

A Real Risk Assessment

Rick A. Morris, PMP, ITIL, MCTS

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Agenda

1. Overview of Current Risk Process

2. Two Constraining Laws

3. How to Capture Real Risk

4. A New Risk Assessment Tool

5. Questions and Answers



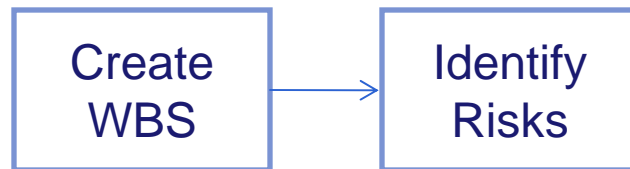
Current Process

▶ ...so we are told:

Create
WBS

Current Process

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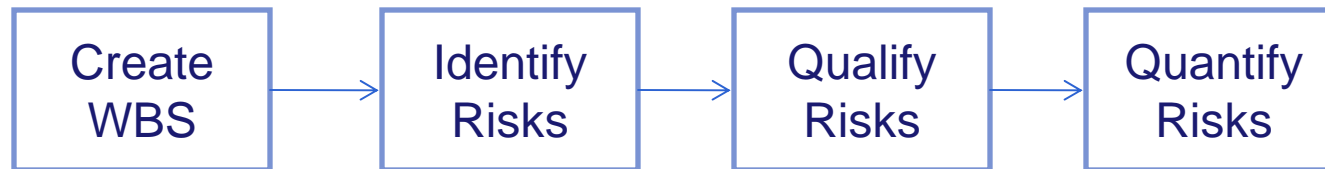
Current Process

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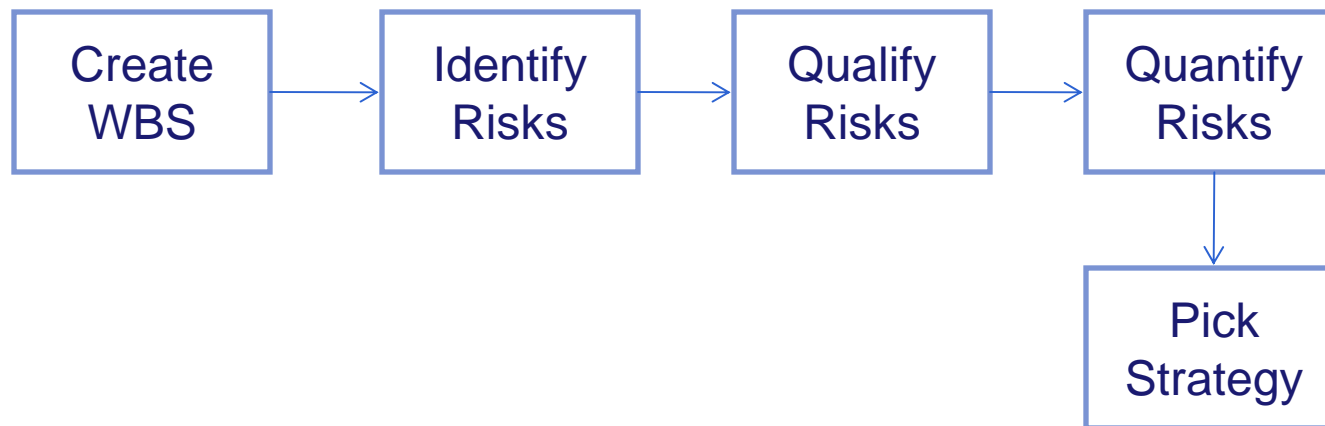
Current Process

