



## **IT Project Risk Management Framework**

**The following slides present a  
Project Risk Management Framework  
that can be used to categorize  
IT Projects by both  
Business Impact  
and  
Project Factor  
Risk**

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*To ensure that projects receive a comprehensive review, all IT project will reviewed using 2 frameworks:*

- **Business impact -**
  - **What happens to the business if the project fails?**
  - Ensures that smaller projects with a high business impact are not overlooked
- **The risk factor profile of the project**
  - **What characteristics of the project contribute to its overall riskiness?**
  - Provides a consistent classification of a project on a standard project risk profile
  - Sets up the depth to which the following processes will be applied
    - Risk mitigation planning and progress review
    - Project management and progress review
    - Architectural review



## Business Impact Framework








To identify projects with a significant business impact (BI), regardless of project size, each project will be reviewed against the following set of questions:

Business Impact Dimension	Question	Impact Rating
<b>Strategic Significance</b>	What would the impact be on the firm (or its business unit's) strategic position if the project was not completed?	 1 2 3 4 5 6 7 8 9 10 Low Medium High
<b>Reputation</b>	To what extent would the customer be impacted if the project failed to meet the schedule?	 1 2 3 4 5 6 7 8 9 10 Low Medium High
<b>Survival Time</b>	What would the impact be on the firm's survival if the project failed to implement on schedule?	 1 2 3 4 5 6 7 8 9 10 Low Medium High
<b>Financial Impact</b>	What would the financial impact be if the project failed to implement on schedule?	 1 2 3 4 5 6 7 8 9 10 Low Medium High
<b>Competitive Position</b>	What would the impact be on the firm's competitive position if the project were not fully implemented?	 1 2 3 4 5 6 7 8 9 10 Low Medium High
<b>Productivity</b>	What would the impact be on firm's productivity if the project was not fully implemented?	 1 2 3 4 5 6 7 8 9 10 Low Medium High
<b>Overall Business Impact Rating</b>	Given the rating on the previous questions, what is the overall business impact rating for this project?	 1 2 3 4 5 6 7 8 9 10 Low Medium High



## Project Risk Assessment Framework






To identify projects with a significant project risk, regardless of project nature, each project will be reviewed against the following set of questions:

	Project Risk Dimension	Question	Risk Rating	
			Low	High
1	<b>Project Size: \$</b>	What is the size of the project budget?	 1 2 3 4 5 6 7 8 9 10 <b>Less than \$50K</b> <b>More than \$10 million</b>	
2	<b>Project Size: Team Members</b>	What is the size of the project team?	 1 2 3 4 5 6 7 8 9 10 <b>Less than 10</b> <b>More than 50</b>	
3	<b>Project Team: Experience with Similar Project</b>	Do project team members have experience with similar types of projects, either at our firm or other locations?	 1 2 3 4 5 6 7 8 9 10 <b>Most Have Experience With Similar Projects</b> <b>None</b>	
4	<b>Project Team: Experience Working Together</b>	Have project team members worked together before on projects, either at our firm, or at other locations?	 1 2 3 4 5 6 7 8 9 10 <b>Most Have Worked Together Before</b> <b>New to One Another</b>	
5	<b>Technology: Newness of Technology</b>	Is the technology being used to develop or to deliver the project results to the business new in the IT industry?	 1 2 3 4 5 6 7 8 9 10 <b>Well Established</b> <b>New</b>	
6	<b>Technology: Newness to Firm</b>	Does our firm have experience with these technologies, or are they new to us, even if established in the IT Industry?	 1 2 3 4 5 6 7 8 9 10 <b>Lots</b> <b>None</b>	
7	<b>Organizational Complexity</b>	How many of our firm's business groups or departments will be impacted by the implementation of this project?	 1 2 3 4 5 6 7 8 9 10 <b>One</b> <b>More than 3</b>	



## Project Risk Assessment Framework continued

To identify projects with a significant project risk, regardless of project nature, each project will be reviewed against the following set of questions:

	Project Risk Dimension	Question	Risk Rating	
			Low	High
8	Vendor Involvement	How many outsourced or other vendors are involved in the project, or are crucial suppliers during the life of the project?	 1 2 3 4 5 6 7 8 9 10 1 Vendor <span style="float: right;">More than 3</span>	
9	Inherent Business Complexity	How complex is the business area that will be addressed by the project? Are the business rules straight forward and transactional, or do they involve interacting decision matrixes?	 1 2 3 4 5 6 7 8 9 10 Transaction / <span style="float: right;">Complex Business</span> Lots of previous <span style="float: right;">Rules / Little Previous</span> Experience with at Firm <span style="float: right;">Experience</span>	
10	Project Manager: Fit to Project	Does the project manager's experience and background include projects of similar size and content?	 1 2 3 4 5 6 7 8 9 10 Yes, Lots <span style="float: right;">No</span>	
11	Project Visibility	Is this a highly visible project, in that delays in implementation or other project difficulties, will be immediately apparent: inside our firm ... outside our firm?	 1 2 3 4 5 6 7 8 9 10 Not very visible <span style="float: right;">Very</span> Inside or outside Firm <span style="float: right;">Visible</span>	
12. Overall Project Risk Rating		Given the ratings on the previous project risk dimensions, what is the overall summary risk rating for this project?	 1 2 3 4 5 6 7 8 9 10	

Each risk project dimension that has a “high” rating needs to be addressed with a specific risk mitigation plan or tactic.

