Conquest 2007

GORM
Goal Oriented Risk Management

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Agenda

GORM - Goal Oriented Risk Management:
- Motivation: The gap between theory & practice
- Risks: A problem of acceptance
- Risks in project context
- The idea behind GORM: to involve the stakeholders
- GORM - How it works
- GORM - First Experiences

Risk Management

If you don‘t attack a risk actively ...

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Risk Management

the risk will attack you!

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risk management in process theory

PMI (PM-Bok) & IPMA (PM baselines):
- risk management is a “method” for project management

CMMI & SPICE:
- risk management is a (supporting) management process

RUP - Rational Unified Process:
- Risk management is one of the “ten essentials of RUP”

MSF – Microsoft Solution Framework:
- risk management is called a “core discipline”

And Tom DeMarco simply says:
- “Risk management is project management for grown-up’s”.

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risk management in practice

The effect of risk management to real world projects is limited:
- In many projects risk management is not performed at all!
- In most projects, who perform risk management,
  it is not effective:
  - They know some risks (and write them to the risk list)
  - They do not look for further risks
  - They do nothing against the actually known risks
  - They accept their fate when the damage occurs
- **Proactive risk management is (still) the exception!**

„Es gibt nichts Gutes, außer man tut es!“ Erich Kästner

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Risks: An Acceptance Problem (1)

Risk management is dealing with some **unexpected** and **unwanted consequences** of the project – **with problems**!

"Danger of Avalanches" can trigger the message:

- "Skiing outside the slopes is dangerous".
- But for a good skier skiing outside the slopes is fun!

We think positively / goal-oriented

- and we do NOT want to disappoint our stakeholders!

„Weil nicht sein kann, was nicht sein darf!"

Risks can initiate conflicts, which we don't want to have …
… and consequently we don't want to deal with.

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Risks: An Acceptance Problem (2)

Risk management is applied probability theory!

- and we do not have a sense organ for probability!
- It is hard to deal with "probability"

A risk is a potential problem
and **at no time** we have the problem **"potentially":**

- As long as it is a risk, we do NOT have the problem at all.
- When the risk becomes a problem, we have the problem entirely.

And so mostly the motivation is low to deal with project risks!

- Low motivation → low skills for Risk management
- Low skills → low benefit → no budget for risk management

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An example

Mr. Smith (Line Manager; member of the steering committee)

- Well, Mr. Meyer what's about the risks in you project?

Mr. Meyer (Project Manager; he has prepared his top-three risk-list for the mile-stone-review meeting):

- My number one risk is, that you could shift my key-developer to another project. Then I would get seriously problems with the quality of the results and with the schedule.

Mr. Smith:

- Ah … You can forget that!
- **That's no risk** – **that's my management decision**!

Risks in project context

What is success?

- To reach our project goals!

What is a risk?

- The possibility to fail a goal!

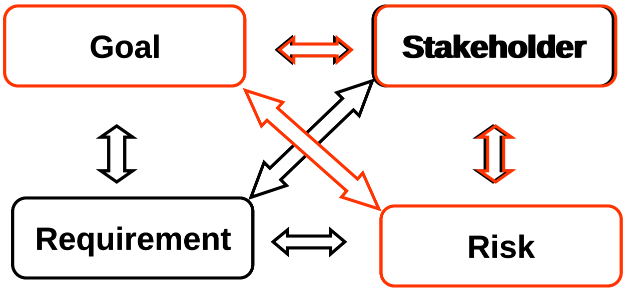
How do we achieve our goals:

- Via realisation / implementation of requirements

Who stands behind this goal?

- A stakeholder

Stakeholder → Goal → → Requirement → Risk



- A risk endangers the achievement of a goal
- A risk endangers the interests of a stakeholder

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The message behind GORM

GORM links risks to stakeholders of the project:

- It is their risk ... And they will have the problem ...
- It is their job to deal with their risks
    - To take the risk
    - To mitigate the risk ... and care for ressources & budget
    - To reject the risk ... and cancel the project
- The projcet manager shall support them, handling their risks

Most risks/problems do not affect the project manager primarily

- He/she typically does not need the project results ...