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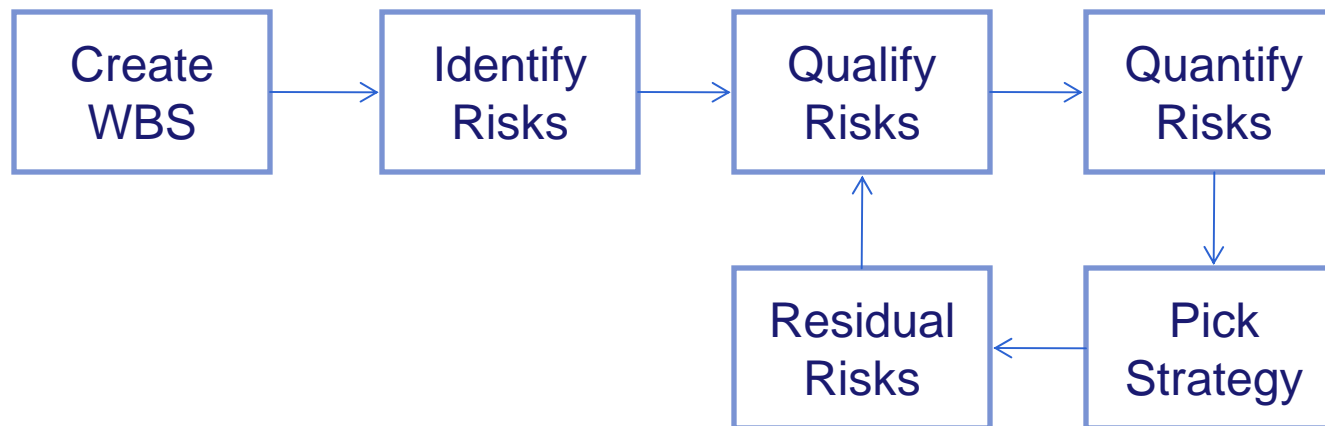
Current Process

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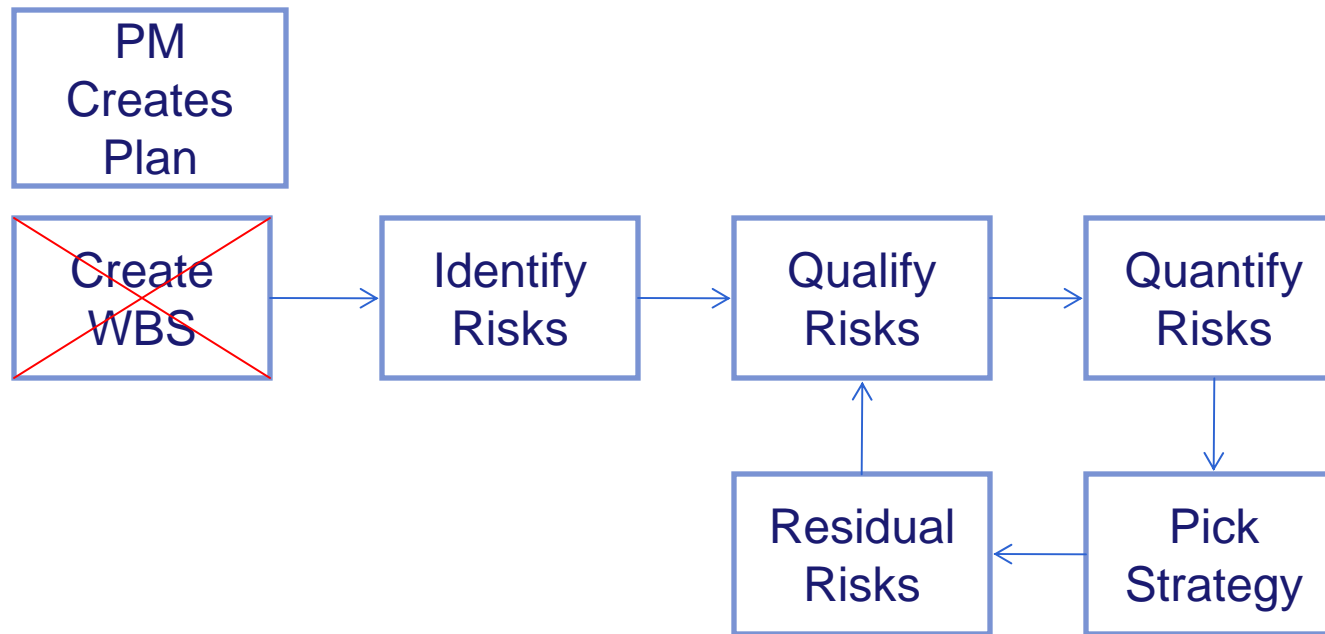


