

Risk Management: Tricks of the Trade for Project managers

By Rita Mulcahy, PMP

(A book review by R. Max Wideman)

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Introduction

Every now and then it is nice to come across a book that really is packed full of practical and useful advice that you can use on projects. That distinguishes this book from those of authors who just talk about good or new ideas – but you have to figure out for yourself how to apply them! Indeed, as Rita observes:

"In country after country, standard project management practices focus on risk management. Yet, in reality, most project managers and those that work on projects ignore risks by doing nothing about them After years of working with thousands of project managers from around the world, this book has been written to fill a substantial gap in international risk management knowledge. It will also attempt to correct common errors flagrantly noted and taken as fact in poorly documented articles and project management literature."¹

Amen, to that!

Rita is perhaps best known for her PMP® Exam Prep materials for the Project Management Institute's ("PMI") PMP certification program. However, according to her biography, she has "over 15 years and \$2.5 billion of hands-on project experience on hundreds of IS, IT, new product, high-tech, service, engineering, construction and manufacturing projects." Billion? In 15 years? "Hands-on"? As a consultant? That sounds like a bit of a stretch, but we get the general idea.

Book structure

The structure of the book is straightforward. Successive chapters are devoted to PMI's published sequence of Risk Management Planning; Risk Identification; Qualitative Risk analysis; Quantitative Risk analysis; Risk Response Planning; and Risk Monitoring and Control. These chapters are preceded by a PMP certification look-alike test of 25 questions and a couple of chapters covering an overview and inputs into the process. The idea of the test is that you do it before you read the book, read the book, and do it again afterwards to demonstrate how much you have learned as a result. If you think that taking the same test twice is cheating, then there is a separate Final Exam, of 50 questions, to try instead. Of course, if you are in a hurry, you can pass up on this feature.

The chapters are lavishly endowed with well-organized bulleted checklists, Rita's quick-read Tricks of the Trade®, sidebars, tables, forms, and illustrations or worked examples. Each chapter concludes with a Chapter Summary covering the Key Concepts described, Key Terms introduced, a couple of games and questions for discussion. The games involve "Matching" definitions to their respective labels and identifying "What Doesn't Belong" to relieve the monotony, help commit these things to memory and test your progress.

The book is rounded out with four appendices, a Glossary (of risk management terms) and a brief Bibliography. The appendices cover: Accomplishing Risk Management when Doing High-level Estimating; Risk Categories and Lists of Risks; a Risk Chart Exercise; and finally, comments on The PMP® and CAPM® Exams.²

What we liked

Project risk identification tends to be a negative exercise, especially if the project is in trouble before it even gets going. So in that case, before moving into risk identification and response planning, Rita suggests spending some time on identifying opportunities first to create more optimism.³ Or you can conduct a "Pre-Mortem" – like a post-mortem except that you assume project failure and then brainstorm why the project has failed.⁴ And, speaking of brainstorming and inputs, Rita provides some very down-to-earth practical advice on how to interview an expert and what questions to ask.⁵

Having collected all those risks, the next problem is how to sort them into some sort of order. Rita has a fun exercise for that, too. Write them all up on her custom Risk Notes, layout a large chart on the floor, showing Impact versus Probability, and let the team place them accordingly. Her experience shows that "160 risks can be sorted this way in only 20 minutes . . . Interestingly, only a very small proportion of the risk ratings will need to be discussed."⁶

Chapter Seven deals with Risk Response Planning, an area that many people often find difficult, being at a loss for ideas. Again, Rita provides a lot of good suggestions. So, after all of that, there should be no excuse for anyone not knowing how to do risk management!

The process of project risk management that Rita describes in her book is well integrated into PMI's more familiar tools and techniques. But she carefully skirts round the troubling confusion in most people's minds over the similarity between the five PMI management process groups of Initiating, Planning, Executing, Controlling and Closing that otherwise look uncommonly like the project life span. She simply states "The project management life cycle follows PMI®'s process groups."⁷ To the extent that the principle project management processes are nested within each phase of the project life span, and indeed within each stage and succeeding breakdown of the life cycle down to the activity level, then the reverse must also be true.

Rita categorically asserts, "It is not the project manager's job to create the project charter. A project charter should be issued by management for every project."⁸ Good. But management does not always know what to put into a charter so it becomes incumbent on the project manager to provide some input. Indeed, creating your own terms of reference is not a bad thing, making it much easier to reach a meeting of the minds between project sponsor and project leader.

Under "Assumptions" Rita talks about "Risk Tolerance Areas" and observes "Tolerance areas are usually expressed in terms of the **Triple Constraint**: cost, time, scope of work, quality, risk and customer satisfaction."⁹ She even illustrates the statement with a hexagonal polygon. Since the Triple Constraint is usually illustrated by a triangle, the reader should not fear a feeling of being mathematically challenged.