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GORM – how it works

Following the typical steps of risk management:

- Goal oriented risk identification
- Goal oriented risk analysis
- Goal oriented risk action planning
- Goal oriented risk tracking

The next slides shall figure out the specific points of

goal oriented risk management

→ the stakeholder involvement …

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Goal oriented risk identification

Identifying the project's stakeholders and their goals:

- Go to the stakeholders (or bring them together)
- Ask them for their goals.
  - If necessary: help them to formulate their goals.
- Search together for causes which can lead in failing the goal → **the risks.**

If the stakeholders and/or their goals are not clearly stated we have identified a fundamental project risk:

- an ambiguous project order!

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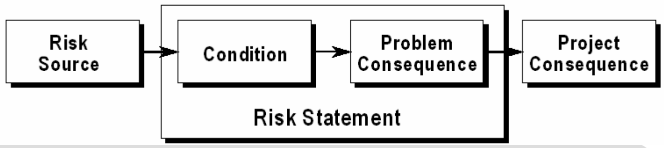
Goal oriented risk analysis

Analyse the risks **together** with the stakeholders:

- Go to the stakeholders (or bring them together)
- Ask them for the importance of their goals.
- Ask them for the consequences of failing the goal
  → **the problem**
- Discuss with the stakeholder the **cause of the risk** and the **impact of the problem**
- Estimate together risk probability and potential losses.
- Formulate the **risk statement**



Goal oriented risk action planning

Negotiate with each stakeholder / affected group of stakeholders:

- Discus the relevance of the problem (based on the analysis)
  - What is the loss? Who has which problem?
- Discus potential means to reduce the risk:
  - Preventive actions to reduce risk probability
  - Preventive actions to reduce potential losses.
  - Emergency actions to reduce the losses when the problem has occurred.
- Discus the effort & costs of potential risk mitigation means
  - How does it reduce the risk? … and does it count for?
- **Define agreed risk mitigation actions**
  - Why, what, when, who & budget?

Goal oriented risk tracking

Involve the stakeholder in tracking their risks regarding
- the re-assessment of the meaning of the potential problem
- the assessment of the effect of performed risk actions
- and the re-adjustment of the risk action plan.

Each stakeholder can have his/her own risk portfolio to care for
- It is their risk → they will have the problem ...

GORM – first experiences (1)

Some surprising outcomes:
- A project manager had problems to identify his stakeholders:
  - he named the most important … but he was not sure …
  - The problem: to decide who is stakeholder & who is not
- Some stakeholders were not used to state goals:
  - They approve a project request & authorise the budget …
- We had problems to elicit the (business) goals behind the system requirements.
  - Our goal oriented risk approach was the first attempt to ask **why** shall the system fulfil all these requirements ...

GORM – first experiences (3)

We discussed **potential problems** & **chances**, e.g.:

- What would be the losses, if we start operation three months later than scheduled? … no clear answer …
- What would be the wins, if we start operation three months earlier than scheduled? … thinking …
- I stated: If it does not matter whether we are three months late or early, **why do you invest in that system?** … thinking …
- And then the stakeholders started an inspired discussion about the **expected benefits** of the new system, and what we should do, to assure them.
- At the end we discussed,
  - how much the system may cost **more**,
  - if we manage the start of operation three months **earlier**.

GORM – first experiences

The first experiences with GORM are positive!

- The acceptance is high on both sides
  - Project managers
  - Stakeholders
- The first effect:
  - A better understanding of the project goals
  - A better understanding of the stakeholder's role
- The feedback:
  - It makes risk management less abstract & more tangible

All models are wrong, but some are useful

GORM seems to be a useful model:

- to dicuss project goals with their stakeholders
- to activate stakeholders to play their part in the project
- to point out nebulous project goals
- to link risks to their stakeholders
- to negotiate risk mitigation with the right people
  → with the affected stakeholders
- to release the project manager from an unaceptable role:

  To be the bad guy who brings in all the risks & problems!

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Thank you for your attention!

Questions & Discussion ...

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