Current Process

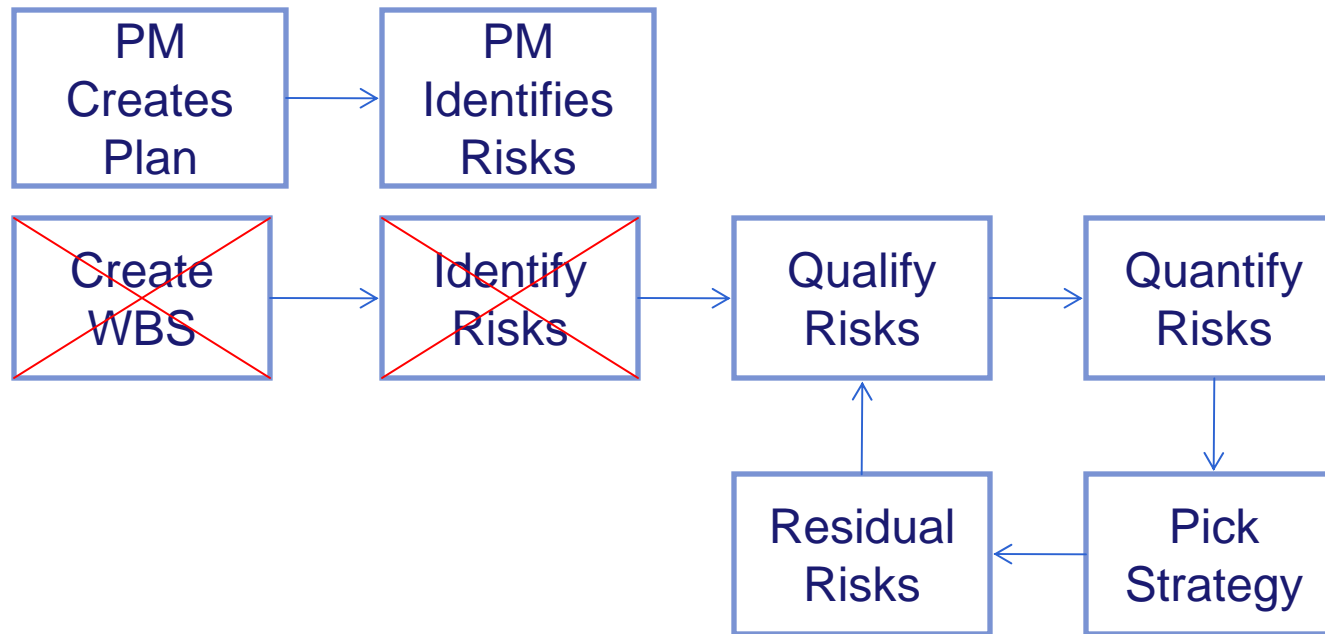
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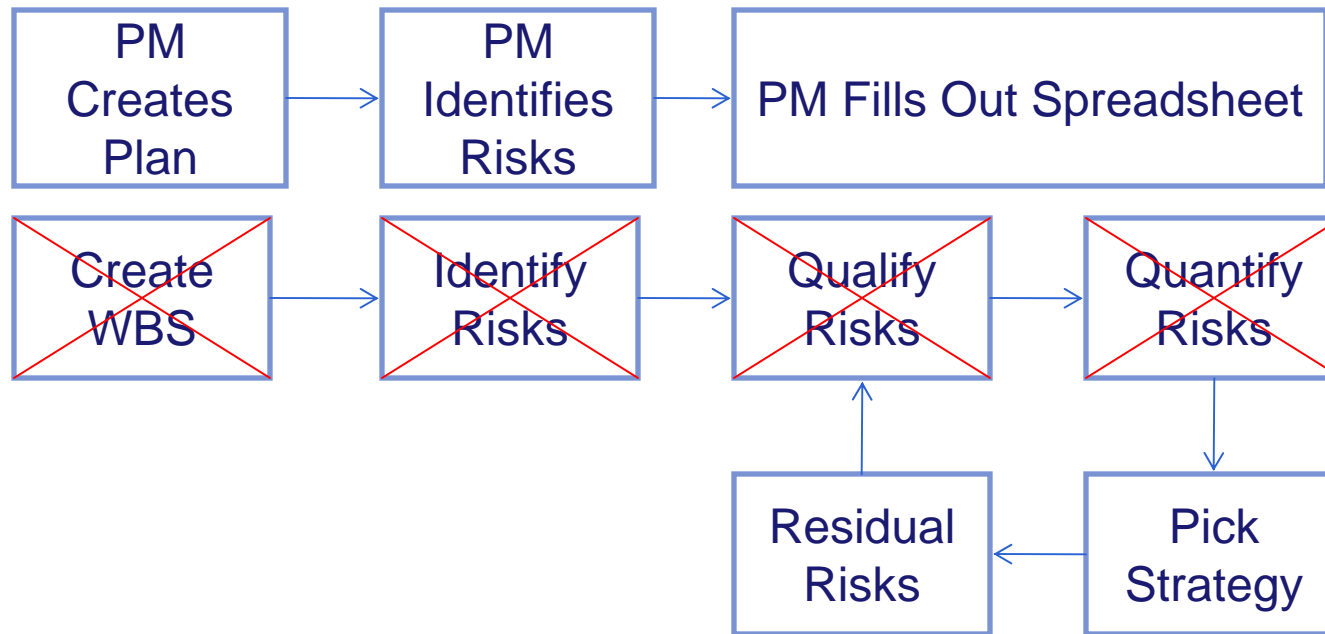
What Really Happens



