review Directors meet with senior managers in the Corporation (Business, Technology, and Operations) to understand their operations and technology priorities for the coming year, focused on strategies and objectives. We then meet with the tactical managers in these areas to discuss their issues around risk, by project and program. Through these reviews, we gain a clear picture of the essential corporate initiatives and how those initiatives are framed around the business strategies.

We select only those projects that pose the greatest risk to the franchise should they fail. We base these selections on potential project impact in nine *risk families*—Strategic/Franchise, Legal/Compliance, Financial Reporting, Staffing/Organization, Credit, Market, Sovereign, Operational, and Systems/Technology. Indeed, given our position in the organization and our corporate responsibility, the federal regulators expect us to make these selections only after rigorous analyses.

We assign our Specialists to these projects based upon project requirements and their expertise, knowledge of the impacted area, and often, their ability to network into the project organization.

PRR assessment managers, specialists with extensive project and risk management experience, are dedicated to finding and fixing risk in the major projects of the organization. Our objective is to embed staff into these key projects and become part of the project team, as a resident Risk Assessment Manager. Our model is built on a consultancy, where the Sector PRR Directors are the "senior partners," with global, regional, and business coverage.

Our PRR specialists are the "on-the-ground" engagement managers who actually work the projects by:
- Preparing the project for possible adverse events in advance
- Providing an objective view to evaluate risk
- Using project management tools and techniques to assess risk and help mitigate risk
- Embracing all major change initiatives:
- relocations, process redesign projects, and new product development and launches
- considering technology risk, project integration, and beginning-to-end costs
- Evaluating end-user readiness by looking at the project as a whole
- Taking ownership to identify risk solutions and ensure corrective action is applied.

Looking for the Land Mines

"Day one" of our engagements varies widely depending upon our point of entry into the project (Initiation, Requirements, Design, Construction, Implementation, or Post Implementation). Our preferred entry point is Project Initiation, which enables us to address potential strategic issues very early in the process.

We make our initial project contact with the Project Manager and Sponsor. An initial assessment is determined using a mix of audit and project management tools, in accordance with our Risk Assessment Process. Depending on the entry point, certain project components receive critical attention. If the project is at inception, we can review the business case, stakeholder buy-in, and projected resource availability. For projects in an advanced stage, i.e., Construction/Verification (test), we look at the end user group—those who will receive the new entity or whose area will be consolidated—at least as thoroughly as we assess the new systems or processes themselves. We have seen repeatedly that unless the end user or "Change Target" is operationally or organizationally ready, it matters little how much we tested the programs or processes. The project is still very much at risk. We will also cover a multitude of situations in between these end points. This "discovery" and the material it produces provide a benchmark for PRR and for the project team.

We review the assessment results with the Project Manager and Sponsor to gain concurrence on areas of risk, and if one does not exist, we draw up a risk mitigation plan.

Concurrently, we develop our statement of work, which is essentially a program that dimensions our area of coverage, planned assessment activities, and reporting plan. This is our concept of operations for engaging the project. Plans are then established to facilitate our entry into the project where we determine:

- how the reviews will be conducted (success factor analyses, risk assessment matrices, and other tools)
- what project deliverables will be required for reviews
- the performance criteria for the project
- what control devices must be constructed along with the basic product, process, or system to ensure effective measurements can be taken once the new entity is launched
- communication planning, including how often reports will be produced
- most importantly, what tools will be made available to help mitigate the risk and to what extent the Risk Review Analyst will participate in helping resolve the risk.

Our day-to-day responsibility varies with project type and magnitude. PRR specialists are responsible for several projects, and each of these projects can be at a different point in its life cycle. Typically, the Specialist attends regular project and Steering Committee meetings, meets with key project players, and where appropriate, participates in project work sessions. In short, we become part of the project "fabric" by getting inside the project dynamics and information flow. We have learned that information derived *after the project meetings* and in the hallway is at least as useful as that which is acquired *during* the meetings. No implied subterfuge here—the plain truth is, deliverables and forward progress are woven together in the day-to-day interaction of the project team. These are *reported* at the project meetings.

And, while several of our specialists do cover a single project full time, most of our people must partition their coverage across a number of initiatives. That means assessing where the time and energy can be spent—which meetings, which people, which review activities. Each specialist must make the call individually and often in real-time. In many cases, a PRR team targets selected projects for short-term review, remaining fully engaged with the project for several weeks, then issuing a report of findings for review with the project team. Where possible, our team provides ongoing risk assessment as follow-up to assist the project team.

Risk reviews in the past, and indeed projects themselves, have focused on the technology components, i.e., requirements, application development controls, access and security, verification, and testing strategies. Other key functional areas, such as premises, processing, training, and human resources, were almost entirely ignored. Project Risk Review embraces all major change initiatives, which include relocations and facilities consolidations, process redesign projects, and new product launches. In this way, not only technology risk, but also project integration, beginning-to-end costs, and end-user readiness are evaluated, by looking at the project as a whole.

A key component of our role involves reporting and communication with project management, sponsors, and PRR senior management. The following guidelines are at work here.