Progress on the effectiveness of each risk mitigation tactic will be part of normal project monitoring.



## The Psychology of Project Risk Assessment

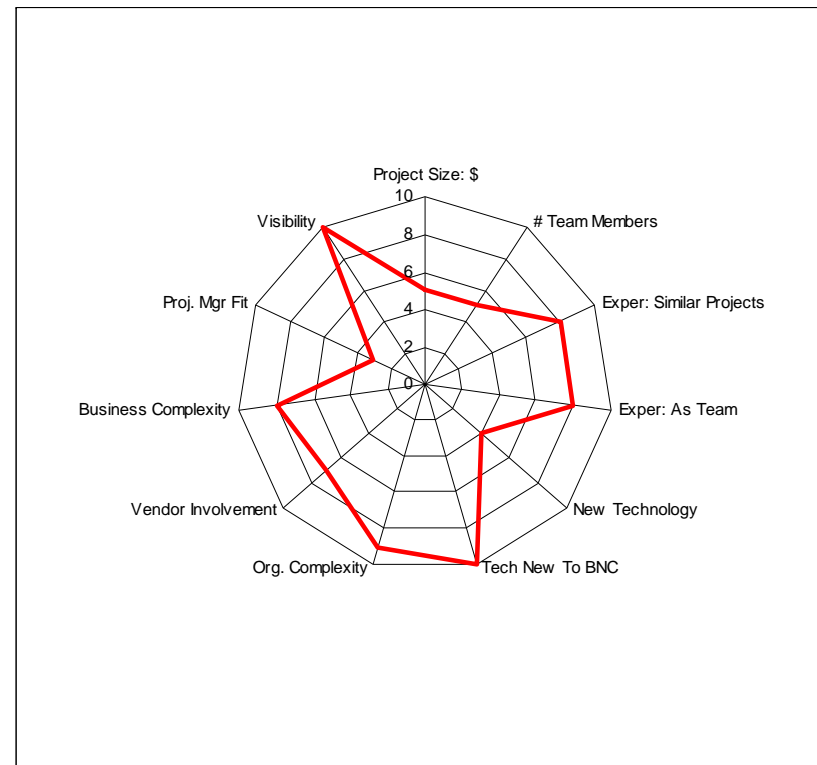
- Project team members have to “believe” they will succeed in order to be motivated to work hard on the project
- This influences their risk assessment – no matter how hard they try to be “objective” in their risk assessments, there is a tendency to be “too positive”
- The best business impact and project factor risk assessments are done using a Delphi approach
  - Get appropriate project team members to do their assessments independently of one another
  - Get “a similar number” of project knowledgeable but not “project involved” people to also do an assessment independently of one another
  - Average the two
  - Compare them
    - If they match → good probability of accurate assessment
    - If they don’t and outside is more negative → use it
    - If they don’t and outside is more positive → they may not know enough about the project – use the project team’s



## Project Risk Profiles are Summarized in Radar Diagrams (Also Known As “Spider Nets”)

	Rating
1 Project Size: \$	5
2 # Team Members	5
3 Team Experience with Similar Projects	8
4 Team Experience As Team	8
5 Technology New In Industry	4
6 Technology New To Our Firm	10
7 Organizational Complexity	9
8 Vendor Involvement	7
9 Business Complexity	8
10 Project Manager Fit	3
11 Project Visibility	10