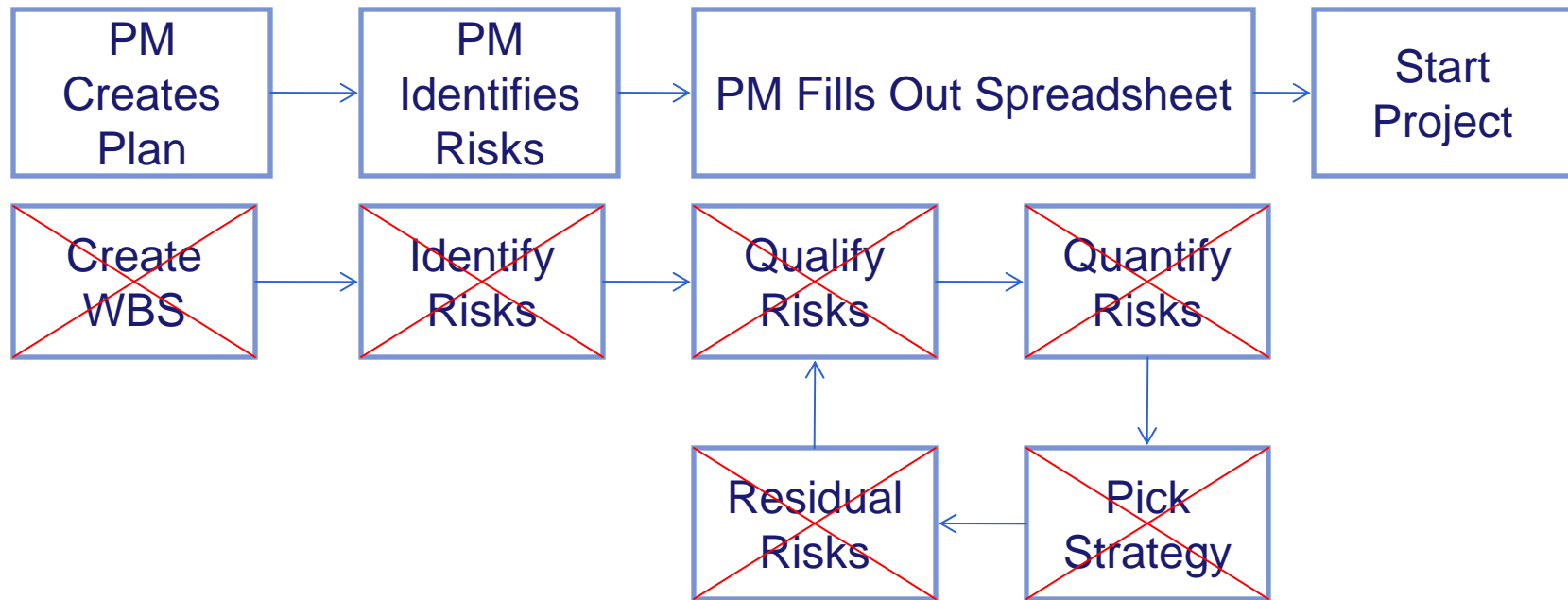
What Really Happens



What Really Happens



What Really Happens





Why Risk Assessments Fail

- ▶ End up with an ambiguous answer:
 - This project has a risk level of “medium”
 - Your risk assessment score is 4.87
- ▶ Thanks....but now what?



Two Constraining Laws

▶ Parkinson's Law

- Work will naturally fill the timeframe allotted.

▶ Murphy's Law

- Anything that can go wrong will.



Our Dilemmas

- ▶ How to capture risk when our team / sponsor / management does not believe in risk or will not attend risk meetings.
- ▶ How do we account for risk without allowing Parkinson's Law.
- ▶ How can I use a risk assessment to help drive the contingency that I need?
- ▶ How can I create a risk assessment that means something?



Simple Approach

- ▶ Set up your Microsoft Project Plan using best practices (i.e. no manually typed dates, everything linked, etc.)