- We can agree about the risks and their consequence and mitigation, or we can agree to disagree.
- We are always open and honest with our views.
- Nothing gets reported to senior management without first having been discussed with the project team.

How do we resolve risk issues when we agree? When we disagree? Usually these points of difference are around the scope, probability, or potential impact of the risks. It becomes the responsibility of the PRR Specialist to convince the project of the criticality of the risk. At the same time, it is the responsibility of the project manager to convince the Specialist that these risk dimensions are, in fact, stable, controllable, and not critical to the project objectives. These differences must be addressed. Any disagreement as to project scope or deliverables can have a serious impact on timetables, often putting project targets at risk. In all cases, it is crucial that our reporting not distance us from the project team, since this is meant to be a collaborative process.

Exhibit 2.
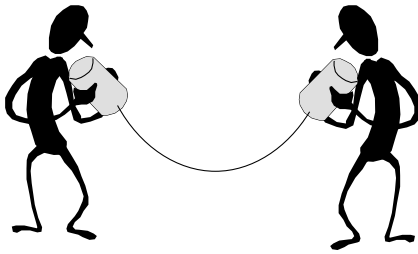
When we cannot resolve at the working level, it is the PRR's responsibility to escalate the issue. We must periodically bring those issues to the table that pose the greatest risk so they can be debated and resolved at the most senior management level of the organization.

This forms the basis for our communication. When we highlight risk, it is typically inside areas already known to the project. In many cases, the project team knows of the risk, but has not yet been able to address it … why?

This can result from the project manager having insufficient time to develop an accurate picture or working with conflicting priorities, or a lack of clarity about risk consequences can create a false sense of security. While there may be variance around the intensity of the risk consequences, there is generally agreement about the risk.Does it always work smoothly, with happy endings? Certainly not.

The issue continues to be around communication. Seniors managers continue to ask "Why aren't I being told about this by my project managers before I hear it from the Audit and Risk people?" A cultural shift is needed that will enable this communication.

For PRR to perform its role and function effectively and with proper balance, there must be a certain level of "dynamic tension" built into the process. Our organization must maintain a strong presence and our Specialists must be proactive and effective agents of change.

Integrating Risk Review with Project Management Disciplines

An effective PRR function is also dependent upon a strong project management culture in the organization. The two should be present in equal measures of strength. We are convinced of the critical role played by project management in today's diverse and global organizations. We know from PMI and from project managers in our organization about the discipline needed to make large-scale projects successful. We have learned from our friends in technology the value of using a rigorous methodology to direct projects. A strong process with effective tools applied professionally can make the difference between success and failure—between revenue recognition and missed financial targets.

Management Directors and industry experts alike tell us that project management is the way businesses must be run, and how they will be run in the next century. Project management, with its beginning-to-end ownership, has entered the corporate lexicon and landscape, this time to stay. The corporate pyramid is giving way to matrix management and management-by-project. Generalists of the past have become the project managers of the present and future.

Changes in technology today are matched only by the dynamic changes in the marketplace. Time is measured not in years but in "Web years" (three months). Corporations cannot tolerate project delays in this volatile and competitive environment. These delays impact our people, our marketplace position, and our ability to serve our customer relationships. We also cannot continue to treat the projects as we have in the past—as tasks our people must do, in addition to their "real jobs." Sponsorship for these efforts runs the gamut from no-show sponsors to those with the ever present "just do it" attitude. And, there are simply not enough full-time Project Managers. These managers on the front lines are expected to build their project enterprises with resources already overcommitted on other initiatives, constrained by underdeveloped requirements and with no overarching, corporate-wide project-methodology or process.

In many organizations and across different industries, we have not prepared the environment. There is insufficient corporate mandate, and current project management methodologies simply do not carry a large enough hammer to make them work. As such, there may be demand for projects, but there is no appetite for the process—not in the way we require to really make this work. Thus, when a project management training program unleashes a newly trained set of PMs, it does so into a hostile environment. We have no way of knowing how effective they will be, how big a trail they will cut, or how much of a legacy their project efforts will leave.

This, too, is where risk lives.

Risk Management in Projects

We are learning that not all projects are "technology projects"; they are major change initiatives with significant business impact. These all require the discipline of a technology manager and the strategic vision of a marketplace manager.

Furthermore, with costs surpassing $1 million, $10 million, $50 million, and $500 million, these projects have become major enterprises in themselves, requiring a strong organizational culture, up-front strategic planning, rigorous project management, and a comprehensive risk management program. As vital as Project Management is in this environment, it must often focus around basic Risk Management. We are all familiar with the crucial role of risk management; it occupies a prominent position in *A Guide to the Project Management Body of Knowledge* (*PMBOK™ Guide*). In developing our Risk Review model, we have relied upon some key distinctions developed around Risk Management. These form the basis for the program that is followed by many project managers in the organization today. In fact, we see Risk Review as the "flip side" of the project management risk process.

Ensuring an effective risk program is the responsibility of the project manager. Providing an environment that supports this discipline is the corporation's responsibility.