According to Rita, "One of the top 10 reasons projects fail is that project managers do not adjust their project management process to the needs of each project." And "Project failure can often be attributed to a lack of adaptation of organizational policies." Hence "Tailor Risk Management Activities to the Needs of the Project."¹⁰ Good advice indeed!

Appendix Two: Risk Categories and Lists of Risks offers 15 "opportunities" and 491 "risks"¹¹ – and the winner is . . . ?! Still, we enjoyed some of them: Under Design Procurement & Construction we saw that "Local politicians, unruly elements, etc." can be a "Cause" of risk.¹² Well said. We like the implication!

Downside

We would quarrel with part of Rita's description of "Scope Statement". She says: "Think of the term scope statement as another word for the scope of work, . . ."¹³ In our view the scope statement should describe the project's deliverables, while the scope-of-work should describe the work involved in producing the deliverables, two separate steps. The former determines the latter, but it is the latter that provides the basis for estimating and planning, and where the risks will be identified.

In the Chapter Four sidebar we learn that "Risks include what can go RIGHT (opportunities) as well as what can go WRONG (risks)!"¹⁴ It is true that RAMP Ltd., a UK based organization, defines project risk as "The likelihood of variation in the occurrence of an event, which may have either positive or negative consequences."¹⁵ However, the majority of authors see risk itself as negative but nevertheless see the importance of looking on the positive side as well, i.e. looking for opportunities. We believe that looking for opportunities, or even converting risks into opportunities, is an appropriate part of project risk management, yet others believe that opportunity seeking is really a completely separate activity. It all depends on the phase in the project life span.

There is sure to be some disagreement over how Rita describes time and/or cost "Reserves". She suggests that there should be two reserves: "contingency reserves" to deal with identified residual risks that remain after risk response planning; and "management reserves" to deal with risks that have not been identified.¹⁶ "Management" usually refers to the project sponsor's "management" rather than the project's "management". Hence, this would be beyond the control of the project manager and therefore not part of his or her project until released by "management", typically for a scope change.

In discussing proposals, bids and contracts, Rita suggests that "A contract should not be created without first completing a risk analysis!"¹⁷ However, there is a problem if the contract is to be formed as a result of a firm-price bid or proposal. If none of the competition is including an allowance for conducting a risk analysis, then the proposal is less likely to win on cost grounds. Nevertheless, Rita does point out that "Many of the risks on the project can be eliminated if the buyer and seller work together."¹⁸ The trick is to get that to happen.

We had some trouble with Issues and Workarounds. In the section titled "Create Workarounds" Rita describes an issue as "an unforeseen, minor problem that has occurred. It may be handled by listing it on a project action item list and managing it, or creating a workaround."¹⁹ In our view an issue is any item,

small or large, that needs to be resolved – often at the next higher level, or between two or more parties. It is not necessarily a risk item, but an open question to be resolved.

As to workarounds, Rita paraphrases PMI's PMBOK Guide definition as "an unplanned response to an unidentified risk that occurs. Workarounds are reactive; project management is supposed to be proactive."²⁰ We don't agree with the PMI definition and, as Rita suggests, see no reason why a workaround should not be planned in advance. I.e. "If that happens, we'll do this to get around it." So, if you create a workaround in this way, it is no longer an unplanned response!

Summary

This book is light hearted and easy to read. Yet it contains a wealth of handy reference information for the practicing project manager. It should be, considering the large number of contributors from around the world. Further, owners of the book can log into Rita's web site at <http://www.rmcpj.com/> and gain access to full sized versions of the many templates and forms displayed in the book, as well as access other useful information.

The book is also a fun book that might not satisfy the experienced project risk management aficionados. But if that's what it takes to get project risk management better established amongst the general project management community, then so be it.

One final word. In Appendix Four: The PMP® and CAPM® Exams, we learned that the PMP® exam "is written psychometrically, there are questions on the exam that even experts find difficult!" Apparently, "psychometrically" means "with psychological measurements". So at last! This "expert" writer has the perfect excuse!

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¹ Mulcahy, R., Risk Management: Tricks of the Trade for Project Managers, RMC Publications, Minnesota, 2003, p7.

² Ibid. p320.

³ Ibid. p71.

⁴ Ibid. p82.

⁵ Ibid. pp84-86.

⁶ Ibid. 110.

⁷ Ibid. p28.

⁸ Ibid. p32.

⁹ Ibid. p39.

¹⁰ Ibid. 48.

¹¹ Ibid. pp429-307.

¹² Ibid. p254.

¹³ Ibid. p33.

¹⁴ Ibid. p61.

¹⁵ Glossary, Risk Analysis and Management for Projects, RAMP Ltd. Web site, UK, <http://www.ramprisk.com/homepage/index.asp> , 2004.

¹⁶ Mulcahy, R., Risk Management: Tricks of the Trade for Project Managers, RMC Publications, Minnesota, 2003, pp168 & 193.

¹⁷ Ibid. p177.

¹⁸ Ibid. p178.

¹⁹ Ibid. p195

²⁰ Ibid. p195.