- ▶ Save a copy and “break” your plan.
- ▶ Figure out if you can recover the plan. If so, what kind of lead time do you need?
- ▶ If not, deal with the risk now!

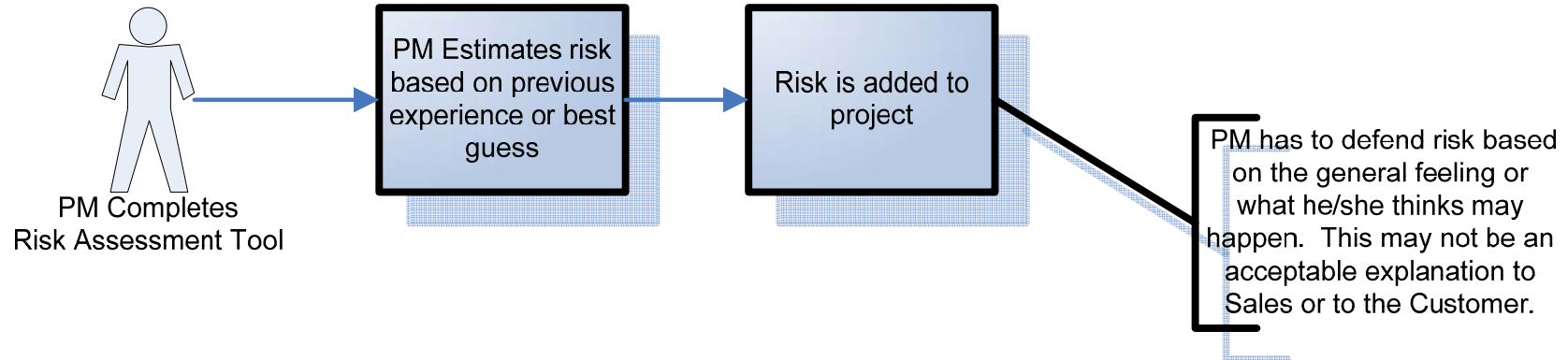


More Involved Approach

- ▶ Correlate risk score to time and cost guidelines
- ▶ Utilize real incidents and lessons learned to baseline risk
- ▶ Create a repository of items to avoid repeatable issues
- ▶ Create a system that updates real time as new risks are identified or old risks that are nullified
- ▶ Approach begins with general risks, then over time, moves to specific risks

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Start General





Second Step

▶ How to Capture Real Risk

- Create a real project plan:
 - No manually entered dates
 - Everything has a predecessor
 - Baseline, Baseline, Baseline