Overall Project Risk Rating:  
8

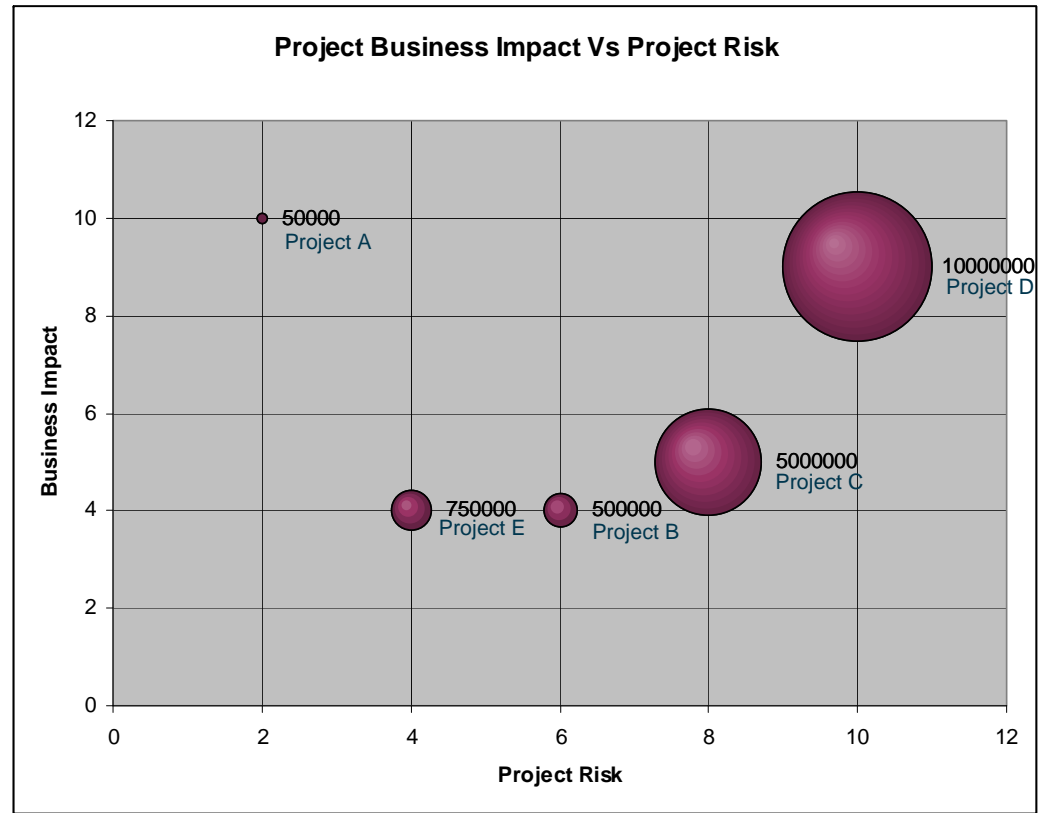


The greater the area inside the boundary, the higher the project risk profile.



## Projects Can be Compared Based on their Business Impact and Risk Profiles

High risk,  
high impact,  
large projects  
require a greater  
degree of project  
management and  
review.





# What happens next?

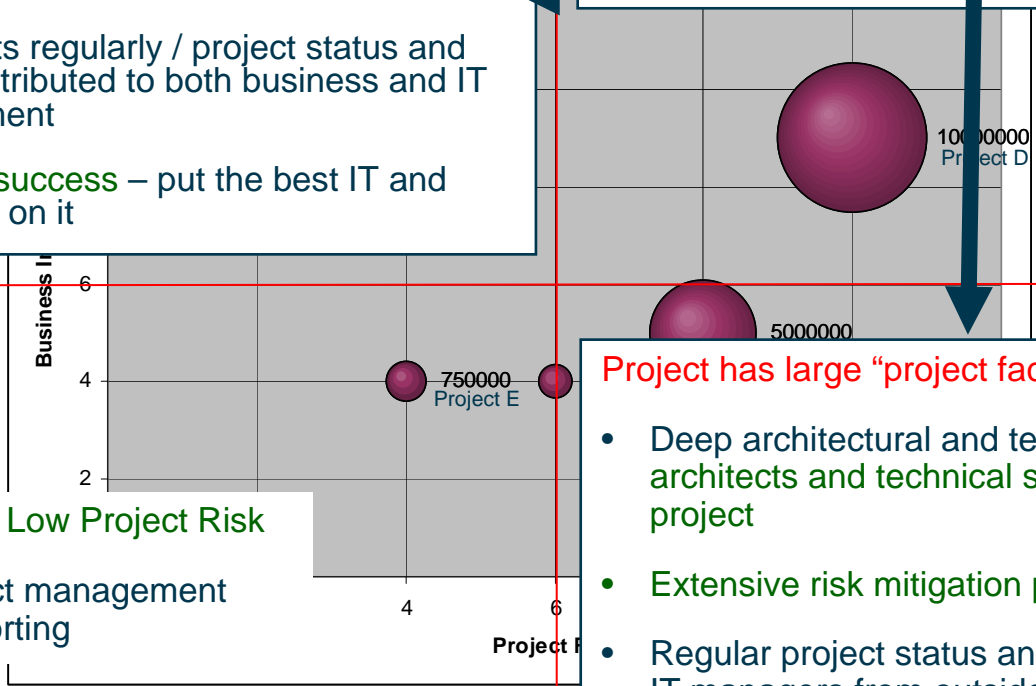
**Project Failure has great negative Business Impact**

- Ensure steering committee is headed by a **senior business representative** who will be impacted if the project fails
- Committee meets regularly / project status and issue reports distributed to both business and IT senior management
- **Staff project for success** – put the best IT and business people on it

**Project Failure has great negative Business Impact**

**Project has large “project factor risk”**

**Do everything on both lists**



**Low Business Impact / Low Project Risk**

- Apply normal project management processes and reporting

**Project has large “project factor risk”**

- Deep architectural and technical review – by IT architects and technical specialists external to the project
- Extensive risk mitigation planning
- Regular project status and issue review by senior IT managers from outside project reporting hierarchy – e.g. **PMO reviews**
- Project status and issue reports distributed to Top IT leaders