## Using Risk Review in the Corporate Environment

Such is the state of our current environment. So, what can PRR do to help remedy the condition?

Going forward, we have two major objectives. The first is simply to reintroduce ourselves in our new incarnation. We have already begun that process by meeting with key senior managers to continue building a strong and trusting relationship. We are creating a risk review environment that is forward looking and collaborative. Our efforts are helping the corporation evolve a true risk and control behavioral model. Building on some models already in place, we are embedding our teams into key projects. We are also mounting a sustained marketing effort to make sure our points get across to as broad a population as possible.

Second, we are deploying a new methodology that will guide our reviews going forward and that builds upon an interrelationship with the project management methodology now emerging in the organization. We are partnering with the project management organizations across the organization to ensure this new approach gets integrated into the projects and the processes. Along the way, we are shifting corporate focus and changing behavior that will ultimately evolve to a true self-assessment culture.

Our Successes

Our experience to date has shown that, when this approach is rigorously applied and introduced early in projects and


Exhibit 3.
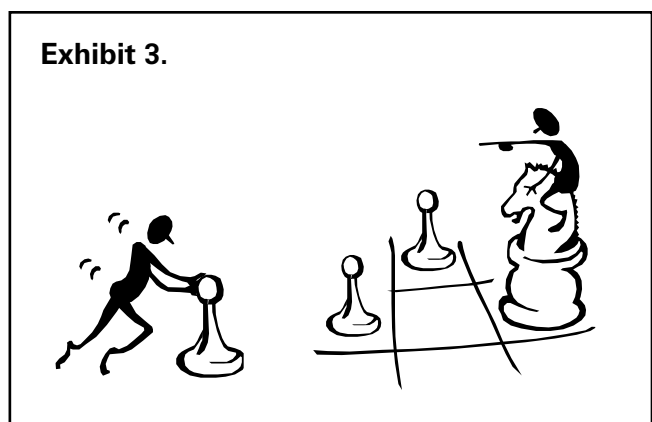
when the Specialist can stay engaged in project activities for the project duration, Risk Review is proving to be a formula for success.

In one such review, a business was considering a series of projects to overhaul its current platform rather than to fully replace its key processing platforms. Risk Review and project management was asked to evaluate the alternatives. Our objective view helped refocus the initiative, resulting in a much stronger strategy for the business. In another instance, we questioned the business strategy of a major consumer banking initiative in which the way certain crucial operations were to be configured posed a threat that might eliminate the benefit component of the business case. This could have potentially stopped the project. Business managers reconfigured the approach, and the project proceeded successfully to implementation.

A strategic global-processing platform replacement program was threatened by a regional deployment that was creating diverse, nonuniform configurations, with the potential for serious inefficiencies. PRR recommended the business introduce a strong program-governance structure to enforce centralized control and help reset the program.

On a more tactical level, the Organization was preparing to deploy a global processing system that would effect the way regional businesses around the world would operate for years to come. The project had been run as a pure "technology project" with little consideration of other components, i.e., premises, back office operations, staffing and skills levels, and so forth. A "readiness" assessment was conducted prior to implementation. As a result of this "pre-implementation" assessment, potential showstoppers were discovered and corrected and a very complex implementation went off without a hitch. This readiness tool has become the standard device for all pre-implementation checklists. The project benefited, the risk review process was able to successfully collaborate with the project, and the end user received the expected processing platform on time, on budget, and with quality.

Exhibit 4.
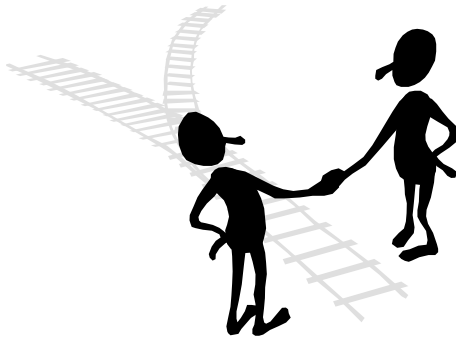
So we can more fully deploy our approach, we are replicating our basic model through documentation and by developing success factors, including:
- Up-front agreement between PRR and the business on defined roles and responsibilities
- Full endorsement by the project manager of the PRR role as "risk manager" on the team
- Early involvement of PRR in the project
- Discontinuance of early audit-type reports
- Agreement on risk with team members
- Assignment of responsibility for issue resolution
- Right skill sets
- Adequate time allocation
- Modification of PRR methodologies to embrace project management disciplines.

This Project Risk Review concept is being driven from top management—our senior Risk Assessment Officer has defined the model against which we are working, and we are assured there is support for our efforts at the most senior levels of the corporation. The value-added for Project Risk Review is inside the way our Specialists use the risk review and mitigation tools. Our value also appears in the way we help promote effective process in the projects we review.

As our influence and presence grows, PRR will expand our portfolio of major initiatives. Our objectives continue to be a proactive engagement, coupled with a strong endorsement of the Organization's project management process and tools. Our success will be measured not just by how successful these projects are in meeting their objectives, but in how effective we are in helping the Organization use our risk control culture to help meet its strategic objectives.