Second Step

▶ Track variances

ID	Task Name	Duration	Baseline Duration	Duration Variance	% Complete	Start	Finish	Predecessor
44	6.5 Data Prep for Appropriateness Testing	4 days	5 days	-1 day	100%	Thu 8/26/04	Tue 8/31/04	41
45	6.6 Test Case Creation / Prep Work	13 days	5 days	8 days	100%	Wed 9/1/04	Mon 9/20/04	44
46	7 Appropriateness Testing	8.5 days	23 days	-14.5 days	100%	Tue 9/28/04	Fri 10/8/04	38,39
47	7.1 Round 1	8.5 days	9 days	-0.5 days	100%	Tue 9/28/04	Fri 10/8/04	
48	7.1.1 Testing	2 days	2 days	0 days	100%	Tue 9/28/04	Wed 9/29/04	
49	7.1.2 Results Analysis	0.5 days	0.5 days	0 days	100%	Thu 9/30/04	Thu 9/30/04	48
50	7.1.3 Steering Committee Review	2 days	0.5 days	1.5 days	100%	Mon 10/4/04	Tue 10/5/04	49
51	7.1.4 KB Modifications	4 days	5 days	-1 day	100%	Mon 10/4/04	Fri 10/8/04	50
52	8 KB Documentation	5 days	5 days	0 days	100%	Fri 10/8/04	Fri 10/15/04	47
53	9 Technical Development	73 days	31.5 days	41.5 days	100%	Mon 7/12/04	Thu 10/21/04	
54	9.1 Technical Requirements	5 days	4.5 days	0.5 days	100%	Mon 7/12/04	Fri 7/16/04	
55	9.1.1 Identify Data Integration / Source	2 days	2 days	0 days	100%	Mon 7/12/04	Tue 7/13/04	
56	9.1.2 Identify Integration Requirements	2 days	2 days	0 days	100%	Wed 7/14/04	Thu 7/15/04	55
57	9.1.2.1 Hierarchy Impact	1 day	1 day	0 days	100%	Wed 7/14/04	Wed 7/14/04	
58	9.1.2.2 Security / Sign-on	1 day	1 day	0 days	100%	Thu 7/15/04	Thu 7/15/04	57
59	9.1.3 Identify Hardware / Hosting Requirements	1 day	0.5 days	0.5 days	100%	Fri 7/16/04	Fri 7/16/04	56
60	9.2 Systems Engineering	66 days	16 days	50 days	100%	Mon 7/19/04	Tue 10/19/04	54
61	9.2.1 Technical Integration / Setup	22.4 days	2 days	20.4 days	100%	Mon 7/19/04	Wed 8/18/04	
62	9.2.2 Database Tuning	12 days	2 days	10 days	100%	Mon 10/4/04	Tue 10/19/04	61,43
63	9.3 Review Tab Customization	3 days	3 days	0 days	100%	Thu 8/26/04	Mon 8/30/04	34,41
64	9.4 Report Tab Customization	3 days	3 days	0 days	100%	Tue 8/31/04	Tue 10/19/04	35,63
65	9.5 Screen/Report Testing	2 days	5 days	-3 days	100%	Wed 10/20/04	Thu 10/21/04	64
66	9.6 Technical Alpha	0 days	0 days	0 days	100%	Thu 10/21/04	Thu 10/21/04	60,65



Third Step

- ▶ Gather real variances and categorize them.
 - Use actual risks and actual impacts
 - Using historical information, correlation can be made between risk and cost/time impacts
 - Instead of a “general” feeling when sales or a customer inquires about the amount of risk, the answer could be, “In project A with product B, an overrun occurred due to ...”



Fourth Step

- ▶ Create new risk assessment utilizing actual risks and actual impacts. Utilize actual variances to determine impacts.



The New Report

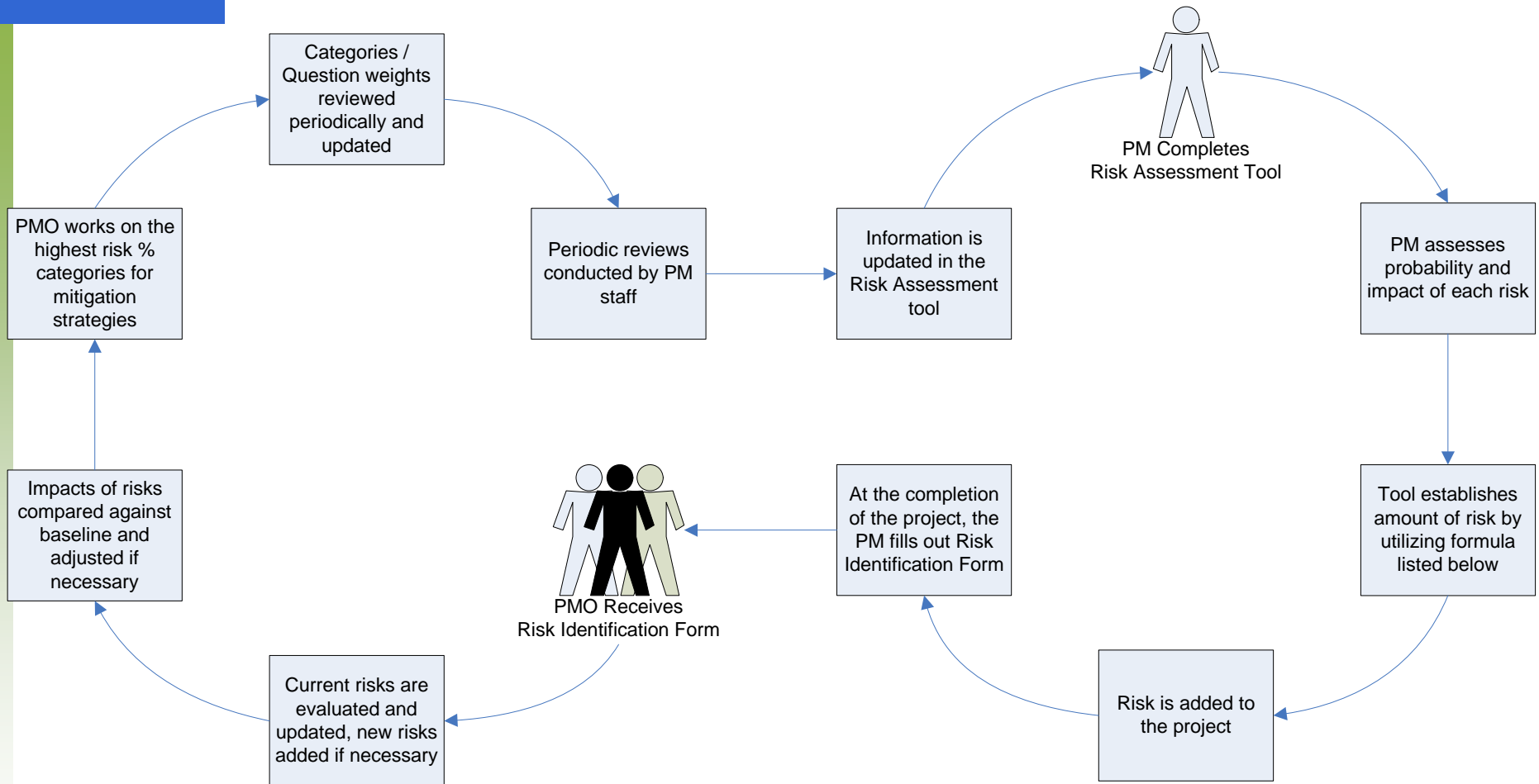
Category Totals

Upper Management	8
Scope/Business Case	7
Contract	2
IT Department	13
Vendor Risks	5
Resources	6
Technology/Product	2
Schedule	9
Project Management	2
Other	4

Total Risk

<i>Risk Variance</i>	12
<i>Low Risk Days</i>	47
<i>Risk Days</i>	59
<i>High Risk Days</i>	71

The Process



Formula: $((\text{Best Case Actual Risk}) + (4 * \text{Most Likely Actual Risk}) + (\text{Worse Case Actual Risk})/6) * \text{Probability} * \text{Impact} * \text{Question Weight Percentage} * \text{Category Weight Percentage}$



Remember the 2 Laws?

- ▶ How do you plan for risk, put it in your project plan, but not give it away to your team?



Questions?

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